



**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

ProLogis European Properties is listed and traded on Eurolist by Euronext,  
the regulated market of Euronext Amsterdam N.V  
Code PEPR  
ISIN LU 0100194785  
**[www.prologis-ep.com](http://www.prologis-ep.com)**

No subscription can be accepted on the basis of these unaudited interim condensed consolidated financial statements.  
Subscriptions are only valid if they are made on the basis of the latest published prospectus accompanied by the latest annual report and the  
most recent interim report, if published thereafter.

**PROLOGIS EUROPEAN PROPERTIES  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**CONTENTS**

<u>Page</u>	
3	Report on review of interim financial information
5	Interim consolidated income statement
6	Interim consolidated statement of comprehensive income
7	Interim consolidated statement of financial position
8	Interim consolidated statement of changes in equity
9	Interim consolidated statement of investment in properties
10	Interim condensed consolidated statement of cash flows
11	Interim statement of performance measures
12-27	Notes to the interim condensed consolidated financial statements

## Report on review of interim financial information

To the Unitholders of  
ProLogis European Properties FCP  
34-38, avenue de la Liberté  
L-1930 Luxembourg

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of ProLogis European Properties, a *fonds commun de placement* ("PEPR"), which comprise the interim consolidated statement of financial position as at 30 September 2009, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of investment in properties and interim condensed consolidated statement of cash flows for the nine months ended 30 September 2009 and the related interim condensed explanatory notes. The interim condensed financial information of PEPR for the nine months ended 30 September 2008 has not been subject to review procedures carried out in accordance with the standards described below.

The managers of ProLogis Management S.à r.l. are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim financial reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

We draw attention to Note 1 in the interim condensed consolidated financial statements which indicates that as of 30 September 2009 PEPR has €748.1 million of debt maturing in 2010. This note also details PEPR's exposure to adverse developments in the markets in which it operates which could have an impact on its ability to comply with loan covenants. In 2008 PEPR has developed a plan to meet these obligations through, amongst other things, property sales, maturity extensions and new secured financing. During the first nine months of 2009 PEPR has successfully implemented some steps of the plan but some other steps still remain to be negotiated and are therefore uncertain. These conditions indicate the existence of material uncertainty about PEPR's ability to continue as a going concern.

*Other matters*

Supplementary information, including the interim statement of performance measures, has been reviewed in the context of our mandate but has not been subject to specific review procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the interim condensed consolidated financial statements taken as a whole.

ERNST & YOUNG  
Société Anonyme  
Réviseur d'entreprises



Bruno DI BARTOLOMEO

Luxembourg, 6 November 2009

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM CONSOLIDATED INCOME STATEMENT**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**  
*(Unless otherwise stated, amounts are expressed in thousands of euros)*

		30 September 2009 Unaudited €000	30 September 2008 Unaudited €000
	Notes		
Rental income		201,744	221,487
Other property income		357	195
<b>Total revenue</b>		<b>202,101</b>	<b>221,682</b>
Ground rents paid		(1,897)	(1,951)
Property management fees	10	(11,409)	(14,145)
Other property rental expenses		(6,103)	(8,982)
<b>Cost of rental activities</b>		<b>(19,409)</b>	<b>(25,078)</b>
<b>Gross profit</b>		<b>182,692</b>	<b>196,604</b>
Fund management fees	10	(3,772)	(4,700)
Fund custodian fees		(86)	(160)
Other fund expenses		(3,701)	(4,299)
<b>Fund expenses</b>		<b>(7,559)</b>	<b>(9,159)</b>
Investment and development property disposal proceeds	4	189,097	27,698
Carrying value of investment and development property disposals and currency translation effects	4	(231,751)	(26,221)
<b>Profit/(loss) on disposal of investment and development property</b>	4	<b>(42,654)</b>	<b>1,477</b>
Gross valuation gains on property		5,300	37,471
Gross valuation losses on property		(458,973)	(155,250)
Purchasers costs		22,943	4,715
<b>Property fair value movements</b>		<b>(430,730)</b>	<b>(113,064)</b>
<b>Earnings/(losses) before net financial cost and associate</b>		<b>(298,251)</b>	<b>75,858</b>
Finance income		2,323	4,280
Finance expense	9	(78,060)	(84,918)
Share of loss of an associate		-	(6,191)
<b>Loss before tax</b>		<b>(373,988)</b>	<b>(10,971)</b>
Benefit for taxation	8	55,880	10,024
<b>Loss for the period</b>		<b>(318,108)</b>	<b>(947)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Minority interest		(776)	467
Unitholders		(317,332)	(1,414)
		<b>(318,108)</b>	<b>(947)</b>
<b>Losses per unit</b>		<b>Euro</b>	<b>Euro</b>
Basic		(1.67)	(0.01)
Diluted		(1.67)	(0.01)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

		30 September 2009 Unaudited €000	30 September 2008 Unaudited €000
	Notes		
<b>Loss for the period</b>		<b>(318,108)</b>	<b>(947)</b>
<b>Other comprehensive income</b>			
Exchange difference on translating foreign operations		17,391	(120,294)
Disposal of foreign operations	4	23,675	-
Cash flows hedges		69	(25,209)
<b>Other comprehensive income/(loss) for the period</b>		<b>41,135</b>	<b>(145,503)</b>
<b>Total comprehensive loss for the period</b>		<b>(276,973)</b>	<b>(146,450)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Minority interest		(776)	467
Unitholders		(276,197)	(146,917)
		<b>(276,973)</b>	<b>(146,450)</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

		30 September 2009 Unaudited €000	31 December 2008 Audited €000
	Notes		
<b>Assets</b>			
<i>Non Current Assets</i>			
Investment in property as stated in consolidated statement of investment in properties		2,843,737	3,441,722
Property under construction		25	132
Hedging instruments	11	12,093	90,259
Deferred tax asset		10,939	5,625
		<b>2,866,794</b>	<b>3,537,738</b>
<i>Current Assets</i>			
Due from related parties	10	-	6,168
Accounts receivable, net of bad debt provision of 2,149 and 3,019 respectively		63,177	60,097
Other current assets		30,650	30,841
Other financial assets, available for sale		-	48,496
Cash and cash equivalents	5	104,953	77,101
		<b>198,780</b>	<b>222,703</b>
<b>Total Assets</b>		<b>3,065,574</b>	<b>3,760,441</b>
<b>Equity</b>			
Capital contributions		1,911,810	1,911,810
Costs of raising capital		(37,721)	(37,721)
<b>Net capital contributed</b>		<b>1,874,089</b>	<b>1,874,089</b>
Net Retained losses		(599,918)	(282,586)
Cumulative foreign currency translation adjustment		(135,222)	(176,288)
Cashflow hedge valuation reserve		(9,890)	(9,959)
Equity attributable to Unitholders		1,129,059	1,405,256
Minority interest in subsidiaries		4,813	5,589
<b>Total Equity</b>		<b>1,133,872</b>	<b>1,410,845</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Interest bearing secured notes	6	-	543,626
Interest bearing unsecured notes		492,883	492,005
Interest bearing bank loans, net of current portion	7	776,232	700,216
Hedging instruments	11	13,536	6,509
Deferred taxation	8	38,626	112,421
		<b>1,321,277</b>	<b>1,854,777</b>
<i>Current liabilities</i>			
Interest bearing bank loans and secured notes, current portion	6	448,005	335,288
Accounts payable		10,041	1,371
Due to related parties	10	10,787	40,387
Income and other taxes payable	8	25,016	16,449
Accrued expenses and other current liabilities		65,616	53,998
Deferred income		50,960	47,326
		<b>610,425</b>	<b>494,819</b>
<b>Total Liabilities</b>		<b>1,931,702</b>	<b>2,349,596</b>
<b>Total Equity and Liabilities</b>		<b>3,065,574</b>	<b>3,760,441</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

