



**WDP**

SUPPLYING SPACE

**Interim Report 2005**





**Agenda** (for update: see [www.wdp.be](http://www.wdp.be))

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General meeting	annually on the last Wednesday in April
Publication of half-annual results 2005	6 September 2005
Payout of dividend on coupon no 9:	from Wednesday 14 September 2005
Publication of 3rd quarter results	week 49
Publication of annual results 2005	week 10 2006



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## Warehouses De Pauw: supplying space

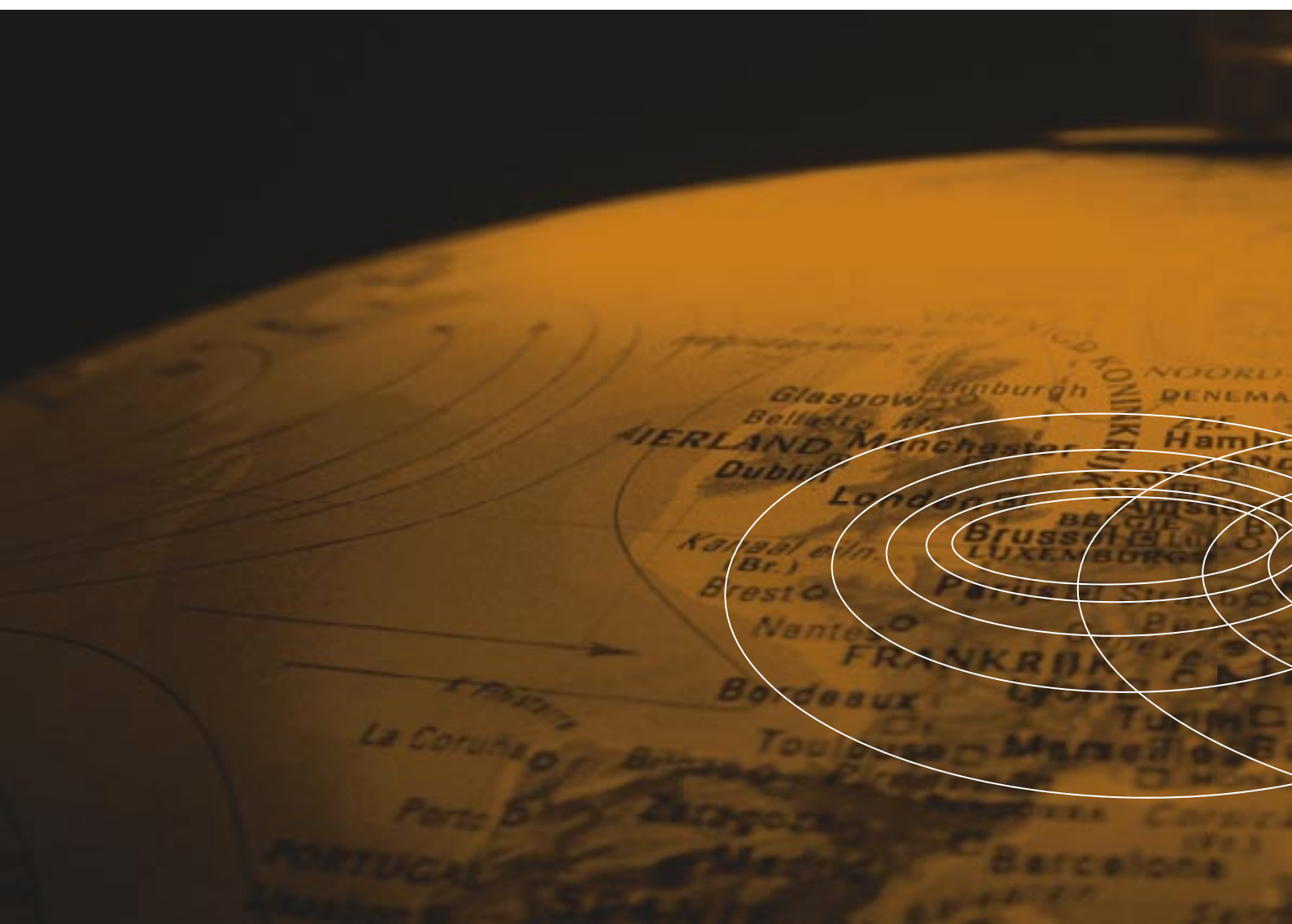
### Strategy

Warehouses De Pauw (WDP) is the leading operator in the Belgian semi-industrial property market. True to its motto “we give you the space to invest”, the WDP closed-end property investment company focuses its activities on building up a high quality logistics and semi-industrial property portfolio, which is reflected in practice by:

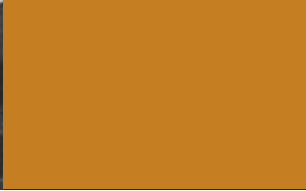
- the development of specific storage and distribution premises;
- customised projects at the user’s request;
- investment in existing spaces for customers who wish to engage in “sale and rent back” operations.
- reacting quickly to worthwhile investment opportunities.

The multifunctional nature of the building plays a crucial role for each investment. The lifetime of the building is in fact determined by the potential for leasing it again, after the departure of the existing tenant. Furthermore, after completion, WDP retains the projects within its portfolio, so that the added value achieved by it remains within the Closed-end Property Investment Company. In terms of the geographic location of premises, WDP systematically selects strategic intersections for storage and distribution.

WDP attaches great importance to the development of a long term relationship with its







clients, for whom it above all aims to be considered as their property partner.

**Priority markets**

Alongside Belgium, the Netherlands and France constitute WDP's main priority markets. Most of the properties and projects are therefore in prime locations in the Breda-Antwerp-Brussels-Lille logistical heartland, where they occupy prime locations. WDP aims to have a dominant presence in this **Western European logistical heartland** in order to be able to provide optimal service to its clients. WDP is continuing to develop its portfolio in order to be able to meet the great demand, which will be sustained in the future owing to the presence of major ports such as Antwerp and Rotterdam and the high purchasing power of this densely populated region.

The second pillar of WDP's growth is the Czech Republic, which is developing rapidly as a **logistical heartland for Central and Eastern Europe**.

**Portfolio**

On 30th June 2005, WDP had 60 sites in its portfolio, spread over five countries: Belgium, France, Italy, the Netherlands and the Czech Republic. The total surface area of land at the sites in the portfolio was 1,46 million m<sup>2</sup>, along with 731.000 m<sup>2</sup> of buildings, to which 40.000 m<sup>2</sup> should be added for buildings under construction.





## Warehouses De Pauw: supplying space (continued)

The total value of the property portfolio was 372,7 million EUR at that time, including transaction costs.

WDP's ultimate goal is to achieve European assets to the value of 500 million EUR.

### Stock market listing and capitalisation

The WDP Closed-End Property Investment Company has been listed on the Euronext Brussels Premier Marché since 28th June 1999, and since 2003 has formed part of the "next prime" segment of the European mid-caps and the VLAM21 index. Since 2004, it has also been included in the EPRA (European Public Real Estate Association) index. Since spring 2005, WDP shares have once again been listed in the Euronext "Next 150" index.

Since 17th December 2004, WDP shares have also been listed on the Euronext Paris Second Marché.

In mid 2005, the closed-end property investment company's market capitalisation exceeded 300 million EUR.

### Shareholders

WDP developed from the assets of the family group, Jos De Pauw de Merchtem, which remains the reference shareholder with a 30% strategic stake in the closed-end property investment company.



## Key figures

### Consolidated annual accounts

	million EUR 30/06/2005	million EUR 31/12/2004	million EUR 30/06/2004
<b>ASSETS</b>			
LAND AND BUILDINGS*	372,74	350,02	343,48
LIQUID ASSETS	4,36	3,37	2,50
OTHER CURRENT ASSETS	8,17	5,60	7,41
<b>TOTAL ASSETS</b>	<b>385,27</b>	<b>358,99</b>	<b>353,39</b>
<b>LIABILITIES</b>			
EQUITY CAPITAL	242,29	235,88	225,60
PROVISIONS AND DEFERRED TAXES	6,58	6,89	6,74
DEBTS	136,40	116,22	121,05
<b>TOTAL LIABILITIES</b>	<b>385,27</b>	<b>358,99</b>	<b>353,39</b>
NAV**/SHARE before profit distribution of the current year	30,73	29,91	28,61
NAV**/SHARE after profit distribution of the current year	29,61	27,44	-
PRICE	39,45	35,00	32,75
PREMIUM/DISCOUNT of the price of the NAV** before profit distribution	28,38%	17,01%	14,47%
DEBT RATIO in accordance with IFRS*** (dividend under capital and reserves)	35,40%	32,37%	34,25%
DEBT RATIO in accordance with art.52 of the Royal Decree 10/04/95*** (dividend as debt)	37,69%	37,80%	34,25%
*: valuation including transaction costs **: NAV = Net Asset Value ***: debt ratio = debts / total assets			
	in 1000 EUR 1 <sup>e</sup> sem. 2005	in 1000 EUR 2004	in 1000 EUR 1 <sup>e</sup> sem.2004
OPERATING INCOME	13.371,48	26.283,18	13.488,96
OPERATING PROFIT	12.161,44	24.087,79	12.334,26
FINANCIAL RESULTS	-2.157,11	-3.860,40	-1.852,68
INCOME TAXES	104,47	-53,15	-198,87
<b>OPERATIONAL RESULTS</b>	<b>10.108,80</b>	<b>20.174,24</b>	<b>10.282,71</b>
<b>UNREALISED NET GAIN ON THE PORTFOLIO</b>	<b>15.774,34</b>	<b>2.017,75</b>	<b>2.273,10</b>
<b>EXTRAORDINARY RESULTS</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>PROFIT</b>	<b>25.883,14</b>	<b>22.191,99</b>	<b>12.555,81</b>
PROPOSED DISTRIBUTION	8.812,93	19.481,20	-
DIVIDEND PAYOUT RATIO (in relation to the operational results)	87,18%	96,56%	-
NUMBER OF SHARES AT THE END OF THE PERIOD	7.885.249	7.885.249	7.885.249
OPERATING PROFIT/SHARE	1,28	2,56	1,30
NAV INCREASE/SHARE (after profit distribution)	2,17	0,23	-
GROSS DIVIDEND/SHARE	1,12	2,47	-
NET DIVIDEND/SHARE	0,95	2,10	-
<b>% EBIT in relation to intrinsic value at the end of the last financial year*</b>	<b>9,34%</b>	<b>9,40%</b>	<b>9,59%</b>
<b>% annual profit in relation to intrinsic value at the end of the last financial year*</b>	<b>23,92%</b>	<b>10,34%</b>	<b>11,71%</b>

\*: where dividend as debt; in case of half year figures, these have been extrapolated on a yearly basis, based on the results of the first half year.

