ProLogis European Properties™

News release

Results for the quarter ended 31 March 2007

Strong rental income growth driving 10.5% increase in adjusted earnings

Luxembourg – 2 May 2007 – ProLogis European Properties (Euronext: PEPR, Bloomberg: PEPR NA), Europe's largest owner of modern distribution facilities, today reports results for the quarter ended 31 March 2007.

Highlights

- 5.2% increase in rental income to €77.1 million
- €0.22 distribution per unit, including a one-off release of €0.03 per unit, implying a normalised dividend yield of 5.0%[1]
- Successful acquisition of 14 modern distribution facilities for €201.6 million, with an additional asset acquisition to complete in Q2
- Continued active asset management, with over 30 lease transactions covering 135,600m^2
- Adjusted net asset value per unit[2] at 31 March of €13.94, in line with Q4 2006
- Adjusted earnings[3] per unit for the quarter increased 10.5% to €0.21, compared to €0.19 for Q4 2006
- IFRS net earnings decreased to €0.22 per unit, primarily due to the revaluation gain included in Q4 2006

Commenting on the results, Robert Watson, chief executive office of PEPR, said:

"These results for the first three months of 2007 show steady progress since the fourth quarter 2006 and are a testament to ProLogis European Properties' continued focus on top quality distribution facilities in key logistics markets across Europe. As we only revalue the portfolio semi-annually, our adjusted net asset value was broadly in line with the end of 2006 at €2.6 billion. However, our adjusted earnings increased to €40.8 million for the quarter and enabled us to pay out a quarterly distribution of €0.22 per unit.

The acquisition of 14 properties at the end of the quarter, at 95% of gross property value and yielding 6.7%, will add over €13 million to rental income from our portfolio and, given current market conditions, are expected to appreciate in value.

The outlook for the remainder of 2007 remains encouraging, with demand still strong in the majority of our markets and the potential for PEPR to grow further through investment in future ProLogis private equity funds in Europe".

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[1] Based on the closing share price on 30 March 2007 of €15.55
[2] Adjusted net asset value per unit excludes deferred tax arising on revaluation movements and purchasers' costs
[3] PEPR's measure of underlying earnings is calculated as IFRS post-tax profit excluding revaluation movements, result on disposal of properties and non-recurring events

The Portfolio

Following the acquisition of 285,810m^2 in 14 modern distribution facilities in March, PEPR's portfolio comprises 292 assets, covering 5.7 million m^2 in 11 European countries. The open market value of the portfolio is estimated at €4.4 billion, as appraised by independent valuers in March 2007 for the acquired buildings and December 2006[4] for the remainder of the properties.

The portfolio of assets acquired comprises 14 newly constructed, fully-leased distribution facilities located in eight of PEPR's target markets. Three of the assets are in France, one in Spain, two in Belgium, four in Germany, three in the Czech Republic and one in Poland. Eight of the assets are adjacent to existing PEPR assets and are expected to be complimentary to those facilities. PEPR expects the portfolio to be immediately accretive in both income and capital appreciation terms.

During the quarter ProLogis, our external manager, concluded 12 lease renewals covering 19,100m^2. In addition, ProLogis completed 14 new leases for 94,200m^2 and seven lease expansions covering 22,300m^2, including the 12,200m^2 expansions to SETTO spedition and Kenvelo at ProLogis Park Prague. At the end of March 2007, the portfolio was 96.5% leased.

The gross yield[5] of the portfolio at 31 March 2007 was 7.3% (7.0% net yield[6]), flat since the end of 2006 as there has been no asset revaluation this quarter.

Financial results

As there are no published figures for Q1 2006, we use Q4 2006 to compare Q1 2007 performance. The new units issued to ProLogis as part payment for the portfolio of 14 assets impacts our Q1 per unit figures by €0.01 for adjusted earnings and €0.13 for adjusted net asset value.

Adjusted earnings, PEPR's measure of underlying profit, grew 12.3% to €40.8 million compared to €36.3 for Q4 2006. The increase is primarily due to a €3.9 million increase in rental income. A reconciliation between IFRS net earnings for the period and adjusted earnings is shown on page 6.

Rental income for the three months ended 31 March 2007 increased 5.2% to €77.1 million compared to €73.2 million for Q4 2006. This growth is attributable to the settlement of rent reviews, particularly in the UK and the ending of a number of lease incentives, with associated rent levelling adjustments.