<b>Changes in equity</b>	<b>Capital contributions</b>	<b>Costs of raising capital</b>	<b>Net retained earnings/ (losses)</b>	<b>Cumulative foreign currency translation adjustment</b>	<b>Cashflow hedge valuation reserve</b>	<b>Equity items of an associate</b>	<b>Total equity attributable to Unitholders</b>	<b>Minority Interest</b>	<b>Total equity</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Balance as at 31 December 2007 (Audited)</b>	<b>1,911,810</b>	<b>(37,721)</b>	<b>401,958</b>	<b>(55,994)</b>	<b>15,250</b>	<b>-</b>	<b>2,235,303</b>	<b>6,612</b>	<b>2,241,915</b>
Other comprehensive loss	-	-	-	(48,241)	(5,272)	(6,274)	(59,787)	-	(59,787)
Profit/(loss) for the period	-	-	(1,414)	-	-	-	(1,414)	467	(947)
Total comprehensive income/(loss)	-	-	(1,414)	(48,241)	(5,272)	(6,274)	(61,201)	467	(60,734)
Distributions for the period	-	-	(107,649)	-	-	-	(107,649)	-	(107,649)
<b>Balance as at 30 September 2008 (Unaudited)</b>	<b>1,911,810</b>	<b>(37,721)</b>	<b>292,895</b>	<b>(104,235)</b>	<b>9,978</b>	<b>(6,274)</b>	<b>2,066,453</b>	<b>7,079</b>	<b>2,073,532</b>
<b>Balance as at 31 December 2008 (Audited)</b>	<b>1,911,810</b>	<b>(37,721)</b>	<b>(282,586)</b>	<b>(176,288)</b>	<b>(9,959)</b>	<b>-</b>	<b>1,405,256</b>	<b>5,589</b>	<b>1,410,845</b>
Other comprehensive income	-	-	-	41,066	69	-	41,135	-	41,135
Loss for the period	-	-	(317,332)	-	-	-	(317,332)	(776)	(318,108)
Total comprehensive income/(loss)	-	-	(317,332)	41,066	69	-	(276,197)	(776)	(276,973)
<b>Balance as at 30 September 2009 (Unaudited)</b>	<b>1,911,810</b>	<b>(37,721)</b>	<b>(599,918)</b>	<b>(135,222)</b>	<b>(9,890)</b>	<b>-</b>	<b>1,129,059</b>	<b>4,813</b>	<b>1,133,872</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM CONSOLIDATED STATEMENT OF INVESTMENT IN PROPERTIES**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

	<b>30 September</b>	<b>31 December</b>
	<b>2009</b>	<b>2008</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>€000</b>	<b>€000</b>
<b>Historic cost</b>		
Cost at the beginning of the period	3,244,724	3,435,805
Capital expenditure	1,797	8,095
Leasing commission	(203)	10,959
Rent levelling	-	8,635
Transfer of completed development from property under construction	107	2,439
Disposals	(223,540)	(8,531)
Effect of unrealised currency movements	43,763	(212,678)
<b>Cost at the end of the period</b>	<b>3,066,648</b>	<b>3,244,724</b>
<b>Net unrealised gains/(losses) related to property</b>		
Net unrealised gains at the beginning of the period	196,998	707,304
Gross valuation gains on investment in real estate during the period	5,300	39,022
Gross valuation losses on investment in property during the period	(458,973)	(539,382)
Adjustment for purchasers costs	22,943	16,642
Reversal of accumulated revaluation (gain) / loss and purchasers costs on disposal	15,464	(2,067)
Effect of unrealised currency movements	(4,643)	(24,521)
<b>Net unrealised gains/(losses) at the end of the period</b>	<b>(222,911)</b>	<b>196,998</b>
<b>Fair value at the end of the period</b>	<b>2,843,737</b>	<b>3,441,722</b>
<b>Fair Value of investment property</b>		
Appraised gross property value at the end of the period	2,986,615	3,617,279
Purchasers costs	( 142,878)	( 175,557)
<b>Fair value at the end of the period</b>	<b>2,843,737</b>	<b>3,441,722</b>
<b>Appraised market value as a percentage of net assets</b>	<b>251%</b>	<b>244%</b>
<b>Appraised gross property value subject to security</b>		
Secured Notes	715,706	1,516,413
Bank Loans	438,058	281,400
	<b>1,153,764</b>	<b>1,797,813</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

	Notes	30 September 2009 Unaudited €000	30 September 2008 Unaudited €000
<b>Net cash flow from operating activities</b>		<b>109,781</b>	<b>108,256</b>
<b>Cash flow from investing activities</b>			
Capital contribution to PEPFII	10	(38,000)	(214,381)
Distribution from an associate	10	6,168	6,599
Distribution from other financial assets, available for sale		1,270	-
Capital expenditure and other expenditure on investment property		(1,797)	(4,868)
Property under construction		-	(4,005)
Payments from insurance company in regard of building losses net of rebuilding costs		1,082	3,499
Proceeds from disposal of shares of an associate	10	48,496	-
Proceeds from Property under construction		-	16,167
Proceeds from disposal of investment in property	4	189,097	10,867
<b>Net cash (used)/provided in investing activities</b>		<b>206,316</b>	<b>(186,122)</b>
<b>Cash flow from financing activities</b>			
Proceeds/(repayments) from secured notes:			
- Gross settlements	6	(434,466)	-
- Hedges proceed	11	57,588	-
Proceeds/(repayments) from bank loans:			
- Gross proceeds	7	99,509	213,833
- Gross (repayments)	7	(25,059)	-
- Transaction costs	7	(3,299)	-
Restricted proceeds from swap contracts	11	16,620	-
Distributions to Unitholders		-	(114,727)
<b>Net cash (used)/provided from financing activities</b>		<b>(289,107)</b>	<b>99,106</b>
<b>Effects of exchange rate changes</b>		<b>862</b>	<b>(1,336)</b>
<b>Net increase in cash and cash equivalents</b>		<b>27,852</b>	<b>19,904</b>
Cash and cash equivalents at the beginning of the period		77,101	78,680
<b>Cash and cash equivalents at the end of the period</b>	5	<b>104,953</b>	<b>98,584</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES**  
**INTERIM STATEMENT OF PERFORMANCE MEASURES**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**  
*(Unless otherwise stated, amounts are expressed in thousands of euros)*