After a year of transition in 2004, WDP has focused resolutely on its future during the first half of 2005. This has not always been straightforward, as the evolution of financial markets is putting pressure on returns and rents. At the same time, institutional investors are showing ever greater interest in logistical properties. Its specialisation in the semi-industrial property market, along with the CEPIC's long-term vision, both with regard to the portfolio and in its customer relations, have nevertheless enabled WDP to differentiate itself.

In operational terms, the CEPIC has notably managed to maintain overall occupancy levels at 90%, in spite of a major part of the Breda building still awaiting a tenant, following the liquidation of Deventer Logistic Services in 2004. The duration of the leases is currently improving. It has been possible to convert several short-term contracts accounting for a surface area of 17.000 m<sup>2</sup> into classic 3/6/9 leases, which reflects the tenants' increased confidence and reduces the risk for the CEPIC.

The interim results should be considered in their proper perspective. If on first sight, the 10,1 million EUR of operating profits are lower than the 10,28 million EUR of the first half of 2004, quite the reverse appears after "correction", i.e. taking into account the 900.000 EUR loss of rental income resulting from the liquidation of DLS. The profit level also proves that the setback suffered in the Netherlands has largely been offset by the uninterrupted growth of the portfolio. The completion of the Zele project – which was refurbished entirely in-house – is just one example of this.

Continuing low interest rates and the increasing interest in property in general are also having a positive effect. The increase in property prices has led the independent firm of surveyors Stadim SCRL to revise the valuation of the existing portfolio upwards: + 15,8 million EUR compared with the end of 2004.

Investors are also looking to the future with confidence, supported by the fact that WDP has managed to maintain its 2004 dividend at its previous level, even though this was a year of transition. During the first half of the year, WDP share prices increased to almost reach the 40 EUR barrier, compared with a price of 35 EUR at the end of December 2004. We should bear in mind that WDP's dividend policy will change as from 2005. Apart from the traditional distribution of a dividend in May, and in accordance with new legal stipulations, an advance on the profits for the previous six months will now systematically be distributed in September in the form of an interim dividend.

This does not however prevent the CEPIC from also being confronted with several challenges, such as the ongoing search for worthwhile new projects in prime locations, maintaining occupancy rates within the portfolio, as well of course as seeking a definitive tenant for the vacant Breda premises. But here again, WDP is entirely confident for the future.

This confidence is further sustained by the major strategic choices presented during the first half of 2005.





First of all, the decision was made to leave the Italian property market. This was based on various factors, the first being WDP's decision to concentrate on the main regions of the two European logistical "heartlands": the Breda-Antwerp-Brussels-Lille axis and the Czech Republic. At the same time, the sale of the Milan property offers a substantial saving, as it is the only Italian site which has until now required an entire administrative structure for itself alone. The Italian tax system was also less advantageous for WDP. Finally, the possibility of selling this property at its new estimated price – which has been increased – on 30th June made the operation even more attractive.

The launch of a programme of commercial papers is a second strategic decision. Although this programme involves a total of 150 million EUR, only 100 million EUR will be withdrawn during the initial phase. This alternative, which is less costly than traditional bank loans, will enable WDP to reimburse its current short and medium term loans and thereby reduce its financing costs.

In short, the first half of 2005 has led to several changes which will enable us to work even more effectively in the immediate future. The CEPIC can now operate with a more lightweight structure and financial base. The new investment programme which is currently under way also confirms that WDP is not letting the grass grow under its feet. Between mid-2005 and mid-2006, work is going to begin on 50.000 m<sup>2</sup> of properties, with an investment value of 17 million EUR. Another advantage for the future is that very few leases will expire in autumn 2005 and during the entire year of 2006.

In short, WDP is ready to focus on its continued growth. I have no doubt that all of its efforts will be fully reflected in the figures as from 2006.

**Mark Duyck**  
*Chairman of the Board of Directors*



### 1. Introduction

During the first half of 2005, WDP successfully completed its projects in progress, in accordance with the forecast schedule. Only two projects – at the Boortmeerbeek and Rumst (Terhagen) sites – have had their completion deadlines postponed until the end of 2005 for practical reasons. It has been possible to maintain the portfolio's overall occupancy rate at 90%, in spite of the far from favourable economic situation and the vacating of the Breda premises. WDP has also managed to convert several short-term lease contracts into long-term leases.

### 2. Projects

#### 2.1. Completed projects

##### *Zele, Lindestraat 7*

During the first half of 2005, 13.000 m<sup>2</sup> of warehouses and adjoining offices were renovated at a total cost of 1,75 million EUR. The work was undertaken in the context of a lease contract signed in early February 2005 with DSC, in respect of the entire surface area.

The Flanders Opera still occupies the new areas in the part of the building which was renovated in 2003, under a long-term lease contract signed in the first half of 2004 for 7.000 m<sup>2</sup>, to be occupied progressively between September 2004 and June 2005. At the end of May





2005, a short-term flexible lease signed with the firm Goodwill expired. Some 4.000 m<sup>2</sup> of premises which had become vacant again have been leased under a long-term contract to Somnis, which will eventually occupy 5.500 m<sup>2</sup>. Part of the available area is also occupied by the Flanders Opera under a separate agreement.

The remaining warehouse (4.000 m<sup>2</sup>) was also refurbished during the first half of 2005. It has been let since 1st July to the company Eraerd from Lokeren. The premises on Lindestraat have also been entirely renovated and leased.

#### *Miscellaneous*

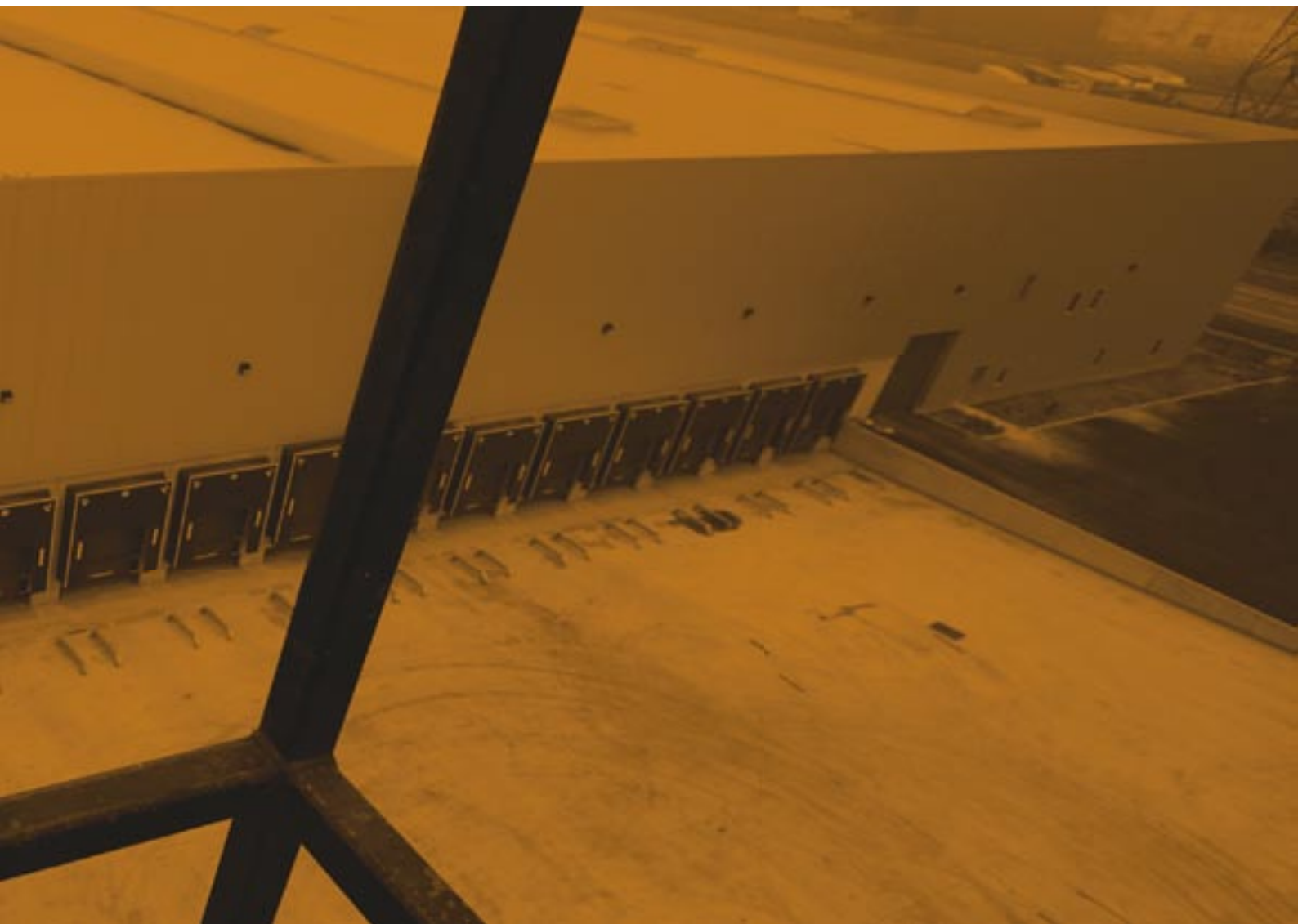
Several smaller-scale works have also been carried out at the request of tenants.

**Asse (Mollem) – Assesteeweg:** renovation of the existing site has been completed. Minor modifications have been made at the request of Vernoflex and AMP, and the vacant part, with a total surface area of 3.500 m<sup>2</sup>, is now ready to be leased.

**Jumet – Allée Centrale (Zoning Industriel):** the warehouse purchased in 2004 has been partially renovated (1.768 m<sup>2</sup>) for the purposes of the specific activities of Conway (formerly Sügro-Caritas).

**Vilvoorde – Havendoklaan 12:** modifications have been made so that the premises comply with the standards and requirements of the new tenant, Umicore Building Products, a subsidiary of the Umicore Group. The warehouse has been extended by 900 m<sup>2</sup> and the offices by 190 m<sup>2</sup>.

**Vilvoorde – Willem Elsschotstraat:** the Intertrans offices have been extended by 300 m<sup>2</sup>.



## **2.2. Projects for the second half of 2005 and future years**

### *2.2.1. Belgium*

#### *Asse (Mollem), Assesteenweg 25*

In 2003, AMP, the tenant at the site, signed a contract with WDP for the construction of 7.500 m<sup>2</sup> of warehouses and 700 m<sup>2</sup> of offices on the unoccupied land alongside the existing warehouses. The work is currently in progress. At AMP's request, completion has been postponed by several months (from the end of 2005 to early 2006). The project is worth 1.75 million EUR.

#### *Beersel (Lot), Stationstraat 230*

The existing site will be extended by 800 m<sup>2</sup> of warehouses for Lyfra, which already leases the rest of the site. The car park will also be extended.