Operating expenses for the quarter decreased to €10.0 million, from €10.9 million in Q4 2006, as quarter four included €0.8 million relating to IPO costs. The majority of operating expenses relate to fees paid to ProLogis and as such have a direct correlation to the value of the portfolio.

Net financing cost for the quarter was €21.7 million, a 12.5% decrease compared to €24.8 million for Q4 2006, primarily as a result of currency movements. Net debt at the end of March 2007 was €2.0 billion, and PEPR's indebtedness as a percentage of its gross property value was 45.7%, up from 44.7% at 31 December 2006. The weighted average interest rate for the three months ended 31 March 2007 was 4.8%.

Distributable cash flow increased 13.2% to €42.3 million for the quarter ended 31 March 2007, compared to €37.3 million in quarter four 2006. The principal reason for the increase is the release of €4.8 million, held in escrow, relating to the sale of 13 properties in December 2003. PEPR distributes substantially all of its distributable cash flow on a quarterly basis, whilst making some provision for anticipated capital expenditure and retaining discretion to reinvest disposal proceeds.

The Q1 2007 distribution per unit was €0.221766, or €0.196175 per unit excluding the one-off release implying a normalised dividend yield of 5.0% based on the quarter end closing price of €15.55.

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[4] An independent valuation of approximately half of the portfolio is conducted every six months. 52% by value of the 31 December 2006 portfolio was revalued at that date, with the balance due to be revalued at 30 June 2007. In accordance with IFRS fair value accounting, valuations are reported net i.e. after deduction of purchasers' costs

[5] Annualised rental income expressed as a percentage of net open market value i.e. after deduction of purchasers' costs

[6] Annualised rental income expressed as a percentage of gross open market value i.e. before deduction of purchasers' costs

Earnings webcast and conference call details:

We invite you to access the live webcast and conference call, held today, 2 May 2007, at 9am GMT / 10am CET, by clicking on the link entitled "First Quarter 2007 Financial Results Webcast and Conference Call" located on the homepage of our website, www.prologis-ep.com.

To participate in the conference call please dial:

- 0800 559 3272 from within the UK
- 866 239 0753 from within the US
- +352 342 080 8570 from all other locations

A replay of the webcast and conference call will be available from 3pm GMT / 4pm CET today until Wednesday 16 May 2007. To access the replay, please dial 0800 559 3271 from within the UK, 866 239 0765 from within the US or +31 20 713 2791 from all other locations and enter passcode 2418163#. Alternatively the webcast replay and a transcript of the call will be available in the "Presentations and Webcasts" section of the PEPR website, www.prologis-ep.com.

Unaudited financial statements and portfolio information

The financial statements have been produced in accordance with International Financial Reporting Standards.

-Ends-

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CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2007

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

	31 March 2007	31 December 2006
Assets		
Non Current Assets		
Investment in property	4,430,954	4,242,418
Property under construction	8,995	7,157
Hedging instruments	44,385	38,087
Deferred tax asset	7,326	7,326
	4,491,660	4,294,988
Current Assets		
Accounts receivable, net	41,224	33,913
Other current assets	81,111	94,241
Cash and cash equivalents	114,274	138,049
	236,609	266,203
Total assets	**4,728,269**	**4,561,191**
Equity		
Capital contributions	1,911,810	1,883,571
Costs of raising capital	(37,721)	(37,721)
Net capital contributed	1,874,089	1,845,850
Net earnings for the period	41,368	436,731
Net retained earnings	356,079	(38,403)
Cumulative foreign currency translation	(13,394)	(5,682)
Cash flow hedge valuation reserve	4,520	3,993
Equity attributable to unitholders	2,262,662	2,242,489
Minority interest in subsidiaries	7,066	5,625
Total equity	**2,269,728**	**2,248,114**
Liabilities		
Non-current liabilities		
Interest bearing secured notes	1,250,167	1,269,331
Hedging instruments	13,582	10,311
Interest bearing long-term bank loans, net of current portion	158,365	159,056
Deferred taxation	180,431	192,774
	1,602,545	1,631,472
Current liabilities		
Interest bearing bank loans, current portion	693,282	534,231
Accounts payable	7,911	12,243
Due to related parties	7,899	5,062
Income and other taxes payable	16,957	14,811
Accrued expenses and other current liabilities	107,078	92,984
Deferred income	22,869	22,274
	855,996	681,605
Total liabilities	**2,458,541**	**2,313,077**
Total equity and liabilities	**4,728,269**	**4,561,191**
Equity attributable to ordinary unitholders	2,262,662	2,242,489
Number of ordinary units	190,522,441	188,687,510
IFRS Net Asset Value per ordinary unit	€11.88	€11.88
Adjusted Net Asset Value per ordinary unit	€13.94	€13.97

