WDP

## Written questions following the Annual General Meeting held on 26 April 2023

**The written questions we received (originally in Dutch) are reproduced below and answered. Please note that the Dutch Association of Stockholders asked all questions.**

**Agenda item 1-3: Report of the Board of Directors on the course of business in 2022**

1. Increased construction costs and higher inflation and energy costs are leading WDP to be more selective about investments. However, commitment to the 2022-25 GROWTH for FUTURE growth plan is being maintained. Can you indicate which investments are being delayed or postponed?

First of all, no existing, ongoing investments will be postponed or cancelled. However, in function of the changed market conditions WDP intends to focus even more on profitability, as the main objective is the creation of profit growth per share rather than generating volume. Whereas the growth plan 2022-25 was originally based primarily on 500 million euros in annual investments (external growth), this will be scaled back to 250 million euros as of this year. WDP is adhering to its ambition of an EPRA earnings per share of €1.50 in 2025, as it sees an increased contribution from internal growth (mainly through indexation) and from accelerated energy investments against a lower investment volume.

2. WDP indicates it is well positioned against inflation risk through CPI-linked rental terms. The annual report states that WDP has an inflation forecast for 2022 of 6% and that 5% can be charged. Can WDP indicate why full inflation cannot be charged?

All lease contracts have an indexation clause: at 70% the full inflation rate can be passed on, at 30% there is a cap between 3-4%. This allows WDP to charge over 80% of inflation. Combined with fully hedged financial debt, this gives a good inflation hedge of cash flows.


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3. The investments in WDP Energy are accelerating. In the coming two years, EUR 150 million is expected to be invested in solar panels at a target return of around 8%.
    a. In the past, green certificates provided yield certainty. To what extent has WDP been able to obtain price and purchase securities for the panels to be installed in the coming years? Until when do these agreements run?

Regarding the new investments, green certificates are indeed no longer available, which is positive in terms of market evolution. Consequently, the investment is expected to be profitable based on the sale of the electricity produced and also based on long-term standardised electricity prices. WDP will sell the energy to the customer and to the grid. The prices are not fixed today, these will largely evolve with long-term electricity prices and in addition will also be partly fixed where possible.

    b. Does WDP have a plan for the moment when the above securities expire? Due to the tremendous increase in solar power, it is possible that output prices will become low or even negative during peak hours in the future.

We will indeed depend more heavily on volatile market prices and injection in the early stages, and we are aware of the risk of some periods with potentially low or negative prices during the day. Our predetermined plan and underlying strategy take such a situation into account: the intention is, as a first step, to further increase the production capacity with solar panels, and then to use the locally generated energy more on-site (rather than injecting it) by offering e-mobility solutions to the customers (thus electrifying the transport and consequently substantially increasing the consumption of the customer), in addition, to focus on batteries so that we can better buffer when the energy is sold (and therefore what price can be realised), and also to begin selling surpluses of generated energy in the long term at fixed prices.

c. The annual report talks about a pilot project where an existing warehouse will be renovated for full sustainability. Batteries and charging stations will be deployed in the process. Why does WDP not complete this project in full before sharpening and following up on its green energy investment plans?

The investments framed within the envisaged investment volume of 150 million euros in energy projects over the course of 2023-24 are mainly focused on the expansion of solar energy capacity that serve as a basis for further investments.

In addition, WDP is also investing in a pilot project of a Green Mobility Hub. For this pilot project, WDP foresees an investment budget of 4 million euros where 1.5 MWp of capacity solar energy will be provided in combination with battery storage, 10 fast charging points for vans and trucks as well as 17 charging points for passenger vehicles. WDP expects strong customer demand centred around this type of solution in the coming years.