#### *Boortmeerbeek, Leuvensesteenweg 238*

An existing 11.700 m<sup>2</sup> of premises alongside the road has been transformed into 1.800 m<sup>2</sup> of commercial premises with a car park and behind it, 2.500 m<sup>2</sup> of warehouses. The total investment is worth 600.000 EUR. As the permit procedure has been delayed, completion of the works has been postponed from mid-2005 to the end of 2005.

#### *Jumet, Allée Centrale, Zoning Industriel*

A building at the back of the site will be demolished to make way for a new 2.600 m<sup>2</sup> warehouse for Conway, the site's tenant. Completion of the works is scheduled for autumn 2005. The investment is valued at 1,5 million EUR.

#### *Londerzeel, Nijverheidstraat 13-15*

Following the departure of the current tenant, Scott International, on 1st September 2005, the warehouse will be subdivided into two areas of 12.500 m<sup>2</sup> and 6.000 m<sup>2</sup> respectively. This second area is to be leased by the sheltered workshop Bouchout, and the works will also include the conversion of 500 m<sup>2</sup> into offices and social areas. The external surface area of the building will also be renovated and extended.

#### *Rumst (Terhagen), Polder 3*

WDP is building a new, 2.800 m<sup>2</sup> multi-functional area on the site of the former Landuyt brickworks, at a cost of 500.000 EUR. The soil remediation imposed by the OVAM was conducted at the end of 2002. This is a smaller project, which WDP will conduct using its own personnel. For reasons related to the organisation of work, it has been decided to postpone the completion of the building from mid-2005 to the end of 2005.

### *2.2.2. Abroad*

#### *Lille (Templemars), Route de l'Epinoy, parcelle 237 bis*

The complex, in the Templemars industrial estate, was built in 1997-1998 and currently has 572 m<sup>2</sup> of offices and 2.935 m<sup>2</sup> of warehouses. It is fully let to Polystyl SA, a subsidiary of the Tarkett Group. A new 450 m<sup>2</sup> warehouse will be built between now and the end of 2005, and 760 m<sup>2</sup> of offices will be created in the existing warehouse. Various interior conversions and work around the complex will bring the total investment cost to 600.000 EUR. Following this extension work, Polystyl's lease, which initially expired at the end of 2006, has been prolonged for 6 years until the end of 2012.



#### *Mlada Boleslav, Nprevazka (Czech Republic)*

After the successful handover, in mid-2004, of an initial semi-industrial complex of 4.000 m<sup>2</sup> to SAS, in early 2005 WDP signed the contract for a second project. Some 8.000 m<sup>2</sup> of production and storage areas and 1.300 m<sup>2</sup> of offices will be built for the British group TI Automotive on the additional 4 hectares purchased in summer 2004. The investment is worth 4 million EUR. Acceptance of the premises is scheduled for the first quarter of 2006. The fixed-term contract will run for eight years.

WDP has also reserved an additional 10.000 m<sup>2</sup> on the site for TI Automotive Group, for a period of eight years. Production and storage areas could be extended by 5.000 m<sup>2</sup> during the subsequent phase.

### **3. Acquisitions**

WDP has acquired properties in the Czech Republic and Belgium during the first half of the year and since the interim reporting date.

#### *3.1. Acquisitions included in the figures as at 30th June 2005*

#### *Mlada Boleslav, Nprevazka (Czech Republic)*

WDP acquired 3 additional hectares here in the spring. Through this operation, the site now has a total surface area of 11 unbroken hectares (see also above, "2.2.2. Abroad").

#### *Nivelles – Rue du Bosquet*

WDP has acquired a two-hectare plot of land in the Nivelles-Sud industrial estate, at a cost of a little over 1 million EUR, where it also has some 25.000 m<sup>2</sup> of warehouses and offices. A 11.000 m<sup>2</sup> project undertaken at its own initiative will be developed on the new land. Completion of the work is scheduled for September 2006.

#### *3.2. Acquisitions since the reporting date*

#### *Aalst – Denderstraat-Tragel*

In early July 2005, WDP took out an option on the Hudson-Sharp land and buildings, with a surface area of 7.500 m<sup>2</sup>. The option was exercised at the end of August. Negotiations are currently under way with a potential tenant. The buildings are dilapidated, but adjoin two existing WDP properties. This new acquisition further increases the site's accessibility, thereby enabling its optimal development in the future.

#### *Vilvoorde – Havendoklaan 13*

In the Cargovil business park, WDP has acquired a 2 hectare plot of land alongside the "Vilvoorde – Havendoklaan 19" site, which is entirely leased to Taxipost. An agreement in principle has already been signed with a future tenant.

Projects for the second half of 2005 and future years (cf. point 2.2) and acquisitions (cf. point 3) together total 50.000 m<sup>2</sup> of projects with a total investment value of 17 million EUR.



#### 4. Sales

An agreement in principle containing several suspensive conditions was signed in July for the sale of the Milan – San Giuliano Milanese site. The Italian site now no longer fits in with WDP's strategy, as the company is now focusing on the one hand on the Breda-Antwerp-Brussels-Lille axis (the "Western European logistical heartland"), and the Czech Republic on the other (the future "Central and Eastern European logistical heartland"). The savings that it will generate and its favourable effect in fiscal and financing terms also influenced the decision to sell the site. On this subject, see also the "Chairman's statement to shareholders", on page 8.

#### 5. Leases

During the first quarter, WDP successfully found new short-term tenants for several properties and converted contracts into long-term leases. Part of the Bornem – Rijksweg 19 building (4.000 m<sup>2</sup>) in particular was in this way leased to Lidl under a long-term lease. This is also the case for the Vilvoorde – Willem Elsschotstraat building, which will be leased as from the end of 2005 to Deny Cargo, when the contract with Essers expires.



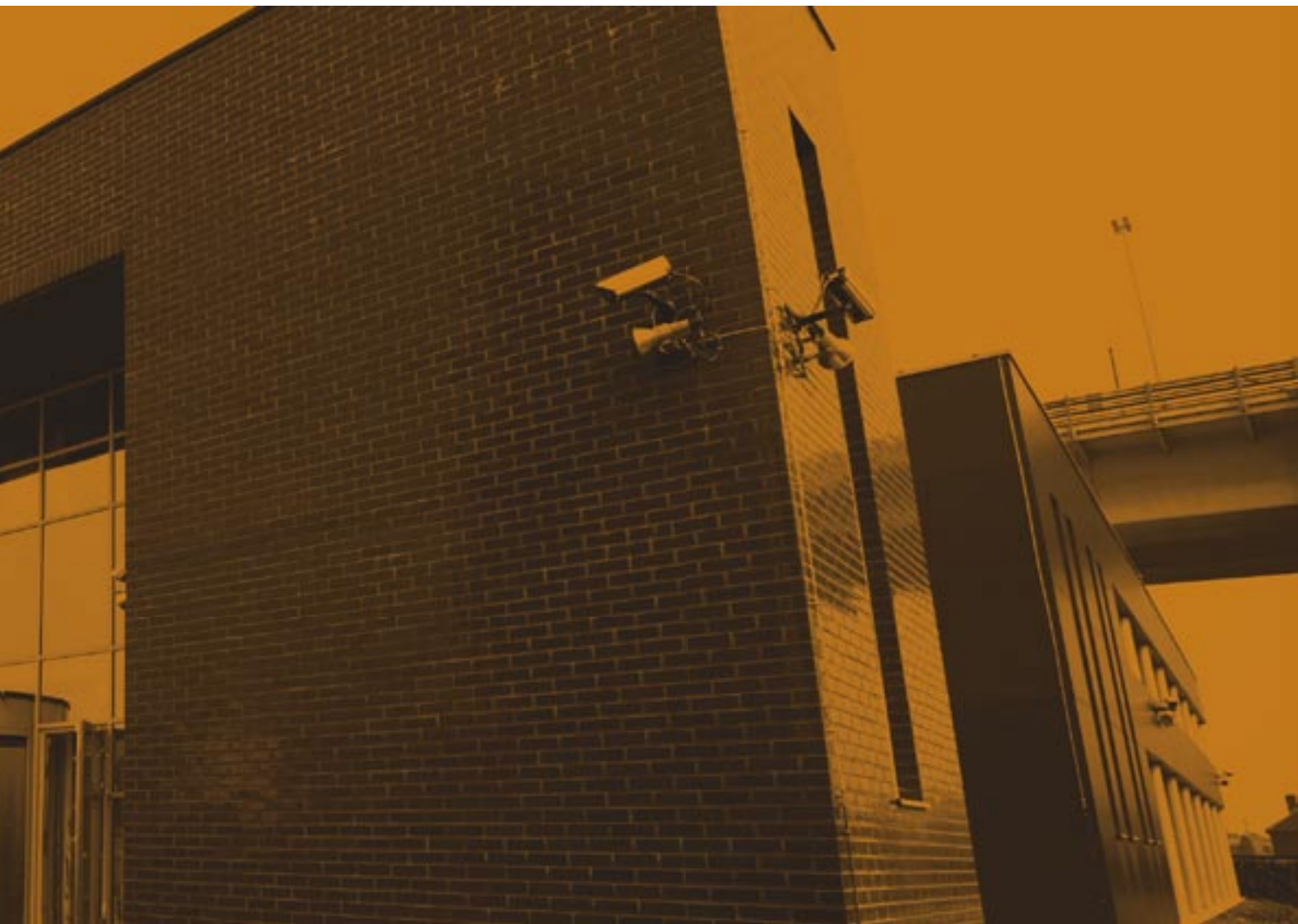




In the second quarter, two new leases were signed for Zele – Lindestraat. The site is therefore currently fully let. Whilst the search continues for a definitive tenant for the Breda site, a second short-term tenant has been found since June: the local logistics company Oostvogels, which occupies just over 5,000 m<sup>2</sup> on a flexible basis. WDP has since signed several other short-term contracts for the sites at Bornem – Rijksweg 19, Aalst - Wijngaardveld and Lille (Roncq) - Avenue de l'Europe.

In the third quarter, the Toyota lease at Nivelles – Rue de l'Industrie 30 (6.000 m<sup>2</sup>) will expire at the end of September. Hospithera, a subsidiary of Docpharma, will then occupy the areas which will become vacant, under a long-term lease.

Finally, WDP was also able to renew several short-term contracts throughout the first half of the year.



### Basis of operating results in 2005

The operating results in 2005 are essentially determined by the current leases in the existing portfolio and by the projects completed in 2004 which have been subsequently leased.

### Other factors which will influence the 2005 results...

Apart from the rental income from current leases, its primary contributing item as mentioned above, several other factors will have an impact on the operating results (\*).