EPRA earnings per share	Notes	30 September 2009 Unaudited €000	30 September 2008 Unaudited €000
<b>Losses attributable to unitholders</b>		<b>(317,332)</b>	<b>(1,414)</b>
Adjustments for:			
Revaluation movements on investment properties and development properties		430,730	113,064
Share of loss of an associate	10	-	6,191
Distribution from an associate		-	9,750
Loss/(profit) on disposal of investment properties, net of tax		42,736	(2,008)
Deferred tax effects arising on revaluation of investment properties	8	(67,368)	(26,441)
Minority interest in respect of the above		(883)	102
<b>EPRA earnings for the period</b>		<b>87,883</b>	<b>99,244</b>
Weighted average number of units		190,522,441	190,522,441
<b>EPRA earnings per unit for the period</b>		<b>€0.46</b>	<b>€0.52</b>

EPRA net asset value	Notes	30 September 2009 Unaudited €000	31 December 2008 Unaudited €000
<b>Net asset value attributable to Unitholders per IFRS financial statements</b>		<b>1,129,059</b>	<b>1,405,256</b>
Adjustments for:			
Cash flow hedge valuation reserve		9,890	9,959
Deferred tax	8	38,626	112,421
<b>EPRA net asset value</b>		<b>1,177,575</b>	<b>1,527,636</b>
Number of units outstanding		190,522,441	190,522,441
<b>EPRA net asset value per unit</b>		<b>€6.18</b>	<b>€8.02</b>

This statement is supplemental to these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**1 CORPORATE INFORMATION**

ProLogis European Properties ("**PEPR**") a *fonds commun de placement* ("FCP"), was established on 10 September 1999 under the laws of Luxembourg in the form of an unincorporated contractual co-ownership scheme and is now governed by the law on undertakings for collective investments of 20 December 2002 ("**Luxembourg Law**") and by its specific Management Regulations dated 10 September 1999 which appear in Appendix E to the Private Placement Memorandum of 10 September 1999 (the "**Management Regulations**") as amended on 29 June 2001, 13 May 2003, 7 July 2003, 17 November 2005, 11 September 2006, 29 May 2007 and on 26 March 2008.

PEPR is an externally managed real estate investment fund organized as a Luxembourg closed-ended FCP and regulated in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). PEPR owns a portfolio of high quality Distribution Facilities located in thirty-two submarkets within eleven European countries. PEPR is managed by ProLogis Management S.à.r.l. (the "**Management Company**"), a limited liability company organised under the laws of Luxembourg (registration number B 70 940) having its registered office at 34-38, Avenue de la Liberté, L-1930 Luxembourg.

The Management Company has the exclusive right to manage PEPR and is vested with broad powers to administer and manage PEPR in the name of and on behalf of the Unitholders subject to the rules and regulations set out in the Management Regulations.

**Going concern assessment**

Management has updated its assessment of PEPR's future developments, financial position, performance and cash flows and has concluded that the continued application going concern assumption is appropriate, even though an element of uncertainty exists.

The business environment in which PEPR operates has been dominated since 2008 by a general credit market dislocation, a lack of capital liquidity and declining property values. PEPR has maintained resilient operational performance despite these developments and the uncertain global economic outlook.

Despite strong operational performance, global economic developments nonetheless significantly affected PEPR's results of operations in 2008 and the first nine months of 2009, primarily as a result of downward fair market valuation adjustments and impairment charges recorded during these periods.

While the optimisation of capital resources has been a focus of the Management Company and PEPR's Board since PEPR's inception, since 2008 the Management Company and PEPR's Board have had an active focus on debt management and have initiated a range of measures designed to address some of the adverse effects of difficult current economic conditions on PEPR's business. These measures include the development of a plan designed to refinance €449.7 million (reduced to €90.6 million on 5 November 2009) of CMBS debt maturing in May 2010 and two tranches amounting to €600.0 million under the €900.0 Million Facility maturing in December 2010 (€300.0 million drawn as of 30 September 2009, and increased further to €544.0 million on 28 October 2009), as well as to ensure PEPR remains in compliance with its debt covenants. These measures include:

- The renegotiation, at the end of 2008, of certain financial covenants of PEPR's unsecured credit facility and a continuing further negotiation with the lenders under that facility to (a) reduce the consolidated tangible net worth covenant currently applying to the facility and (b) amend the definition of "Restricted Period" in the facility such that certain restrictions against payments will apply unless PEPR raises further equity which in aggregate equals, or exceeds, €200.0 million and the consolidated tangible net worth as of the last day of the most recent fiscal quarter of PEPR is at least a minimum of €1.0 billion;
- The suspension of dividend distributions by PEPR, starting with the dividend for the fourth quarter of 2008 and for the foreseeable future;
- The sale of PEPR's entire interest in PEPF II in two transactions in December 2008 and February 2009, realising net proceeds of €54.2 million and relieving PEPR of the obligation to fund a further €522.3 million of investments in PEPF II before August 2010;
- The prepayment, in April 2009, of an aggregate €335.9 million of CMBS debt, funded through a combination of cash from operations, cash inflows from the unwinding of related derivatives and a drawdown under PEPR's €900.0 Million Facility. The prepayment of CMBS debt released security on €550.9 million worth of properties (at December 2008 values);
- The agreement, in May 2009, to dispose of nine Distribution Facilities in The Netherlands and Germany for net proceeds of €114.5 million, all received prior to 30 September 2009;
- The sale, in June 2009, of five Distribution Facilities in the UK generating total net proceeds of €63.1 million (€72.8 million), all received prior to 30 September 2009;
- The agreement and funding, in July 2009, with EuroHypo AG, for a new £86.1 million (€95.0 million) secured bank loan facility, maturing in July 2013, the proceeds from which are used primarily to pay down existing debt;
- The prepayment on 5 August 2009 of an aggregate of €98.6 million of CMBS debt (due May 2010), funded through a combination of asset disposals, cash flow from operations, cash inflows from the unwinding of related derivatives and new secured bank loans. The prepayment of CMBS debt released security on approximately €81.4 million (at June 2009 values) worth of assets retained in the business and security on four properties that had been sold earlier in the quarter;
- The agreement, as of July 2009, to a three-year extension for €126.0 million of the €151.1 million secured bank loan facility with Deutsche Pfandbriefbank (formerly known as Hypo Real Estate Bank International) that matures in March 2010, the differential of €25.1 million of principal amount having been repaid;
- The agreement in October 2009 with a single lender for a new €48.0 million secured bank loan facility, maturing in October 2014 used to pay down existing debt; and

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**1 CORPORATE INFORMATION (Continued)**

**Going concern assessment (Continued)**

- The prepayment on 5 November 2009 of an aggregate of €359.1 million of CMBS debt (due May 2010), funded through a combination of cash flow from operations, €20.2 million of cash inflows from the unwinding of related derivatives, a new secured bank loan and €244.0 million drawing under the €900 Million Facility. The prepayment of CMBS debt released security of approximately €482.9 million worth of assets (at September 2009 values).

Furthermore, the Management Company continues to consider additional means to strengthen PEPR's balance sheet, including new secured bank loan facilities and further asset sales. PEPR's plans also include the possible offering of fully underwritten convertible preferred units to existing unitholders which would be executed in multiples tranches.

Despite the element of uncertainty in the implementation of the plan, Management is highly focused on achieving its deleveraging and refinancing objectives.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**Basis of preparation**

The interim condensed consolidated financial statements for the nine months ended 30 September 2009 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the PEPR's annual consolidated financial statements for the year ended 31 December 2008.