WDP has been investing in expanding its solar power capacity for over 15 years (113 MWp as of 31/12/2022 with the ambition to scale this up to 250 MWp by 2025). Maximising the capacity of our rooftops through the production of renewable energy contributes to the decarbonisation of the entire warehouse site and customer energy consumption (being scope 3 downstream) and meets WDP's EU climate ambitions. This expansion of capacity and thus increased local production of green energy forms the basis for further investments at its sites such as smart grids, batteries and electric vehicle charging infrastructure to align and optimise energy consumption with production.

In doing so, WDP is also anticipating further electrification of its warehouses and an accelerated transition to electric transportation. In other words, the further roll-out of solar capacity is a first step to create value within our Energy-as-a-Service strategy. The Green Mobility Hub pilot project is part of this strategy. A further rollout depending on the success of the pilot can answer the challenge faced by all our customers within the portfolio.


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4. The electricity grid in the Netherlands is congested.
    a. Can WDP indicate the impact on real estate projects currently under development as well as future development plans?
    b. WDP has the ambition to make its logistics properties self-sufficient in terms of energy. Is WDP already able to implement this in projects where electricity connection may be an issue?

a. This is under control for ongoing projects, for future developments this is indeed a challenge due to grid congestion. Appropriate solutions will have to be sought for this.
b. There are solutions for this, however these all vary greatly in cost price, sustainability, etc. WDP is studying this for several new projects where this issue arises.

5. There is also the nitrogen discussion in the Netherlands. To what extent is WDP hindered by this?

WDP expects the current nitrogen discussion to have a limited impact due to additional nitrogen studies. The current nitrogen policy requires an additional nitrogen study per construction project prior to obtaining a building permit. As of 30 June 2021, a general exemption for this nitrogen study applied. As a result of the recent nitrogen ruling by the Council of State (removal of construction exemption), a nitrogen study is once again required. In concrete terms, this means that the situation for projects commenced before 30 June 2021 remains unchanged and an additional study will be required for projects commenced after 30 June 2021. Despite the nitrogen discussion, the Netherlands remains an interesting market for WDP.



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6. WDP has a property position of 111.7 million euros in Romania. The market analysis in the annual report states that initial yields in this country are currently at 7.1% and that demand for logistics property there is high. Set against the significantly lower initial yields in the Benelux and the fact that projects are hampered by various issues, the question arises why expansion in Romania is not receiving more attention?

   WDP has an interesting and strategic land position in Romania and will also address this as a function of its cost-benefit analysis per project where the initial yield is only one of the multitude of factors determining an investment decision.

   WDP's intention is to remain a 'core Western European risk' with the attractive add-on of a growth market such as Romania. Romania is a complementary and fast-growing economy with a strongly emerging consumer market in which the importance of logistics continues to grow and the market is still unsaturated (the Romanian industrial market is 6 million sq m of lettable area or just 0.3 m² per capita). WDP has a market share of around 25% and believes it is well positioned to accommodate future demand. However, we wish to limit the concentration risk in Romania to 20% of the market value of the total property portfolio (17% as at 31/12/2022) and a higher initial yield also faces a higher country-risk premium for Romania versus Western Europe.

7. By strengthening its balance sheet, WDP now has liquidity at its disposal of 1.7 billion euros. This should be sufficient to implement plans for 2023-24.
    a. Is this also sufficient to fully implement the targets up to 2025?

With this, WDP does have more than sufficient funds to finance the ongoing projects (337 million euros), the planned energy projects (150 million euros) and financing at maturity (330 million euros) in 2023-24. This does not include the retained earnings and optional dividends that provide additional financing through equity each year and also excludes refinancing. Furthermore, WDP's strategy is to continue financing its growth based on a stable capital structure (measured as net debt / EBITDA ~8x) and maintaining strong liquidity, and this also in function of investment opportunities.

    b. If not, to what extent does the increased interest rate environment influence the consideration of raising new capital in a proportionate ratio of equity and debt securities?

For many years and through the cycle, WDP has applied a financing strategy involving a healthy ratio of capital (at least 50%) to debt (maximum 50%) and wishes to keep it that way.