#### 1. New leases in currently vacant premises

During the first half of 2005, WDP managed to maintain an occupancy rate of 90% (\*\*). The principal factor influencing growth of rental income will therefore be the new leases signed for sites which are already in the portfolio.

The most significant site in this respect is Hazeldonk, in the Breda industrial estate. Currently a quarter of the 37.000 m<sup>2</sup>, which was leased by Deventer Logistic Services (DLS) before its liquidation, is being leased on a flexible basis whilst awaiting a definitive tenant. This rental income is primarily allocated to the maintenance of the site in running order. The total leasing of the Hazeldonk site alone will bring the portfolio occupancy rate to 95%.

In mid-2005, rental vacancies amounted to 10% of rental income. In the second half of the year, this increased by 3,6%, with areas becoming vacant once again at the Londerzeel, Beringen, Port of Antwerp and Roncq sites, accounting for 37.000 m<sup>2</sup> in total. Approximately one third of this surface area, more specifically in Londerzeel, will be renovated over the coming months. The remainder is available for lease.

#### 2. Leases in buildings completed by mid-2005

The major project to be completed in the first half of the year was at Zele - Lindestraat. Some 13.000 m<sup>2</sup> of warehouses and adjoining offices were refurbished under a lease signed with DSC in early February 2005. During the first half of 2005, the final 4.000 m<sup>2</sup> warehouse was also refurbished and leased. With the refurbishment of the first half of the building in 2003, the entire site has now been modernised and leased.

Two smaller scale projects have also been completed and will make a positive contribution to future results. Both involve extensions which will enable their current tenants to increase the area they occupy in existing buildings. The first project was undertaken on behalf of Intertrans (Vilvoorde - Willem Elsschotstraat) and the other was for Umicore Building Products (Vilvoorde - Havendoklaan 12).

All these projects account for an increase of over 75.000 EUR in monthly rental income.

(\*) For further details on the various projects and premises, please see the "Report on Activities" section, on page 10.

(\*\*) The occupancy rate is calculated on the basis of the ratio between the rental value of m<sup>2</sup> rented out and the rental value of rentable m<sup>2</sup>. Projects currently under construction and/or renovation are not included in this calculation.



### 3. Sale of the Italian building

An agreement in principle containing several suspensive conditions was signed in July for the sale of the Milan – San Giuliano Milanese site. It sets the date for the transfer of the property on 1st September.

In the short term, the sale will have a negative impact on the results, as it will deprive WDP of 350.000 EUR of rental income during the last four months of the year. The impact of the sale should however be considered over the longer term. This is in fact a strategic choice motivated by the concentration of the CEPIC's efforts on the Breda-Antwerp-Brussels-Lille axis on the one hand, and the Czech Republic on the other. The transaction will also result in a reduction in operating costs and tax advantages. On this subject, see also the "Chairman's statement to shareholders", on page 8.

#### ...and their expected impact on the operating results and the dividend

Taking into account the factors described above, WDP's Board of Directors considers that the 2005 operating profits will amount to at least 19,5 million EUR, enabling the dividend for 2005 to be maintained at its current level of 2,10 EUR net per share.

Also with regard to the dividend, the Board of Directors had previously decided to alter WDP's dividend policy as from 2005. Apart from the traditional dividend distribution in May, in accordance with new legal stipulations, an advance payout of the profits from the first half of the year will now systematically be distributed in September in the form of an interim dividend.

#### A forecast for 2006

Various decisions taken in 2005 will only become fully effective as from 2006. We have already mentioned the sale of the Italian site, a strategic choice which will also streamline WDP's structure. The decision to introduce a programme of commercial papers will also reduce the costs of financing the CEPIC by at least 425.000 EUR on an annual basis.

2006 offers the further advantage of only having a few leases which are due to expire: only a limited surface area will become available during the coming year. Even taking the most pessimistic scenario, in which no leases which are due to expire will be renewed, this only involves 20.000 m<sup>2</sup>, which is extremely limited compared with 2005 (62.000 m<sup>2</sup>) and 2004 (45.000 m<sup>2</sup>).

The good news doesn't stop here either. Tenants have already been found for two projects which will be completed in early 2006: Asse (Mollem) - Assesteeweg 25 and Mlada Boleslav - Nprevazka in the Czech Republic.

The summer of 2006 will also see the completion of three other new projects which will generate further income: Nivelles – Rue du Bosquet, Vilvoorde – Havendoklaan 13 and Aalst – Denderstraat-Tragel. Taken as a whole, these three projects have an investment value of around 10 million EUR.

Taken together, all of these items will make it possible to pursue growth in the portfolio and the operating results. Even though it is still too early to be able to accurately estimate their value, this in no way detracts from the positive nature of these prospects.



### 1. General trends in Europe

Over recent years, the semi-industrial property market has forged itself a reputation for stability. In 2004, investors financed a total of 8,2 billion EUR of distribution and storage premises, compared with 6,2 billion EUR in 2003. This figure accounts for 9% of the total investments made in 2004.

This trend continued in the first half of 2005. Low interest rates and attractive returns have encouraged an increasing number of institutional investors to turn to semi-industrial property. If it is true that the duration of leases has become shorter, this reduction is offset by the high returns and a general increase in tenants' loyalty. Unlike the evolution over the past three years in the office market, returns in the semi-industrial property market are also far more stable. In order to limit the risks as far as possible, institutional investors are mainly interested in modern constructions which are not liable to age too quickly. Older properties at traditional logistical intersections are particularly prized by individual investors, irrespectively of whether they operate on an international scale.

Investors' demand for storage and distribution premises continues to exceed the existing supply. Over recent years, project developers have adopted a wait-and-see attitude, as the poor economic climate and the announcement of European Union enlargement with ten new Member States in May 2004 led business managers to postpone their strategic decisions with regard to property.

This wait-and-see policy seems to be drawing to an end. European Union enlargement has now taken place and has not brought about any social or economic shock waves. In terms of economic growth prospects, significant differences exist between various European countries, such that the impact on demand for property will not be the same everywhere. All the analysts agree however that growth rates will be highest in the Central European economies.

The slight increase in the number of speculative developments recorded in 2004 – mainly in the prime locations – already indicates that the semi-industrial property sector is reacting to this situation. The focus is mainly on the wholesale distribution sector, which is moving into new Eastern European markets, thereby offsetting the slowdown in activity in the production sector. In this niche market, project developers can adapt more easily to variations in trends in its clients' requirements.

Central Europe and certain regions of France are performing better than the rest of Europe. Premises of less than 5.000 m<sup>2</sup> have also been more in demand in Belgium and the Netherlands. In terms of supply, minimal activity still persists throughout virtually the whole of Europe, except for a few regions in France and Central Europe. The development of supply is also obstructed by the limited availability of building land.

The occupancy rate has been maintained at an acceptable level. the average vacancy percentage in Europe fluctuates at around 6%. Given that the economic climate is still relatively unfavourable, this percentage is quite low, especially when compared with the early 1990s, a similar period of economic decline. Semi-industrial property also performs well compared with the office property market, where vacancy rates of around 10% are not exceptional.



## 2. The emergence of a second “European logistical heartland”

As mentioned previously, the highest economic growth is forecast in Central Europe. Europe’s economic centre of gravity is therefore gradually extending eastwards. This phenomenon has naturally had an impact on distribution models and consequently, the semi-industrial landscape. Owing notably to its central location, the Czech Republic in particular is increasingly emerging as a new logistical crossroads in Central and Eastern Europe.

But it does not mean that the current European logistical heartland is losing its importance. The current trend to relocate which we are seeing in industry in fact implies that more finished products are imported from countries where wages are lower. Belgium and the Netherlands, with their major ports, will remain the main ports of entry to continental Europe in the future. Furthermore, the presence of a public with strong purchasing power in Western Europe offers assurance that distributors will continue to establish premises in the region.

## 3. The situation in Belgium

The Belgian semi-industrial property market are still feeling the effects of the slowdown in economic growth. The rental market is slowing down, even though rents have generally remained stable. In five years, the price of areas of over 10.000 m<sup>2</sup> have fallen by 1,1% in Brussels, to 47 EUR per m<sup>2</sup> per year, and have increased by 1,6% and 2,5% respectively in Antwerp and Liège to 43 and 35 EUR.

This reflects the trend amongst logistical operators to seek out less expensive regions. Certain property owners are responding to this trend by offering their clients free rental for certain periods. Construction is booming in the Hainaut, Liège and Luxembourg provinces. The Antwerp-Limbourg-Liège axis, alongside the E313 and the Albert Canal, is continuing to develop as the second Belgian focal point for logistics and distribution companies.

Although the rental market is slowing down, the investment market is still prospering. But investors are also increasingly looking beyond traditional industrial and logistics locations to the Brussels-Antwerp axis: building land is scarce and consequently extremely expensive, and mobility problems are also most severe there. Compared with 2004, initial returns have fallen from 8,30% to 8% in Brussels, and from 8,50% to 8% in Antwerp. In Liège and Ghent, they have continued to remain stable, at 9% and 9,50% respectively. Forecasts nevertheless point to a general continuation in the fall in short-term returns.