The interim condensed consolidated financial statements for the nine months ended 30 September 2009 have been authorised for issuance on November 6, 2009 by the Management Company.

**Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the PEPR's annual consolidated financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations below which are applicable to PEPR.

*IAS 1 — Revised Presentation of Financial Statements*

The revised IAS 1 Presentation of Financial Statements separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owners changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. PEPR elected to present two statements.

*Amendments to IAS 32 and IAS 1 — Puttable Financial Instruments*

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The adoption of these amendments did not have any effect on the financial position or performance of PEPR.

*Improvements to IFRSs*In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments did not have any effect on the financial position or performance of PEPR:

- *IFRS 7 — Financial Instruments*: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- *IAS 1 — Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.
- *IAS 8 — Accounting Policies, Change in Accounting Estimates and Errors*: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *IAS 10 — Events after the Reporting Period*: Clarification that dividends declared after the end of the reporting period are not obligations.
- *IAS 16 — Property, Plant and Equipment*: Replace the term "net selling price" with "fair value less costs to sell".
- *IAS 16 — Property, Plant and Equipment*: Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- *IAS 18 — Revenue*: Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

**Significant accounting policies (Continued)**

- *IAS 23 — Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- *IAS 28 — Investment in Associates:* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on PEPR as it does not account for its associates at fair value in accordance with IAS 39. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.
- *IAS 34 — Interim Financial Reporting:* Earnings per share are disclosed in interim financial reports if an entity is within the scope of IAS 33.
- *IAS 36 — Impairment of Assets:* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of PEPR because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
- *IAS 39 — Financial Instruments: Recognition and Measurement:* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- *IAS 40 — Investment Property:* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

*IFRIC 15 — Agreements for the Construction of Real Estate*

The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. The adoption of the interpretation did not impact the financial performance or the accounting policies of PEPR.

*IFRIC 16 — Hedges of a Net Investment in a Foreign Operation*

The Interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. The adoption of the interpretation did not impact the financial performance or the accounting policies of PEPR.

**Significant accounting estimates and judgments**

The significant accounting estimates and judgments applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the PEPR's annual consolidated financial statements for the year ended 31 December 2008.

*Investment in properties*

The property assets within PEPR have been revalued as of 30 September 2009 by the Independent Appraisers. The turbulence seen in the commercial property markets has subsided to some extent and the credit markets have improved, though the relative lack of activity in the capital markets means that it may be difficult to achieve a successful sale of property assets in the short term. This inevitably results in a greater uncertainty of the property values. However, transparency and certainty concerning values have improved with an increasing volume of transactions since the first half of the year.

**3 SEASONALITY OF OPERATIONS**

With regards to the seasonal nature of the business, rental income, other revenues and costs are received and incurred smoothly over the accounting period. No additional disclosure, therefore, needs to be made in the interim condensed consolidated financial statements as a result of seasonality.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**4 PROFIT ON DISPOSAL OF INVESTMENT PROPERTY**

On 12 May 2009, PEPR sold nine stand alone assets in Germany and in The Netherlands to Curzon Capital Partners II, managed by AEW Europe. The portfolio comprised some 229,000 square metre of distribution warehouse space at four locations in Germany (Neumarkt, Peine, Soest and Straubing) and three locations in The Netherlands (Bergen op Zoom, Haaften and Rotterdam), with a remaining lease length of over 6 years. As at 30 September 2009, PEPR had completed the disposal of nine assets worth € 116.3 million (€ 114.5 million received and €1.8 million anticipated to be received from an escrow account).

On 30 June 2009, PEPR sold five distribution facilities for a net consideration of GBP 63.1 million (€ 72.8 million) to an affiliate of Harbert European Real Estate Fund II L.P. The 79,700 square metre portfolios is situated in various locations throughout the UK, with a remaining average lease length of approximately 10 years.

The table below summarizes those transactions:

	UK properties	German properties	Netherland properties	Other	Total 30 September 2009	Total 30 September 2008
Disposal proceeds	72,751	50,842	65,462	42	189,097	27,698
Carrying value of properties and currency translation effects	(110,157)	(55,523)	(66,018)	(53)	(231,751)	(26,221)
<b>(Loss)/profit on disposal of investment and development property</b>	<b>(37,406)</b>	<b>(4,681)</b>	<b>(556)</b>	<b>(11)</b>	<b>(42,654)</b>	<b>1,477</b>

Recycling of the currency translation effects on disposal from the other comprehensive loss to the loss on disposal of UK investment properties amounted €23.7 million (2008: nil).

**5 CASH AND CASH EQUIVALENTS**

	30 September 2009	31 December 2008
	Unaudited	Audited
	€000	€000
Restricted cash	37,684	23,973
Unrestricted cash	67,269	53,128
	<b>104,953</b>	<b>77,101</b>

Restricted cash mainly comprises cash which, under the terms of the secured notes, is received under rental agreements and is subject to certain restrictions in any one quarter until interest payments under the notes for that applicable quarter are made. In addition, PEPR received restricted proceeds from swap contracts (Note 11) for an amount of € 16,620 million and other restricted.

Under the terms of the secured notes, cash received in respect of the sale of assets which are part of the security for those loan notes, is held as collateral until either a new property is substituted for it, or the notes are partially repaid.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**6 INTEREST BEARING SECURED NOTES**

The notes are secured on the assets of the respective borrower and its direct and indirect subsidiaries. The notes must be redeemed in full, on or before the repayment date. However, the notes may be repaid earlier, in full or in part, at the option of certain finance subsidiaries of PEPR, subject to certain conditions. Details of the notes and the application of the proceeds are shown below.

	<b>30 September 2009 Unaudited €000</b>	<b>31 December 2008 Audited €000</b>	
<b>Cumulative proceeds</b>			
<i>Proceeds from secured floating rate notes:</i>			
Loan Notes listed on the London Stock Exchange	449,668	884,135	
	<b>449,668</b>	<b>884,135</b>	
<b>Transaction costs</b>			
<i>Cost</i>			
Balance at the beginning of the period	44,111	44,111	
Retirements and amounts written off	(22,440)	-	
<b>Balance at the end of the period</b>	<b>21,671</b>	<b>44,111</b>	
<i>Amortisation</i>			
Balance at the beginning of the period	38,890	34,550	
Retirements and amounts written off	(21,635)	-	
Amortisation shown in interest expense	2,753	4,340	
<b>Balance at the end of the period</b>	<b>20,008</b>	<b>38,890</b>	
<b>Net book value of transaction costs</b>	<b>1,663</b>	<b>5,221</b>	
<b>Net book value of proceeds from secured notes</b>	<b>448,005</b>	<b>878,914</b>	
<b>Value of pledged assets</b>			
For loan notes listed on the London Stock Exchange	715,706	1,516,413	
	<b>715,706</b>	<b>1,516,413</b>	
<b>Proceeds from Notes listed on the London Stock Exchange</b>	<b>Redemption date</b>		
Pan European Industrial Properties Series II S.A. Class A - 2012	July 2009	-	265,372
Pan European Industrial Properties Series II S.A. Class B - 2012	July 2009	-	30,750
Pan European Industrial Properties Series II S.A. Class C - 2012	July 2009	-	39,750
Pan European Industrial Properties Series III S.A. Class A - 2013	May 2010	134,668	134,668
Pan European Industrial Properties Series III S.A. Class B - 2013	May 2010	17,250	17,250
Pan European Industrial Properties Series III S.A. Class C - 2013	May 2010	22,500	22,500
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class A - 2013	May 2010	223,250	321,845
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class B - 2013	May 2010	32,000	32,000
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class C - 2013	May 2010	20,000	20,000
		<b>449,668</b>	<b>884,135</b>
<b>Net Property Value of pledged assets</b>			
Pan European Industrial Properties Series II S.A.		-	550,854
Pan European Industrial Properties Series III S.A.		289,133	325,343
Pan European Industrial Properties Series IV S.A.		426,573	640,216
		<b>715,706</b>	<b>1,516,413</b>