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2007

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

	31 March 2007	31 December 2006
Rental income	77,067	73,234
Other property income	1,286	1,382
Total revenue	**78,353**	**74,616**
Ground rents paid	(538)	(544)
Property management fees	(4,940)	(5,002)
Other property rental expenses	(1,745)	(1,443)
Cost of rental activities	**(7,223)**	**(6,989)**
Gross profit	**71,130**	**67,627**
Fund management fees	(1,643)	(1,815)
Fund custodian fees	(39)	(39)
Other fund expenses	(1,054)	(2,094)
Fund expenses	**(2,736)**	**(3,948)**
Investment property disposal proceeds	4,887	(1,501)
Carrying value of investment property disposals	-	89
Profit/(loss) on disposal of investment properties	**4,887**	**(1,412)**
Gross valuation gains on property, less disposals	12,218	54,111
Gross valuation losses on property, less disposals	(18,776)	(21,455)
Purchasers costs, less disposals	(10,193)	(8,626)
Property fair value movements	**(16,751)**	**24,030**
Earnings before interest and tax	**56,530**	**86,297**
Finance income	996	1,395
Finance expense	(22,694)	(26,183)
Earnings before tax	**34,832**	**61,509**
Income tax expense	(5,807)	(3,268)
Deferred tax expense/(benefit)	12,343	(1,817)
Charge for taxation	**6,536**	**(5,085)**
Net earnings for the period	**41,368**	**56,424**
Attributable to:		
PEPR unitholders	41,248	56,304
Minority interest	120	120
Net earnings for the period	**41,368**	**56,424**
IFRS earnings per ordinary unit	€0.22	€0.30
Adjusted earnings per unit	€0.21	€0.19

CALCULATION OF ADJUSTED EARNINGS (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2007

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

	31 March 2007	31 December 2006
Profit attributable to unitholders of PEPR	41,248	56,304
Adjustments for:		
Net valuation movements	16,751	(24,030)
Result on disposal of investment properties	(4,887)	1,412
Costs related to non-recurring events[7]	-	795
Tax associated with the above adjustments	(12,343)	1,817
Adjusted earnings for the period	40,769	36,298
Number of equivalent ordinary units outstanding	190.5m	188.7m
Adjusted earnings for the period per ordinary unit	**€0.21**	**€0.19**

CALCULATION OF ADJUSTED NET ASSET VALUE (UNAUDITED)
AS AT 31 MARCH 2007

	31 March 2007		31 December 2006	
	€ million	€ per unit	€ million	€ per unit
Number of ordinary units	190.5m		188.7m	
Net asset value per IFRS financial statements	2,262.7	11.88	2,242.5	11.88
Adjustments for:				
Deferred tax	180.4	0.95	192.8	1.02
Purchasers' costs	211.8	1.11	201.6	1.07
Adjusted net asset value	2,654.9	13.94	2,636.9	13.97

FINANCIAL RATIOS (UNAUDITED)
AS AT 31 MARCH 2007

	31 March 2007	31 December 2006
Gross value of real estate portfolio	€4,642.8m	€4,444.0m
Debt	€2,120.9m	€1,984.8m
Leverage (debt as percentage of gross value of portfolio)	45.7%	44.7%
Average interest rate	4.8%	4.7%
Average maturity, based on earliest repayment date	1.9 years	2.3 years
Average maturity, based on latest repayment date	3.7 years	4.2 years