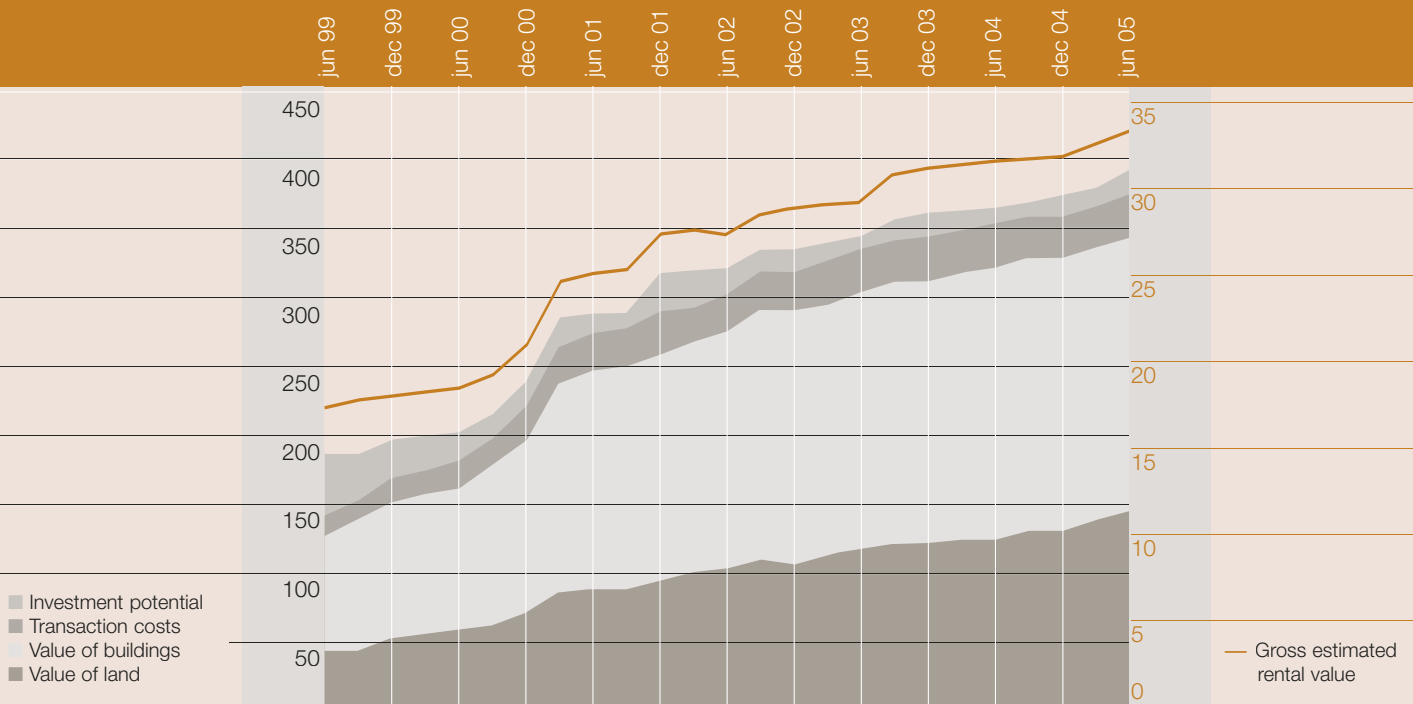
On the reporting date for the first half of 2005, WDP's property portfolio had an investment value of 372,74 million EUR, including transaction costs. After deduction of these costs, the selling value was 339,67 million EUR. The investment value has increased by 2,5% compared with the end of March, and by 7,4% or 22,72 million EUR compared with the end of 2004.

With the acquisition of a plot of land in Nivelles - Rue du Bosquet and the construction and renovation work at the sites in Zele - Lindestraat, Vilvoorde - Havendoklaan 12, Asse (Mollem) - Assesteenweg 25 and Mlada Boleslav in the Czech republic, total investments in the second quarter amounted to 2,63 million EUR. If investments which have already been approved during the first quarter in these projects are added to these, the investment programme for the first half of the year is worth 4,5 million EUR.

The rental value at market prices for the entire portfolio is currently estimated at 32,30 million EUR, i.e. an increase of 1,22 million EUR compared with the end of 2004. This increase also takes into account an additional construction and renovation programme worth 15,72 million EUR within the existing portfolio. If the interest and margins associated with the completion of this programme are added, the investment value further increases to 390,7 million EUR.

The portfolio analysis is primarily based on a net present value of the rental income and products of expected future sales (discounted cash-flow) using an interest rate of 6,38%. This calculation results in a 2,89% margin compared with 17-year government bonds (OLO). On 30th June 2005, their interest rate was only 3,49%, compared with 4% at the end of 2004.

**Growth in the WDP portfolio (million EUR)**







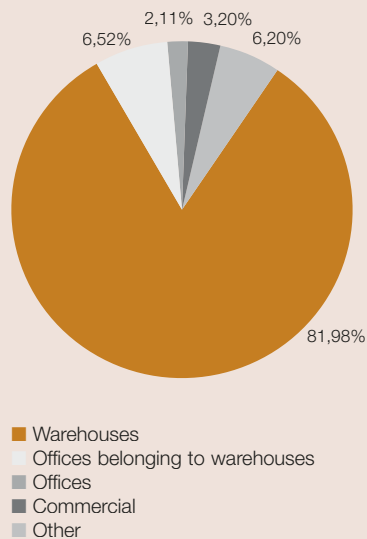
Excluding the effect of a few specific leases when calculating the current investment value, the portfolio taken as a whole generates a gross return on rents of 8,36%. After deducting provisions for maintenance, insurance, rental vacancies, property tax deducted at source, concession and management fees, the net return on rents is 7,07%. By way of comparison: at the end of 2004, the gross return on rents was 8,67% and the net figure was 7,31%. At the end of the first quarter of 2005, these percentages were 8,48% and 7,17% respectively.

This falling trend in gross returns on rent (from 8,67% to 8,36% in six months) is in line with the quarterly report by Cushman&Wakefield Healey&BakerTM: over the same period, their "prime industrial yield", initially 8,3% in Brussels and 8,5% in Antwerp, has now fallen to 8,0% in both regions.

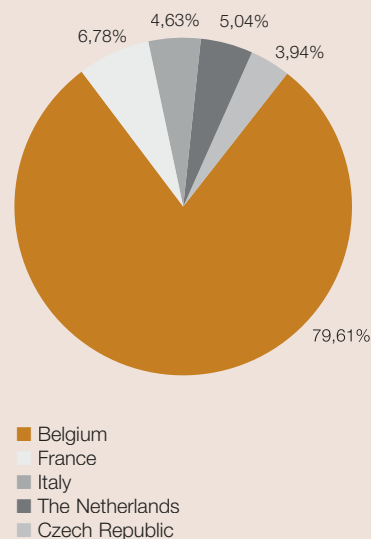
Generally speaking, the following factors have been isolated which account for the 7,4% growth in the investment value of WDP's portfolio compared with the end of 2004:

- + 1,22% owing to new investments;
- + 3,71% owing to a fall in the return requirements in the securities market;
- the increase in rental potential following the completion of such projects as Zele - Lindestraat and Vilvoorde - Havendoklaan 12, and several new leases;
- the indexation of current leases.

Distribution of surface area for letting by category



Distribution of rental value by country





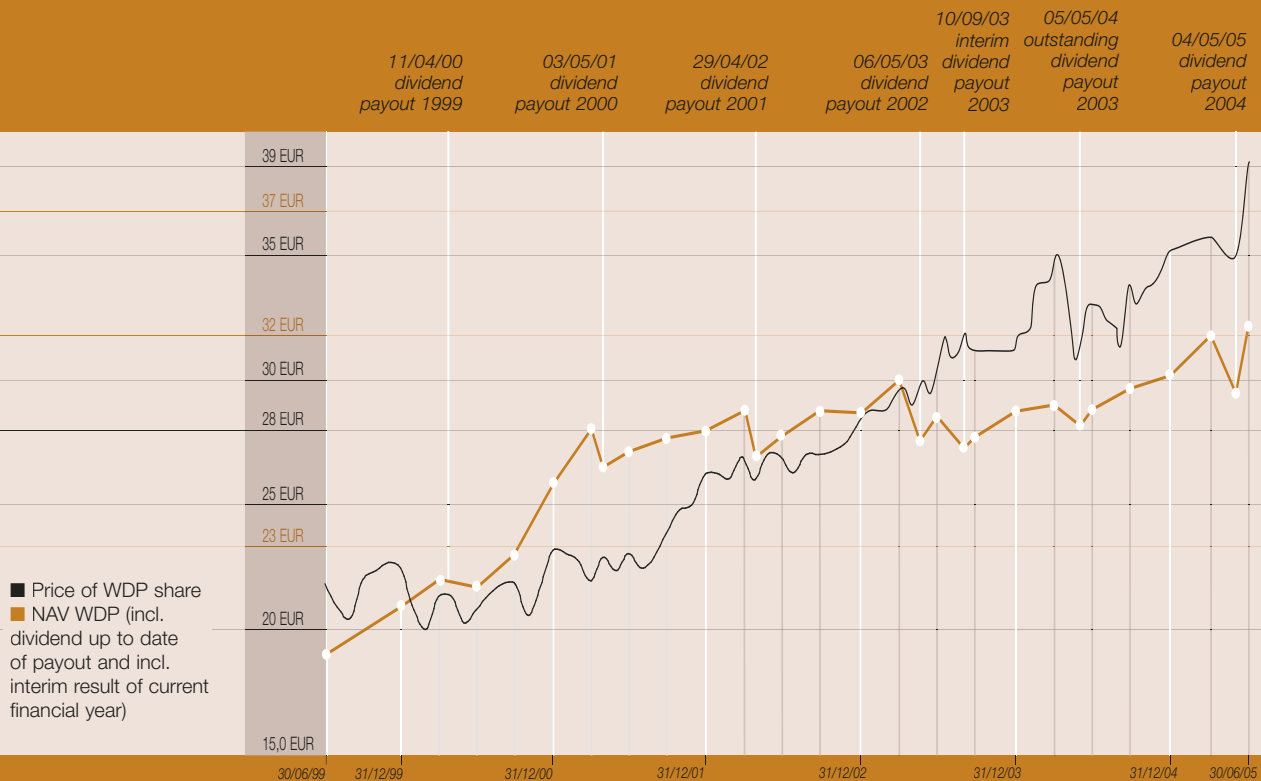
## WDP shares

During the first half of 2005, the WDP **share price** continued to rise, from 35 EUR to 39,45 EUR. Over the summer, the prospects of the interim dividend payout in September even brought it up to 41 EUR.

Compared with the share's intrinsic value (30,73 EUR), the closing price of 39,45 EUR on 30th June represents a **premium** of 28,38%. This is notably explained by the very low interest rates in Europe and by the fact that investors are seeking stable dividends. But another factor is also involved: investors and potential shareholders are increasingly aware of the added value offered by WDP, which greatly exceeds its intrinsic value, i.e. the purely arithmetic figure of the investment value of the various property assets. This added value arises notably from WDP's position as the market leader in Belgian semi-industrial property and the favourable tax system under which the CEPIC operates in both Belgium and France. The fact that WDP is a "self managed fund" – with a management board within the company entirely at the service of its shareholders – is also highly appreciated by investors.

The interest in WDP shares, combined with the increasing interest in property securities as an investment instrument, is reflected by the doubling of its **liquidity** compared with the end of June 2004.

WDP share price since IPO (28/06/99) versus NAV





The **share turnover velocity** – i.e. the number of shares traded in one year divided by the total number of shares at the end of the year – thus increased to 32%.

The gross **return** on WDP shares was 20.57%, a higher result than the average of 17.8% achieved since its stock market floatation. WDP shares also outperformed most other Belgian and European property securities. According to the Global Property Research GPR 250 EUROPE index, the average return on European listed property was 14,88% during the first half of 2005. According to the GPR 250 BELGIUM index, the average return on Belgian property shares over the same period was 11,48%, i.e. a significantly lower return than that of WDP shares.

**In short:** WDP shares recorded an excellent performance over the first half of 2005, supported by a high percentage of free float, some 70% since the private placement of 1,5 million shares by the principal shareholder in October 2004. WDP thus confirmed the reputation of property shares in general, and semi-industrial property in particular, as a stable investment.