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**7 INTEREST BEARING BANK LOANS**

**Loan Financing**

The majority of PEPR's funding for general corporate purposes is financed by a €900 million senior unsecured credit facility arranged through a syndicate of 19 banks led by Banc of America Securities LLC and ABN Amro Bank, N.A. Under certain conditions the facility may be expanded up to €1.15 billion, through additional commitments, in accordance with the terms and conditions set forth in the credit agreement. Connected to PEPR downgrade as at 30 December 2008 (Baa1 to Baa2, refer to "summary of facilities" in this Note) an increase of the applicable margin has been applied from 30 December 2008 to 6 April 2009 (Baa2 to Baa3). As at 19 June 2009, a further downgrade (Baa3 to Ba1) was announced and an increase of the applicable margin has been applied from that date.

On 2 July 2009, PEPR extended the loan agreement with Deutsche Pfandbriefbank AG. The original expiry was March 2010, now extended to 15 March 2013. The loan amount has been reduced to € 126 million (was € 151.1 million) and is secured on the assets of certain subsidiaries located in Central Europe.

On 17 July 2009, PEPR signed a loan agreement with Eurohypo AG. The loan has been funded on 24 July 2009 for in total GBP 86.145 million maturing in 2013 and is secured on the assets of certain subsidiaries located in United Kingdom.

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>€000</b>	<b>€000</b>
<b>Proceeds:</b>		
Bank loans maturing between two to five years	786,243	709,936
<b>Total proceeds from long term bank loans</b>	<b>786,243</b>	<b>709,936</b>
<b>Transaction costs</b>		
<i>Cost</i>		
Balance at the beginning of the period	10,744	7,564
Retirements and amounts written off	(573)	-
Additions during the period	3,299	3,180
<b>Balance at the end of the period</b>	<b>13,470</b>	<b>10,744</b>
<i>Amortisation</i>		
Balance at the beginning of the period	1,024	76
Retirements and amounts written off	(573)	-
Amortisation shown in interest expense	3,008	948
<b>Balance at the end of the period</b>	<b>3,459</b>	<b>1,024</b>
<b>Net book value of transaction costs</b>	<b>10,011</b>	<b>9,720</b>
<b>Net book value of proceeds from bank loans</b>	<b>776,232</b>	<b>700,216</b>

Used and unused portions of these facilities are analysed as follows:

	<b>30 September 2009</b>	<b>31 December 2008</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>€000</b>	<b>€000</b>
<b>Available facilities</b>		
Loans secured by guarantee and on shares and intercompany receivables of certain subsidiaries	221,020	151,059
Loans unsecured	900,000	900,000
<b>Amounts drawn</b>	<b>1,121,020</b>	<b>1,051,059</b>
Loans secured by guarantee and on shares and intercompany receivables of certain subsidiaries	221,020	151,059
Loans unsecured	565,223	558,877
	<b>786,243</b>	<b>709,936</b>
<b>Unutilised loan facilities (loans unsecured)</b>	<b>300,000</b>	<b>300,000</b>
<b>Value of pledged assets</b>	<b>438,058</b>	<b>281,400</b>

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**7 INTEREST BEARING BANK LOANS (continued)**

**Summary of facilities**

<b>Lender: Deutsche Pfandbriefbank AG</b>				ProLogis Central European Finance S.L.
Principal Borrower:				
First drawdown				February 2004
Repayment date				March 2013
Pricing three month Euribor				+ 250 bps
Interest payment				Quarterly
Effective interest rate				5.34%
Amount				€126,000
<b>Lender: Eurohypo AG</b>				ProLogis European Finance XIII S.à r.l.
Principal Borrower:				
First drawdown				July 2009
Repayment date				July 2013
Pricing three month Libor				+ 250 bps
Interest payment				Quarterly
Effective interest rate				6.40%
Amount (€'000)				€86,145
<b>Lender: Banc of America Securities L.L.C. and ABN Amro Bank N.V.</b>				ProLogis European Properties FCP
<b>Senior credit agreement with a maximum capacity of Euro 900 million</b>				
Principal Borrowers:				
<b>Revolver facility first drawdown</b>				
Final date				December, 2010
Downgrade date	From 30 December 2008 to 6 April 2009	From 6 April 2009 to 25 June 2009		After 25 June 2009
Pricing one month Euribor	+ 185 bps	+ 200 bps		+ 215 bps
Facility fee	+ 35 bps	+ 40 bps		+ 50 bps
Interest payment				Monthly
Effective interest rate				N/A
Available facilities				€300,000
Amount drawn (€'000)				-
Amount drawn (€'000)				-
<b>Facility tranche I</b>				
Final date				December, 2010
Downgrade date	From 30 December 2008 to 6 April 2009	From 6 April 2009 to 25 June 2009		After 25 June 2009
Pricing one month Euribor	+ 220 bps	+ 240 bps		+ 265 bps
Interest payment				Monthly
Euro tranche effective interest rate				5.62%
Available facilities				€300,000
Amount drawn				€300,000
<b>Facility tranche II first drawdown</b>				
Final date				December, 2012
Downgrade date	From 30 December 2008 to 6 April 2009	From 6 April 2009 to 25 June 2009		After 25 June 2009
Euro tranche pricing one month Euribor	+ 225 bps	+ 245 bps		+ 270 bps
Sterling tranche pricing one month Libor	+ 225 bps	+ 245 bps		+ 270 bps
Interest payment				Monthly
Euro tranche effective interest rate				6.18%
Sterling tranche effective interest rate				7.22%
Available facilities				€300,000
Amount drawn (€'000)				€129,000
Amount drawn (€'000)				€123,500

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**8 TAXATION**

PEPR is an unincorporated contractual co-ownership scheme governed by Part II of the law on Undertakings for Collective Investments of 20 December 2002.

According to legislation currently in force, PEPR is not subject to corporate income or capital gains taxes in Luxembourg. It is, however, liable to an annual subscription tax based upon the Ordinary units in issue. The tax rate per annum on the net assets attributable the Ordinary Units is 0.05%. The tax, payable quarterly, is assessed on the last day of each quarter.

Real estate revenues, or capital gains derived from real estate, may be subject to taxes by assessment, withholding or otherwise in the countries where the real estate is situated.

PEPR's subsidiaries depreciate their historical property cost in accordance with applicable tax regulations. Depreciation is deducted from taxable profits in determining current taxable income.