[7] Non-recurring events in Q4 2006 relate to the IPO which closed in Q3

RECONCILIATION OF PROFIT TO DISTRIBUTABLE CASH FLOW (UNAUDITED)
FOR THE THREE MONTHS ENDED 31 MARCH 2007

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

	31 March 2007	**31 December 2006**
Profit attributable to PEPR unitholders	41,368	56,304
Adjustments for items per the Management Regulations:		
Rent levelling adjustment	1,100	2,110
Net valuation gains on property, net of disposals	6,558	(32,656)
Purchasers' costs, net of disposals	10,193	8,626
Unrealised currency (gains)/losses	(4,118)	166
Amortisation of debt expenses	3,028	3,309
Movements on deferred tax balances	(12,343)	1,817
Costs related to non-recurring events	-	795
Repayment of debt	-	1,412
Less an allowance for capital and re-letting expenses	(3,535)	(4,558)
Total adjustments	883	(18,979)
Distributable cash flow for ordinary units	**42,251**	**37,325**
Number of equivalent ordinary units outstanding	190.5m	188.7m
Distributable cash flow per ordinary unit	€0.22	€0.20

PORTFOLIO OVERVIEW
AS AT 31 MARCH 2007

	Number of distribution facilities	Open market value ('OMV')[8] € million	% of total OMV	Leasable area 000m²	% of total leasable area	Annualised rental income[9] € million	ERV[10] € million	Yield on OMV[11]	Average age of distribution facilities years	Occupancy level	Number of leases	Average number of years to next lease break	Average number of years to lease expiry
France	107	1,286	29%	2,098.7	37%	101.5	95.1	7.9%	10.5	94.7%	331	3.3	7.0
Italy	19	323	7%	533.8	9%	25.6	24.2	7.9%	6.2	100.0%	20	7.1	7.1
Spain	13	301	7%	3094	6%	20.0	20.7	6.6%	4.1	99.8%	21	3.8	6.8
Southern	*139*	*1,910*	*43%*	*2,941.9*	*52%*	*147.1*	*140.0*	*7.7%*	*9.2*	*96.2%*	*372*	*4.7*	*6.9*
Belgium	5	54	1%	98.3	2%	3.7	3.6	6.8%	5.1	86.7%	5	4.1	11.8
Germany	26	338	8%	423.4	7%	25.4	24.5	7.5%	2.6	98.6%	42	5.0	6.4
Netherlands	23	370	8%	512.3	9%	29.3	29.8	7.9%	5.8	98.2%	38	4.1	4.2
Sweden	4	98	2%	124.8	2%	7.3	6.8	7.5%	13.3	100.0%	4	9.8	12.0
Northern	*58*	*860*	*19%*	*1,158.8*	*20%*	*65.7*	*64.7*	*7.6%*	*5.8*	*97.6%*	*89*	*5.7*	*8.6*
Czech Republic	12	134	3%	180.3	3%	9.5	8.1	7.1%	4.5	86.6%	34	2.4	2.7
Hungary	14	132	3%	181.7	3%	10.2	9.5	7.7%	3.1	94.8%	42	3.9	4.8
Poland	25	287	7%	463.9	8%	22.2	18.9	7.8%	4.2	93.1%	70	2.8	3.2
Central	*51*	*553*	*13%*	*825.9*	*14%*	*41.9*	*36.5*	*7.7%*	*4.6*	*92.6%*	*146*	*3.0*	*3.6*
UK	*44*	*1,108*	*25%*	*783.5*	*14%*	*69.3*	*68.3*	*6.3%*	*5.1*	*100.0%*	*45*	*7.6*	*10.3*
TOTAL	**292**	**4,431**	**100%**	**5,710.1**	**100%**	**324.0**	**309.5**	**7.3%**	**6.6**	**96.5%**	**652**	**4.9**	**7.1**
Vacant space (at ERV per m²)							9.8						
Rent incentives and redevelopments							0.6						
							319.9						

[8] An independent revaluation of half the portfolio is conducted every six months, therefore the total portfolio valuation at 31 March 2007 is a blend of 30 June 2006 and 31 December 2006 figures for the existing portfolio and March 2007 figures for the 14 acquired properties. In accordance with IFRS fair value accounting, valuations are reported net i.e. after deduction of purchasers' costs

[9] Annualised rental income means the estimate of annual income based on the rental income for leases in place as at 31 March 2007 based on rates effective at that date and on the assumption that rental income from such leases will continue to be received for the whole of the financial year. It does not take into account lease terminations, renewals, replacement of customers or other changes in rent levels in existing leases

[10] ERV refers to the Estimated Rental Value calculated by the independent third-party appraisers at 30 June 2006 and 31 December 2006. As such it is a combination of market rents evident at both measurement dates

[11] Annualised rental income expressed as a percentage of open market value