**EURONEXT BRUSSELS** - First Market

IPO: 28/06/99  
 quotation: continuous  
 ISIN-code: BE0003763779  
 liquidity provider: Petercam

**EURONEXT PARIS** - Second Market

quotation: 17/12/04  
 quotation: continuous



Figures per share (in EUR)	30/06/2005 IFRS	31/12/2004 IFRS	31/12/2003 Belgian GAAP
Number of shares	7.885.249	7.885.249	7.885.249
Free float	70%	70%	50%
Market capitalisation	311.073.073	275.983.715	247.596.819
Traded volume in shares per year	1.275.772	2.914.667	1.235.299
Average daily volume in shares	9.123	4.524	5.477
Velocity*	32,36%	36,96%	15,67%
Stock exchange price			
highest	39,90	35,50	32,50
lowest	34,30	30,75	28,10
closing	39,45	35,00	31,40
Net asset value before profit distribution	30,73	29,91	29,52
Dividend payout ratio	87%	97%	90%
	6m	12m	12m
Operating profit/share	1,28	2,57	2,75
Gross dividend/share	1,12	2,47	2,47
Net dividend/share	0,95	2,10	2,10

\*The number of shares traded per year divided by the total number of shares at the end of the year

**2005 interim consolidated financial statements\***  
**Consolidated balance sheet 30-06-2005 - assets**

	30-06-2005 EUR (x 1.000)	31-12-2004 EUR (x 1.000)	30-06-2004 EUR (x 1.000)
<b>FIXED ASSETS</b>	<b>373.987</b>	<b>350.911</b>	<b>344.207</b>
Goodwill	0	0	3
Intangible assets	40	40	39
Investment properties	366.260	341.978	331.372
Development projects	6.484	8.042	12.106
Other assets	567	415	452
Other long-term assets	636	436	235
- Deferred tax assets	470	201	1
- Other	166	235	234
<b>CURRENT ASSETS</b>	<b>11.279</b>	<b>8.080</b>	<b>9.182</b>
Client receivables	3.685	3.028	2.320
Other short-term assets	1.913	1.335	2.835
Other	1.913	1.335	2.835
Cash and cash equivalents	4.361	3.371	2.502
Deferred charges and accrued income	1.320	346	1.525
<b>TOTAL ASSETS</b>	<b>385.266</b>	<b>358.991</b>	<b>353.389</b>

*\*These interim results as at 30-06-2005 are presented in accordance with the IFRS. The layout used here can nevertheless be amended at the request of the Belgian Banking, Finance and Insurance Commission, in its capacity as a control body, following consultation with the representative association of closed-end property investment companies.*

**2005 interim consolidated financial statements**  
**Consolidated balance sheet 30-06-2005 - liabilities**

	30-06-2005 EUR (x 1.000)	31-12-2004 EUR (x 1.000)	30-06-2004 EUR (x 1.000)
<b>CAPITAL AND RESERVES</b>	<b>242.283</b>	<b>235.881</b>	<b>225.599</b>
<b>Capital</b>	<b>79.498</b>	<b>79.498</b>	<b>79.498</b>
Issued capital	79.498	79.498	79.498
<b>Reserves</b>	<b>39.613</b>	<b>50.285</b>	<b>40.326</b>
Readjustments on the opening balance IFRS	-813	169	169
<b>Unrealised gains on revaluation</b>	<b>124.175</b>	<b>107.112</b>	<b>105.775</b>
- On real estate investments	124.175	107.112	105.775
<b>Change in fair value of derivative financial instruments</b>	<b>-1.003</b>	<b>-1.014</b>	
<b>LIABILITIES</b>	<b>142.983</b>	<b>123.110</b>	<b>127.790</b>
<b>Non-current liabilities</b>	<b>89.748</b>	<b>94.508</b>	<b>95.452</b>
Provisions	1.726	1.802	1.551
Long-term financial debts	83.166	87.621	88.707
- Credit institutions	83.166	87.621	88.707
Other long-term debts	4.856	5.085	5.194
- Deferred tax liabilities	4.856	5.085	5.194
<b>Current liabilities</b>	<b>53.235</b>	<b>28.602</b>	<b>32.338</b>
Short-term financial debts	41.145	22.172	23.605
- Credit institutions	41.145	22.172	23.605
Trade payables	3.497	2.600	3.673
Payables regarding taxes, remunerations and social charges	4.262	1.261	2.420
Other short-term debts	1.817	129	802
- Other	1.817	129	802
Accrued charges and deferred income	2.514	2.440	1.838
<b>TOTAL LIABILITIES</b>	<b>385.266</b>	<b>358.991</b>	<b>353.389</b>

### Formation expenses and intangible assets

Intangible assets of 39.186 EUR were essentially accounted for by the introduction of management and accounting software (24.365 EUR).

### Tangible assets

Property valuations are based on the investment value of the assets, estimated by the independent firm of chartered surveyors Stadim SCRL on 30th June 2005. The total property portfolio is thus estimated to have a value of 372.744.050 EUR, compared with 350.019.894 EUR at the end of 2004. The portfolio liquidation value, i.e. its investment value minus registration fees, amounts to 339,67 million EUR.

The portfolio's overall value has increased by 22,724 million EUR. For further details, see the chapter "Surveyor's review of the portfolio as at 30th June 2005", page 20.

After posting investments undertaken during the past six months, at a net sum of 5,890 million EUR, there was a net unrealised increase in value of 16,834 million EUR which is the balance of unrealised capital gains (17,110 million EUR) and unrealised capital losses (-0,276 million EUR) recorded on property in the portfolio. After the recording of deferred tax of 1,186 million EUR and the writeback of deferred tax in France of 1,415 million EUR, the net unrealised increase in value is 17,063 million EUR.

This net increase is reflected in the CEPIC's equity capital under the "Revaluation surpluses" item.

The construction and/or renovation projects in progress on the balance sheet date and therefore unavailable for lease are included under a separate item: "Project Developments". With the completion of several projects during the first half of the year, the estimated value of these assets under construction has increased from 8,042 million EUR on 31st December 2004 to 6,484 million EUR on 30th June, including transaction costs.

### Deferred tax assets

Deferred tax assets are recognised for future fiscal advantages resulting from unused tax losses in the Netherlands.

### Existing provisions for liabilities and charges

This tax provision results from a supplement of 0,704 million EUR concerning the exit tax payable on WDP's floatation on the stock market and its approval as a CEPIC.

The provision for major maintenance of 0,772 million EUR covers mainly the possible remediation of land at Vilvoorde - Willem Elsschotstraat, Temse – Kapelanielaan and Beersel (Lot) – Stationstraat.

Further provisions of 0,250 million EUR have also been made for current disputes.



### Deferred tax liabilities

Except in France, where SIIC status has been obtained, deferred tax is recognised in the portfolio results for properties abroad which are owned by a foreign subsidiary. This deferred tax is calculated based on the difference between the estimated value of the property on the reporting date on the one hand, and its fiscal value on the other. This difference is then multiplied by the real tax rate in each country.

### Financial debts

Warehouses De Pauw has a transparent, simple debt structure.

The long-term financial debt consists of bullet loans, worth 50 million EUR in Belgium and 12,89 million EUR in Italy. The Belgian loan was contracted in two instalments of 25 million EUR each, on 1st April 2002 and 1st June 2004 respectively. They both run for 5 years. The Italian loan was taken out in mid-1999 for 10 year and at an interest rate of 4.5%.

Another part of the long-term borrowing was contracted in France, where WDP still has a degressive loan of 2.98 million EUR over 15 years at an interest rate of 5,1%, and in the Netherlands in the form of investment credit for 10 million EUR over 20 years. At the time of the increase in capital in the Netherlands, part of this loan was repaid in advance in the second quarter in order to satisfy new Dutch legal obligations in relation to thin capitalisation.

Furthermore, a further long-term loan with a roll-over facility was contracted for 11 million EUR in France during the course of 2003. It will mature in 15 years. In mid-2005, the amount owed stood at 9,72 million EUR.

At the end of June 2005, short-term financial debts amounted to 37,73 million EUR. They were taken out in the form of straight loans in Belgium (35 million EUR), France (2,23 million EUR) and the Czech Republic (0,5 million EUR).

Following the conversion of interest-rate swaps (IRS) at their fair value, and additional debt of 1 million EUR was recorded.

At the end of the first half of the year, the gearing ratio before profit distribution, calculated in accordance with the IFRS framework, was 35,4%.

At the end of June 2005, WDP at consolidated level had 20 million EUR worth of unused lines of credit.

#### **Interest-rate hedges on contracted loans**

With its interest-rate hedges for contracted loans, WDP has now decided to attempt to apply the following strategy as far as possible:

- one third short-term loans (< 1 year);
- one third medium-term loans (between 3 and 5 years);
- one third long-term loans (between 8 and 10 years);

Existing interest charges for 2005 have remained more or less at 4% as announced on page 76 of the 2004 Annual Report.

Interest charges for 2006 will depend on the hedges undertaken in the context of the aforementioned procedure.

#### **Modification of financing structure by introduction of a commercial paper programme**

WDP's continual growth, the focus on 2 core regions and an adjustment to the existing credit structure in The Netherlands - by the introduction of thin capitalisation legislation - were the impetus for WDP to modify its credit status. WDP has thus decided to set up a commercial paper (CP) programme of 150 million EUR, 100 million EUR of which will be taken up in a first phase. With this, the current short and medium term credits with the banks will be repaid. This modification enables WDP to improve its financing cost by a lower credit margin. The introduction of this CP programme should produce an annual saving of at least 425.000 EUR.