Deferred tax liabilities are calculated according to the full liability method, and mainly arise on timing differences generated by fair value adjustments occurring post acquisition in the case where an acquisition does not qualify as a business combination. In the case of acquisitions which are classified as business combinations deferred tax is recognised on the timing differences between the carrying value of real estate investments in these financial statements and the respective tax basis at the date of acquisition, and is subsequently remeasured in each period.

No deferred tax liabilities have been accrued in respect of unremitted profits contained in direct and indirect subsidiaries of PEPR as it is unlikely that these profits will be remitted to the parent in a manner which will attract income tax.

	<b>30 September 2009 Unaudited €000</b>	<b>31 December 2008 Audited €000</b>
<b>Deferred tax liability</b>		
<b>Opening balance</b>	<b>112,421</b>	<b>190,362</b>
Effect of revaluations of properties to fair value post acquisition	(67,368)	(74,629)
Deferred tax on properties disposed of	(5,592)	42
Other deferred tax effects	(835)	(3,354)
<b>Movements on deferred tax liability</b>	<b>(73,795)</b>	<b>(77,941)</b>
<b>Closing balance</b>	<b>38,626</b>	<b>112,421</b>
<b>Made up of:</b>		
Deferred tax liabilities acquired as part of business combinations related to the difference in the tax base on carrying value of investment properties acquired	3,170	3,170
Revaluation of investment properties to fair value	35,456	109,251
<b>Total deferred tax liabilities</b>	<b>38,626</b>	<b>112,421</b>

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**8 TAXATION (continued)**

	<b>30 September 2009 Unaudited</b>	<b>31 December 2008 Audited</b>
	<b>€000</b>	<b>€000</b>
<b>Long term tax asset mainly relating to losses carried forward (opening balance)</b>	<b>5,625</b>	<b>7,740</b>
Relating to tax losses carried forward	5,314	(2,115)
<b>Total deferred tax assets</b>	<b>10,939</b>	<b>5,625</b>
<b>Income and other current taxes payable</b>		
Balance brought forward	16,449	17,570
Tax expense	22,394	23,606
Tax paid	(13,827)	(24,727)
<b>Closing balance</b>	<b>25,016</b>	<b>16 449</b>
<b>Tax expense</b>		
Income taxes	21,325	20,830
Other taxes	585	2,060
Subscription taxes	484	716
<b>Income taxes expensed</b>	<b>22,394</b>	<b>23,606</b>
<b>Deferred tax (benefit)/expense</b>		
Arising from liabilities	(67,368)	(74,629)
Arising from properties disposed of	(5,592)	42
Arising from assets	(5,314)	2,115
<b>Deferred income tax benefit</b>	<b>(78,274)</b>	<b>(72,472)</b>
<b>Benefit for taxation reported in the consolidated income statement</b>	<b>(55,880)</b>	<b>(48,866)</b>

As of 30 September 2009 the unrecognised portion of deferred tax assets related to property fair value movements was € 66.9 million (2008: € 34.5 million).

	<b>30 September 2009 Unaudited</b>	<b>31 December 2008 Audited</b>
	<b>€000</b>	<b>€000</b>
<b>Accounting losses before income tax</b>	<b>(373,988)</b>	<b>(626,784)</b>
Tax exempt income/expense:		
Property fair value movement	430,730	483,718
Result on disposal of investment properties	63,308	-
Share of loss of an associate, loss on disposal of an associate and impairment loss of an investment available for sale	-	282,405
Fund expenses	26,243	12,314
	520,281	778,437
Tax deductible expenses:		
Tax depreciation	(45,123)	(67,637)
Interest and others	(7,511)	(13,771)
	(52,634)	(81,408)
<b>Taxable profit and losses before tax</b>	<b>93,659</b>	<b>70,245</b>
Charge for taxation at effective rate of 23.60% (2008: 26.10%)	22,106	18,332
Adjustment to the income tax charge of previous years	(781)	2,498
Others taxes	585	2,060
Subscription tax	484	716
<b>Current income tax expense</b>	<b>22,394</b>	<b>23,606</b>

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**9 FINANCE EXPENSE**

	<b>30 September 2009 Unaudited €000</b>	<b>30 September 2008 Unaudited €000</b>
Interest payable brought forward	(15,166)	(11,981)
Interest payable carried forward	34,602	34,576
Interest paid	51,206	57,538
<b>Interest expense</b>	<b>70,642</b>	<b>80,133</b>
Amortisation of initial borrowing costs	7,445	4,706
<b>Total interest and amortisation expense</b>	<b>78,087</b>	<b>84,839</b>
Change in value of fair value hedges	11,054	(22,922)
Other net unrealised foreign currency losses on monetary assets and liabilities	(11,511)	22,760
Cumulative realised losses	430	241
<b>Net foreign currency losses on monetary assets and liabilities</b>	<b>(27)</b>	<b>79</b>
<b>Total finance expenses</b>	<b>78,060</b>	<b>84,918</b>

Related to the earlier repayment of € 335.9 million of secured debt (CMBS II) in April 2009 and of € 98.6 million of secured debt (CMBS IV) in August 2009, PEPR was required to pay a complementary cost of € 5.1 million.

Amortisation on initial borrowing costs increased of € 2.7 million primarily due to increased usage of the senior unsecured credit line.

**10 TRANSACTIONS WITH RELATED PARTIES**

**10a Management fees**

Since the initial public offering of PEPR, the Management Company is entitled to charge the following management fees:

- (i) a management fee equivalent to 0.60% per annum of the gross property value of the Portfolio, excluding any interest in the real estate of any ProLogis Private Equity Funds or ProLogis Joint Ventures;
- (ii) a cash management fee equal to 0.10% per annum of unrestricted balances of cash and cash equivalents; and
- (iii) from 31 December 2008, an incentive fee of 20% of IFRS net income per Unit above a hurdle rate of an annual return of 9% of net assets over an average of three years (see Note 10c).

The management fee is invoiced in four parts, fund management fee equal to 15 basis points, fund fee equal to 45 basis points less property management fees and accounting fees already invoiced by each business units. Amounts unpaid as 30 September 2009 are €10.2 millions (2008: €2.2 millions). The total cost recognised in the consolidated income statement for the period is €15.2 millions (2008: €18.8 millions).

**10b Property management fees**

The Management Company has entered into investment management agreements with ProLogis Management Services II SAS, ProLogis Poland Management II Spzoo, ProLogis Spain Management II SL, ProLogis Czech Management II Sro, ProLogis Management BV, ProLogis Germany Management II GmbH, ProLogis Italy Management Srl, ProLogis Belgium Management II Sprl and ProLogis Hungary Management II Kft respectively incorporated under the laws of France, Poland, Spain, the Czech Republic and Hungary (the "**Investment Managers**"). Under the terms of these agreements, the Investment Managers carry out property management functions on behalf of PEPR. Fees paid to local non-related investment managers are deducted from the base management fee received by the Management Company.

**10c Fund incentive fee**

As per the Management Regulations, PEPR is obliged to pay a fund incentive fee to the Management Company based on the performance of PEPR over a certain benchmark. The Fund incentive fee is calculated on a rolling three year basis, with the first computation period from initial public offering (27 September 2006) to 31 December 2008 and annually thereafter. The incentive fee becomes payable if PEPR's IFRS earnings per unit for the year exceeds a hurdle rate of 9% of the opening IFRS NAV per unit for that year. Where this is the case, the incentive fee payable would be 20% of the excess over the hurdle. The incentive fee, if any, is due for payment in the following year. As of 30 September 2009 and 31 December 2008 no incentive fee was accrued or due.