## 2005 Interim consolidated financial statements

### Summary of the results

	30-06-2005 EUR (x 1.000)	31-12-2004 EUR (x 1.000)	30-06-2004 EUR (x 1.000)
<b>PROPERTY INCOME</b>	<b>14.382</b>	<b>28.906</b>	<b>14.302</b>
<b>Rental income</b>	<b>13.619</b>	<b>26.809</b>	<b>13.723</b>
Rents	13.353	27.193	13.532
Indemnities for early termination of rental contracts	366	518	238
Rent payable on rented premises	-72	-137	-69
Amounts written off and write-backs	-28	-765	22
<b>Non covered charges and taxes payable by tenants on let properties</b>	<b>-247</b>	<b>-526</b>	<b>-234</b>
Non covered charges	-35	-122	-21
Non covered withholding and other taxes	-212	-404	-213
<b>Recovery of property charges</b>	<b>1.010</b>	<b>2.623</b>	<b>813</b>
Recurrent technical costs	201	393	160
Non-recurrent technical costs	633	1.932	516
Costs of Property Management	176	298	137
<b>PROPERTY COSTS</b>	<b>-1.247</b>	<b>-2.793</b>	<b>-1.123</b>
<b>Technical costs</b>	<b>-971</b>	<b>-2.409</b>	<b>-926</b>
Recurrent technical costs	-426	-771	-426
Non-recurrent technical costs	-545	-1.638	-500
<b>Commercial costs</b>	<b>-159</b>	<b>-253</b>	<b>-137</b>
Agency commissions	-54	-60	-18
Advertising	-63	-92	-59
Solicitors' fees, legal expenses	-42	-101	-60
<b>Property management costs</b>	<b>-117</b>	<b>-131</b>	<b>-60</b>
Fees paid to managers (external)	-17	-37	-18
Property management charges (internal)	-100	-94	-42
<b>PROPERTY OPERATING RESULT</b>	<b>13.135</b>	<b>26.113</b>	<b>13.179</b>
<b>Corporate operating charges</b>	<b>-277</b>	<b>-683</b>	<b>-259</b>
<b>Other current operating income and expenditure</b>	<b>-697</b>	<b>-1.342</b>	<b>-586</b>
<b>CURRENT OPERATING RESULT</b>	<b>12.161</b>	<b>24.088</b>	<b>12.334</b>
<b>Financial income (+)</b>	<b>99</b>	<b>170</b>	<b>58</b>
Interest received	37	122	31
Positive variation in time value of financial instruments	61	0	0
Unrealised gains on revaluation of financial assets	0	0	1
Other financial income	1	48	26
<b>Intrest charges (-)</b>	<b>-2.192</b>	<b>-3.972</b>	<b>-1.874</b>
<b>Other financial charges (-)</b>	<b>-64</b>	<b>-59</b>	<b>-36</b>
Bank costs and other commission	-14	-29	-14
Negative variation in time value of financial instruments (+)	-50	0	0
Other financial charges	0	-30	-22
<b>Taxes</b>	<b>105</b>	<b>-53</b>	<b>-199</b>
Corporate taxes	-164	-85	-30
Future tax savings in accordance with recoverable fiscal losses (+) Write back (-)	269	32	-169
<b>CURRENT INCOME</b>	<b>10.109</b>	<b>20.174</b>	<b>10.283</b>
<b>Gains or losses on disposals of property assets</b>	<b>0</b>	<b>85</b>	<b>36</b>
<b>Revaluation of property assets</b>	<b>17.063</b>	<b>1.933</b>	<b>2.237</b>
Positive variation of fair value of investment properties	17.147	9.121	4.262
Negative variation of fair value of investment properties (-)	-313	-5.228	-1.726
Deferred tax on market fluctuations and write-back	229	-1.960	-299
<b>Taxes</b>	<b>-1.289</b>	<b>0</b>	<b>0</b>
Exit tax	-1.289	0	0
<b>INCOME ON THE PORTFOLIO</b>	<b>15.774</b>	<b>2.018</b>	<b>2.273</b>
<b>NET PROFIT</b>	<b>25.883</b>	<b>22.192</b>	<b>12.556</b>

### Property revenue

During the first half of 2005, property revenue of 14,38 million EUR was earned, i.e. a similar amount compared with the same period during the previous year (14,30 million EUR).

Net rental income – i.e. rental income minus the tax deducted at source, public utilities and concession charges payable by WDP – fell slightly from 13,49 million EUR to 13,37 million EUR. The loss of DLS as a tenant of the Breda property, worth 900.000 EUR, since mid-2004 continues to weigh heavily on the results for the first half of 2005. The resulting fall in rental income is currently offset for the most part by ongoing organic growth of the portfolio, high occupancy rates in Belgium and two temporary leases in the Breda premises. The return to normal income can only be achieved structurally however, once WDP manages to relet the Dutch site. Ongoing efforts are being made to this end.

### Property charges

During the first half of 2005, property charges increased compared with the first half of 2004, from 1,12 million EUR to 1,25 million EUR. These are mainly maintenance charges and costs associates with certain work which can not be passed on to the tenants.

All of these combined result in operating profits of 13,14 million EUR for properties, i.e. an almost identical amount compared with the first half of 2004 (13,18 million EUR). During the second half of 2004, operating profits of 12,93 million EUR were recorded.

### Fund charges

This item of charges covers the general expenses related to the CEPIC system, i.e. costs for floatation on the Brussels and Paris stock exchanges, financial communication, fees charged by the expert for estimating properties, etc. these charges increased from 259.000 EUR to 277.000 EUR, mainly owing to an increase in the tax payable by collective investment schemes.

### Other current operating income and charges

These general charges increased by 19% compared with the first six months of 2004 to 697.000 EUR. This increase is accounted for by higher fees payable in the context of the implementation of the IFRS standards, an increase in personnel costs owing to the expansion of WDP's technical, administrative and commercial team, and one-off costs for capital duty resulting from new Dutch legal obligations relating to thin capitalisation.

### Financial charges

As debt increases, the proportion of financial charges in the WDP's total costs also increases. Financial charges account for approximately 63% of total operating charges.

Financial charges are also affected by WDP's cautious interest rate strategy. WDP strives to combine short and long term interest rates, (cf. also on this subject, the chapter "Notes to the balance Sheet", page 26) in order to gain the maximum benefit from the interest rate curve.

Short-term cash flow continued to be optimally managed in 2005 through the existing international cash management system.

### **Portfolio result**

The portfolio result, of 15.774.338 EUR, includes on the one hand a positive result owing to the effect of market fluctuations on the portfolio, of 17.063.102 EUR, and the exit charge resulting from the changeover to the income tax exemption system in France, of -1.288.764 EUR. This appreciable increase in the value of the property portfolio is reflected by an increase in the intrinsic value of 2,00 EUR per share.

The positive result of market fluctuations on the portfolio can be broken down as follows (see also the "Surveyor's review of the portfolio as at 30th June 2005", page 20)

### **Capital gains on the existing portfolio properties with new construction or renovation projects**

This part of the existing portfolio, for which WDP operated in its capacity as the project manager-investor, posted an unrealised capital gain of 1.087.179 EUR. This was notably the case for the premises at Zele - Lindestraat, Vilvoorde - Havendoklaan 12, Asse (Mollem) - Assesteenweg and Mlada Boleslav in the Czech Republic.

### **Capital gains within the remainder of the existing portfolio**

A net unrealised capital gain totalling 15.973.215 million EUR was recorded for the rest of the existing property portfolio. The proportion of Belgian property in this total is a net unrealised capital gain of 12.074.169 EUR, i.e. 4,7% compared with the market value at the end of 2004, including investments approved during the first half of 2005. A net unrealised capital gain of 3.670.400 EUR was achieved on properties abroad. After deducting deferred tax of -1.185.947 EUR and writing back deferred taxation of 1.414.593 EUR in relation to France, the balance for properties abroad is a net unrealised capital gain of 3.899.046 EUR.

## 2005 Interim consolidated financial statements

### Financing statement

	30-06-2005 EUR (x 1.000)	31-12-2004 EUR (x 1.000)	30-06-2004 EUR (x 1.000)
<b>Investments and cash at bank and in hand at the beginning of the year</b>	<b>3.371</b>	<b>2.453</b>	<b>2.453</b>
<b>Cash flows from operating activities</b>			
Operational profits for the year	10.109	20.174	10.283
Operational deferred taxes	-269	-32	169
Result of the evolution of the market value of financial instruments	-11	-	-
Income from the sale of land and buildings	-	85	36
Amortisations, provisions and depreciations	-4	1.117	122
Changes in working capital requirements (without provision exit tax)	519	-1.114	-433
Price to pay for the acquisition of land & buildings	1.016	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>11.360</b>	<b>20.230</b>	<b>10.177</b>
<b>Cash flows from investing activities</b>			
Investing in land and buildings	-5.890	-12.866	-7.531
Sale of land and buildings (excl. capital gains or losses)	-	298	148
Acquisition and sale of other fixed assets	-196	-29	-23
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>-6.086</b>	<b>-12.597</b>	<b>-7.406</b>
<b>Cash flow from financing activities</b>			
Increase in own equity	-	-	-
Changes in financial debts payable after 1 year	-2.938	2.690	2.690
Changes in financial debts payable within 1 year	17.472	357	3.890
Paid dividends with regard to previous years	-18.818	-9.762	-9.302
Interim dividend	-	-	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>-4.284</b>	<b>-6.715</b>	<b>-2.722</b>
<b>Investments and cash at bank and in hand at the end of the year</b>	<b>4.361</b>	<b>3.371</b>	<b>2.502</b>



## 2005 Interim consolidated financial statements

### Overview mutations of the consolidated own equity in 000 EUR

	Issued capital	Reserves	Conversion of the real estate portfolio to fair value	Conversion of the financial instruments to fair value	Total Capital and reserves
<b>BALANCE AS PER 31 DECEMBER 2004 BELGIAN GAAP</b>	<b>79.498</b>	<b>30.602</b>	<b>107.112</b>	<b>0</b>	<b>217.212</b>
<b>Corrections on the opening balance sheet</b>	<b>0</b>	<b>19.683</b>	<b>0</b>	<b>-1.014</b>	<b>18.669</b>
Fair value of financial instruments	0	0	0	-1.014	-1.014
Dividend to the shareholders (with regard to 2004)	0	19.481	0	0	19.481
Deferred tax assets	0	202	0	0	202
<b>BALANCE AS PER 31 DECEMBER 2004 IFRS</b>	<b>79.498</b>	<b>50.285</b>	<b>107.112</b>	<b>-1.014</b>	<b>235.881</b>
Dividend to the shareholders (with regard to 2004)	0	-19.481	0	0	-19.481
Operational result	0	10.098	0	11	10.109
Value increase of the real estate portfolio	0	0	16.834	0	16.834
Deferred taxes on the value increase of the real estate portfolio	0	0	-1.186	0	-1.186
Write-back of the deferred taxes on the value increase of the real estate portfolio France (SIIC)	0	0	1.415	0	1.415
Exit tax France	0	-1.289	0	0	-1.289
<b>BALANCE AS PER 30 JUNE 2005 - IAS/IFRS</b>	<b>79.498</b>	<b>39.613</b>	<b>124.175</b>	<b>-1.003</b>	<b>242.283</b>

**Limited review report of the statutory auditor on the condensed consolidated interim financial statements of Warehouses De Pauw Comm.VA as of 30 June 2005**

We have performed a limited review engagement of the condensed consolidated interim financial statements of Warehouses De Pauw Comm.VA as of 30 June 2005, with a balance sheet total of EUR 385 millions and a profit for the six month period of EUR 26 millions. These condensed consolidated interim financial statements have been prepared in conformity with International Financial Reporting Standards.

We conducted our review in the framework of the reporting on the periodic information of the company. We conducted our review in conformity with the recommendation of the Belgian Institute of Registered Auditors applicable to limited review engagements. This review consisted primarily of the analysis, comparison and discussion of the financial information and, accordingly, was less extensive than an audit, the objective of which is to express any opinion on consolidated financial statements. Our review did, however, not reveal any information that would lead to material modifications to the condensed consolidated interim financial statements.