**PROLOGIS EUROPEAN PROPERTIES FUND  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**10 TRANSACTIONS WITH RELATED PARTIES (continued)**

**10d Leasehold agreements**

PEPR has leased real estate to some of the Investment Managers on an arm's length basis. Rent charged for the period ending 30 September 2009 amounted to €0.22 million (2008: €0.45 million).

**10e Development fee**

ProLogis entered into a number of contracts with indirect subsidiaries of PEPR to manage, on behalf of those subsidiaries, significant redevelopment or extension projects. In return ProLogis received a development fee of 3.25% to 12% of the construction cost of the project, dependant on project size. These fees are included within the cost basis of real estate investments. Under the terms of the revised Management Regulations the Board of PEPR will annually approve ProLogis development rates based upon evidence in the respective local markets.

**10f Insurance**

The Management Company has, on behalf of PEPR, entered into an insurance contract with a related party under which the first US\$1 million of any claim is settled by that related party. The remainder of any claim is met by a syndicate of insurers who are not related parties.

**10g Leasing commissions**

Under the terms of the revised Management Regulations, the Board of PEPR must approve annually the leasing commission rates to be charged by ProLogis based upon evidence in the respective local markets. These commissions can only be charged by ProLogis in situations where no outside broker is involved in the lease negotiations.

**10h Private Equity Fund Investment Agreement**

Under the Private Equity Fund Investment Agreement, ProLogis has granted to PEPR the right to participate in offers for subscription of equity securities and securities convertible into equity securities by any ProLogis Private Equity Funds or ProLogis Joint Ventures in Europe, on the condition that these investments fulfil certain criteria.

**10i ProLogis European Properties Fund II ("PEPF II")**

In the first quarter 2009, PEPR declared a dividend from PEPF II of €1.3 million (2008: € 9.7 million). The unpaid distributions from PEPF II as at 30 September 2009 was nil (2008: €6.2 million). An outstanding capital commitment of €38 million to PEPF II was settled during the period. As this commitment was not paid until February 2009, the fund incurred a €0.4 million interest penalty due to the late payment.

On 12 February 2009, PEPR completed the disposal of the remaining 10% investment and associated future funding obligations in PEPF II to six institutional investors for gross proceeds of €14.4 million (net proceeds of €10.5 million). An impairment on the carrying value of this investment was made in the consolidated financial statements for the year ended 31 December 2008 which resulted in the carrying value as at that date being equal to the sales price for which the remaining investment was disposed of on 12 February 2009. As result of the prior impairment the net result of the sale recorded in the consolidated income statement for the nine months ended 30 September 2009 is equal to zero.

**10j Board members compensation**

Board members include independent directors who are members of the Board and/or Audit committee. There are four independent members appointed to the Board and three to the Audit committee. PEPR pays a 'one time fee' upon their appointment and compensations based on each member's meeting attendance. For the period ended 30 September 2009, PEPR paid €0.1 million to Board members (2008: €0.1 million).

An annual complementary compensation is paid by PEPR to independent board members. The amount paid is not settled in cash but by an equivalent number of PEPR's Ordinary Units. On 8 October 2009, PEPR had paid for the period ended 30 September 2009 €0.1 million (2008: €0.1 million).

**10k Legal and tax compliance fees**

As part of the management regulation, ProLogis is entitled to receive legal and tax compliance fees in return for legal and tax services provided to PEPR. These fees are calculated on an hourly basis, with the rate approved by the board annually. Legal and tax compliance fees paid for the period ended 30 September 2009 amounted to €0.5 million (2008: €0.4 million).

**10l Disposals to ProLogis**

In 2005, PEPR purchased Harbor Park in Budapest, including 5.7 hectares of surplus land. At that time, ProLogis entered into an agreement with PEPR to purchase the land once legal ownership could be separated from the properties acquired. This separation and subsequent transfer to ProLogis was finalised in 2008. The total value of the transfer was €16.2 million resulting in a gain of €0.7 million.

In December 2008, PEPR sold a 20% share of its investment and future capital commitments in PEPF II to ProLogis for €43.7 million.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**11 FINANCIAL INSTRUMENTS**

**Interest rate and fair value**

The following table sets out the carrying value (before deduction of unamortised transaction costs) and fair value by maturity of PEPR's financial instruments which are exposed to interest rate risk.

Instruments at floating rate, i.e. which have an interest rate set at regular intervals of three months or less, have a fair value equivalent to the carrying value. Instruments which are at fixed rate have a fair value calculated as the present value of payments to be made under the loan agreement.

<b>Period end 30 September 2009 (Unaudited)</b>	<b>&lt;1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b><u>Fixed rate</u></b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Obligations under Eurobonds loans				
Carrying value	-	-	(500,000)	(500,000)
Fair value	-	-	(423,811)	(423,811)
<b><u>Floating rate</u></b>				
Cash and cash equivalent	104,953	-	-	104,953
Secured bank loans	-	(221,020)	-	(221,020)
Unsecured bank loans	-	(565,223)	-	(565,223)
Loan notes	(449,668)	-	-	(449,668)
Interest rate swap	(9,890)	-	-	(9,890)
Cross currency swap	25,067	-	-	25,067

<b>Year end 31 December 2008</b>	<b>&lt;1 year</b>	<b>1-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b><u>Fixed rate</u></b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Obligations under Eurobonds loans				
Carrying value	-	-	(500,000)	(500,000)
Fair value	-	-	(197,400)	(197,400)
<b><u>Floating rate</u></b>				
Cash and cash equivalent	77,101	-	-	77,101
Secured bank loans	-	(151,059)	-	(151,059)
Unsecured bank loans	-	(558,877)	-	(558,877)
Loan notes	(335,872)	(548,263)	-	(884,135)
Interest rate swap	(3,133)	(6,802)	-	(9,935)
Cross currency swap	50,754	42,931	-	93,685

Interest on floating rate financial instruments is reset at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of PEPR not included in the above tables are non-interest bearing, but given their short term nature are not subject to interest rate risk.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**11 FINANCIAL INSTRUMENTS (Continued)**

**Swaps agreements**

<b>Issuer:</b>	Pan European Industrial Properties Series III S.A.
Starting date	February 2003
Legal maturity date	May 2013
Settlement date	May 2010
Interest payment	Quarterly

<b>Swap counter-party:</b>	ABN AMRO	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
Cash flows hedged:		€31,539	€4,901	€6,392
Pays floating interest	three-month Euribor +	0.35%	0.48%	0.85%
Receives fixed interest		4.23%	4.36%	4.73%
Cash flow hedged (£'000):		£17,532	£2,352	£3,068
Pays floating interest	three-month Euribor +	0.35%	0.48%	0.85%
Receives fixed interest		4.95%	5.08%	5.45%

<b>Swap counter-party:</b>	JP Morgan Chase	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
Cash flows hedged:		€42,830	€4,901	€6,393
Pays floating interest	three-month Euribor +	0.35%	0.48%	0.85%
Receives fixed interest		4.23%	4.36%	4.73%
Cash flow hedged (£'000):		£20,559	£2,353	£3,068
Pays floating interest	three-month Euribor +	0.35%	0.48%	0.85%
Receives fixed interest		4.95%	5.08%	5.45%

In 2009 PEPR entered into equal and opposite currency forward agreements to lock in the fair value of the currency part of the cross-currency swaps. The following table summarises the key terms of the original cross-currency swaps and the new currency forwards.