Our review report does not relate to the conformity of the condensed interim financial statements with International Accounting Standard 34 (Interim Financial Reporting).

Wolvertem, 30 August 2005

Luc Van Couter  
Partner

### **Impact of the changeover to IFRS standards**

For the first time, these interim figures have been prepared in accordance with the IFRS reporting system.

#### **1. Exceptions**

For this initial conversion, Warehouses De Pauw Comm.VA has opted to apply the following exceptions:

##### *Fair value of financial instruments*

Swap agreements (IRS) have been converted at their fair value. This conversion has only been made for the 2005 figures and not for the comparative figures, except for those for 31-12-2004, for which the impact has been imputed directly to equity capital.

##### *Business combinations*

The IFRS 3 Business combinations standard has not been applied to business combinations acquired in the past (before 1st January 2005). The assets and commitments acquired previously have therefore been maintained at their book value, in accordance with the Belgian accounting rules.

#### **2. Valuation of the property portfolio**

Properties are valued at their fair value. The fair value used is the investment value, i.e. the value including transaction costs, as estimated by the property surveyor. This interpretation of the concept of fair value is used by most CEPICs. The sector and the Belgian Banking, Finance and Insurance Commission (CBFA) are nevertheless jointly examining the compliance of this assessment methodology with the IFRS framework. Warehouses De Pauw Comm.VA will comply with the position adopted by the sector.

#### **3. Impact of the changeover**

The impact of the changeover to IFRS standards can be summed up as follows:

##### *Recognition of future tax benefits*

Future tax benefits resulting from the carryforward of unused tax losses have been recognised.

- as at 30-06-2005
  - impact on the results: + 0,269 million EUR
  - impact on equity capital: + 0,470 million EUR
- as at 31-12-2004
  - impact on the results: + 0,032 million EUR
  - impact on equity capital: + 0.202 million EUR
- as at 30-06-2004
  - impact on the results: - 0,169 million EUR
  - impact on equity capital: nil.



## 2005 Interim consolidated financial statements

### Impact of the changeover to IFRS standards (continued)

#### *Non approved dividends*

The balance sheet has been prepared before the allocation of profits. In other words, as the annual and interim dividends have not yet been approved by the General Meeting and the Board of Directors respectively, they are still included in the equity capital.

- as at 30-06-2005  
impact on the results: nil.  
impact on equity capital: + 8,813 million EUR
- as at 31-12-2004  
impact on the results: nil.  
impact on equity capital: + 19,481 million EUR
- as at 30-06-2004  
impact on the results: nil.  
impact on equity capital: nil.

#### *Valuation of swap agreements at market prices*

Swap agreements (IRS) have been recorded at their fair value.

As mentioned above, only the 2005 figures and equity capital as at 31-12-2004 have been adapted.

- as at 30-06-2005  
impact on the results: + 0,011 million EUR  
impact on equity capital: - 1,003 million EUR
- as at 31-12-2004  
impact on equity capital: - 1,014 million EUR

#### *Suspension of the discounting of deferred tax liabilities*

Deferred tax is recorded in the portfolio results for foreign property which is held by a foreign subsidiary. This deferred tax is calculated based on the difference between the estimated value of the property on the reporting date on the one hand, and its fiscal value on the other. Since the end of 2004, the calculation is no longer based on the expected tax rate but instead using the substantively enacted tax rate (except in France, where WDP has opted for SIIC status, the French equivalent of the CEPIC).

In the figures reported as at 30-06-2004, expected tax rates have nevertheless been applied.

The impact on equity capital as at 30-06-2004 is -1,750 million EUR and on the results as at 30-06-2004 is -0,065 million EUR.

#### *Extraordinary results*

Costs incurred by the stock market floatation in France, at the end of the last financial year, were recorded as extraordinary charges, in accordance with Belgian accountancy legislation. This is not permitted under the IFRS system. These costs of 0,144 million EUR have been recorded in the income statement on 31-12-2004 as "costs related to funds".

#### **4. Reporting and notes**

The format used (balance sheet and income statement) is the structure which has been prepared by the sector. This presentation method can still be altered however at the CBFA's request, in its capacity as the control body, following negotiations with the sector. For its income statement, WDP uses an analytical, schematic presentation in a free format, as this presentation enables a more accurate identification of the operational particularities of a CEPIC.

IFRS standards impose more detailed reporting than under the Belgian regulation. The 2005 interim report also includes a statement of the changes in equity and a cash flow statement which did not appear in the 2004 interim report. Reporting by segment will only be presented in the annual report prepared on 31-12-2005. The first classification for reporting by segment is geographic, and the second is the distinction between storage premises and other properties.

### What is a Closed-End Investment Company?

A Closed-End Investment Company is a company with fixed capital. It can be set up as a limited company (NV) or in the form of a Limited Partnership with share capital (Comm.VA). Thus Closed-End Investment companies have the same structures as traditional companies. In particular, NVs have a General Meeting of Shareholders, a Board of Directors and an auditor, whereas the Comm.VA has a General Meeting of Shareholders, a Management Board and a statutory auditor.

Unlike an Open-End Investment Company - an investment company with variable capital - the capital of a Closed-End Investment Company is fixed. While capital can be brought in or taken out of an Open-End Investment Company without too many formalities, the capital of a Closed-End Investment Company can only be raised by a 'formal' capital increase. The Closed-End Investment Company's capital results from new public issues of shares.

### Closed-End Property Investment Companies: increasingly popular in Europe

Closed-End Investment Companies can make use of a variety of investment strategies to achieve a return on their capital. In the case of a Closed-End Property Investment Company, investments take place directly or indirectly in property assets. They often select a specialist niche, such as offices, commercial premises or semi-industrial premises.

In Belgium, the legal structure was created for Closed-End Property Investment Companies (also known as "sicafs" or "bevaks") in 1990, although the rights and obligations of this instrument were not defined in concrete terms until 1995. The instrument was created by public authorities to enable private investors to also have access to the professional property market and to invest in property projects, which were previously the reserve of institutional investors. Comparable structures already existed in the United States, in the form of Real Estate Investment Trusts (REIT) and in the Netherlands, where they are known as Fiscale Beleggingsinstellingen (FBI).

Since then, other countries have also taken an interest in this structure: In 1994, Italy created the Fondi di Investimento Immobiliare (FII). In autumn 2003, France also followed the lead of Belgium and other countries with the creation of Sociétés d'Investissement Immobilier Cotées (SIIC). Since then, Great Britain and Germany have also established legal provisions to create similar investment companies. In 2006 we should see the emergence there of Property Investment Funds (PIF) and "German REIT" or "G-REIT" respectively.

### WDP: both sicaf and SIIC

Since 17th December 2004, WDP has also been listed on the Euronext Paris Second Market, its second listing after Euronext Brussels. In 2005, WDP applied for WDP France to be granted the status of SIIC, in order to be able to enjoy fiscal advantages in France related to the Closed-End Investment Company status.

The fiscal characteristics of sicafs and SIICs are quite similar (see also the comparative table on the next page). For example, they are both exempt from corporate taxation on annual income and capital gains. On the other hand, the profits related to activities other than the leasing or sale of property assets are indeed subject to corporate taxation. On changing to the sicaf or SIIC status, a one-off conversion charge known as an "exit tax" is paid by the company. It is calculated on the basis of the difference between the market value of the portfolio and the fiscal book value of the property. Since 1st January 2005, the exit tax applicable to sicafs is 16,5% (17% including the additional emergency tax). The payment of the 16,5% exit tax for SIICs is made in instalments over four years, with an initial 15% tranche paid at the end of the first year.





In Belgium, at least 80% of the operating profits have to be distributed. In France, the percentage is 85%, albeit after deduction of amortisation. However, provisions relating to the distribution of capital gains resulting from the sale of property assets differ considerably. In Belgium, a minimum of 80% has to be distributed unless it is reinvested. For SIICs however, at least 50% of the profit has to be distributed at the end of the year in which it was earned. Also in France, dividends from subsidiaries which are exempt from corporate taxation have to be entirely distributed in the year when they were received. In terms of the shareholding structure, at least 30% of the shares in sicafs have to be “free float”, i.e. shares which are available for trading. France does not impose any restriction in this respect, nor with regard to the level of debt, which in Belgium is fixed at a maximum of 50% for the sicaf.

	<b>Belgium (sicaf)</b>	<b>France (SIIC)</b>
Year of creation	1990	2003
Corporate taxation	0%	0%
Exit tax	16,5% (+ additional emergency tax)	16,5%
Minimum percentage of the operating profits which have to be distributed	80%	85% (after amortisation)
Minimum percentage of the capital gains to be distributed	50% (payable in two years)	80% (if not reinvested)
Restrictions in terms of the shareholding structure	30% minimum of free float	None
Maximum authorised gearing ratio	Maximum 50%	No restriction

### The landscape of sicafs and SIICs

At the end of June 2005, there were 11 Closed-End Property Investment Companies operating in various sectors of the Belgian property market.

office buildings:	Befimmo and Cofinimmo
commercial premises:	Intervest Retail and Retail Estates
residential:	Home Invest Belgium and Serviceflats Invest
semi-industrial:	WDP
mixed:	Intervest Offices, Leasinvest RE, Warehouses Estates Belgium and Wereldhave Belgium

In France, most SIICs operate both in the office premises market and in commercial spaces, sometimes even in combination with residential property. They rarely invest in industrial or semi-industrial premises. At the end of 2004, the following French SIICs existed (in alphabetical order): Affine, Bail Investissement, Entrepôts et Magasins Généraux de Paris (EMGP), Foncière des Pimonts, Foncière des Régions, Gecina, Klépierre, SIIC de Paris (formerly ImmoBanque), SIIC de Paris 8e (formerly Bail Saint-Honoré), Silic, Société de la Tour Eiffel (STE), Société Foncière Lyonnaise, Sophia and Unibail. Added to these, there were three foreign SIICs: Hammerson, a British SIIC, Rodamco Europe and Wereldhave, which are both Dutch.

### Advantages of sicafs for the investor

Sicafs not only enable private investors to invest in large scale property projects, but also offer many other advantages:

- a larger portfolio enabling better cost management and a more balanced spread of risks;
- management of the portfolio is carried out by specialists;
- their liquidity is far higher than that of “real” property or property income certificates;
- the investor is kept constantly informed of the evolution of his investment through the press and websites;
- there are also tax benefits for private individuals, as the tax deducted at source on dividends is charged at 15% instead of the usual 25% for shares.

**WDP Comm.VA** Blakenberg 15 B-1861 Wolvertem Belgium  
tel: +32 (0)52 338.400 fax: +32 (0)52 373.405 info@wdp.be www.wdp.be  
company registration number: 0417.199.869