<b>Counter-party</b>	<b>Starting date</b>	<b>Maturity date</b>	<b>Notional amount (£'000)</b>	<b>Exchange rate fixed</b>	
				<b>PUT</b>	<b>CALL</b>
ABN AMRO	Feb-03	May-10	£22,952	0.6317	-
JP Morgan Chase	Feb-03	May-10	£25,980	0.6317	-
Citibank	Jun-09	May-10	£48,932	-	0.8622

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**11 FINANCIAL INSTRUMENTS (Continued)**

**Swaps agreements (Continued)**

<b>Issuer:</b>	Pan European Industrial Properties Series IV S.A.
Starting date	March 2005
Legal maturity date	May 2013
Settlement date	May 2010
Interest payment	Quarterly

<b>Swap counter-party:</b>	ABN AMRO	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
Cash flows hedged:		€64,404	€13,451	€8,407
Pays floating interest	three-month Euribor +	0.14%	0.18%	0.30%
Receives fixed interest		3.29%	3.33%	3.45%
Cash flow hedged (£'000):		£5,942	£1,762	£1,101
Pays floating interest	three-month Euribor +	0.14%	0.18%	0.30%
Receives fixed interest		5.09%	5.13%	5.26%

<b>Swap counter-party:</b>	Bank of America	<b>Class A</b>	<b>Class B</b>	<b>Class C</b>
Cash flows hedged:		€141,653	€13,451	€8,407
Pays floating interest	three-month Euribor +	0.14%	0.18%	0.30%
Receives fixed interest		3.29%	3.33%	3.45%
Cash flow hedged (£'000):		£5,942	£1,762	£1,101
Pays floating interest	three-month Euribor +	0.14%	0.18%	0.30%
Receives fixed interest		5.09%	5.13%	5.26%

In 2009 PEPR entered into equal and opposite currency forward agreements to lock in the fair value of the currency part of the cross-currency swaps. The following table summarises the key terms of the original cross-currency swaps and the new currency forwards.

<b>Counter-party</b>	<b>Starting date</b>	<b>Maturity date</b>	<b>Notional amount (£'000)</b>	<b>Exchange rate fixed</b>	
				<b>PUT</b>	<b>CALL</b>
ABN AMRO	Mar-05	May-10	£8,805	0.6912	-
Bank of America	Mar-05	May-10	£8,805	0.6912	-
Citibank	Jun-09	May-10	£17,610	-	0.8622

<b>Borrower:</b>	ProLogis Central European Finance S.L.
Starting date	August 2009
Settlement date	March 2013
Interest payment	Quarterly

<b>Swap counter-party:</b>	Deutsche Pfandbriefbank AG
Cash flows hedged	€126,000
Pays floating interest	three-month Euribor + 2.50%
Receives fixed interest	4.99%

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**11 FINANCIAL INSTRUMENTS (Continued)**

<b><u>Borrower:</u></b>		ProLogis European Finance XIII S.à r.l.
Starting date		July 2009
Settlement date		July 2013
Interest payment		Quarterly
<b><u>Swap counter-party:</u></b>		Eurohypo AG
Cash flows hedged (€'000)		€86,145
Pays floating interest	three-month Libor +	2.50%
Receives fixed interest		5.93%

Movements in hedge values are:

	Notes	30 September 2009 Unaudited €000	31 December 2008 Audited €000
<b>Balance at the beginning of the period</b>		<b>83,750</b>	<b>46,692</b>
Movement in fair value of cash flow hedges		69	(25,209)
Movement in fair value of currency swaps	9	(11,054)	62,267
Fair value of hedges repaid during the year		(57,588)	-
<b>Net variation during the period</b>		<b>(68,573)</b>	<b>37,058</b>
<b>Balance at the end of the period</b>		<b>15,177</b>	<b>83,750</b>
Positive hedge values		12,093	90,259
Restricted proceeds from swap contracts	5	16,620	-
Negative hedge values		(13,536)	(6,509)
		<b>15,177</b>	<b>83,750</b>

Related to the earlier repayment of € 335.9 million of secured notes (CMBS II) in April 2009 and of € 98.6 million of secured notes (CMBS IV) in August 2009, PEPR has obtained from its swap counterparties a repayment of € 57.6 million under the cross-currency swap agreements.

As discussed above, in 2009 PEPR entered into new forward contracts to lock in the fair value of the currency swaps. As at 30 September 2009, the fair value of these instruments was € (4.5) million.

During the third quarter 2009, PEPR entered into two swap contracts related to the credit extension from Deutsche Pfandbriefbank AG and the new secured bank loan from Eurohypo AG. As at 30 September 2009, the fair value of these new swaps was € (4.0) million.

**PROLOGIS EUROPEAN PROPERTIES FUND**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009**

*(Unless otherwise stated, amounts are expressed in thousands of euros)*

**12 CONTINGENCIES AND COMMITMENTS**

*Lawsuits contingencies*

PEPR, through its direct and indirect subsidiaries, is contingently liable with respect to lawsuits and other matters that arise in the normal course of business. The Management Company is of the opinion that while it is impossible to accurately ascertain the ultimate legal and financial liability with respect to these contingencies, the ultimate outcome of these contingencies is not anticipated to have a material effect on PEPR's financial position and operations.

*Commitments*

There are no material commitments for capital improvements and construction contracts as at 30 September 2009 (2008: €nil).

Following the sale of the remaining investment in PEPF II, as at 30 September 2009 PEPR had no commitments to invest equity into PEPF II (31 December 2008: €174 million).

**13 SUBSEQUENT EVENTS**

*Subsequent new secured bank loan from Helaba (Landesbank Hessen-Thüringen)*

On 13 October 2009, PEPR signed a loan agreement with Helaba. The loan has been funded into two tranches, the first for SEK 332.5 million (€ 32.5 million) and the second for € 15.5 million, both maturing in October 2014 and are secured on the assets of certain subsidiaries located in Northern Europe (Sweden).

*Subsequent early repayment of € 359.1 million of secured notes relating to ProLogis European Industrial Properties Series III ("CMBS III") and ProLogis European Industrial Properties Series IV ("CMBS IV")*

On 5 November 2009, PEPR completed a partial repayment of CMBS III notes (€ 150.2 million) and CMBS IV notes (€ 208.9 million) releasing €482.9 million of secured assets into the unsecured asset pool. PEPR used a combination of cash from operations, the new secured bank loan from Helaba mentioned above and € 244.0 million of undrawn funds under the €900 million senior unsecured credit facility to finance the repayments.

*Subsequent increase in borrowing margin on €500 million ProLogis International Funding S.A. unsecured Eurobond*

On 19 June 2009, Moody's Investors Service downgraded PEPR's corporate credit rating to Baa3 from Ba1 and affirmed its negative outlook. The impact of this one-notch ratings downgrade is a 1.75% increase of the ProLogis International Funding S.A. unsecured Eurobond coupon to 7.625%, effective from 23 October 2009.