



Third quarter and nine months 2009 financial results conference call.
Thursday 22 October 2009

Jennifer van der Eem: Good afternoon, before we get underway, I'd like to state that this conference call will contain forward-looking statements. These statements are based on current expectations, estimates and projections about the market, and the industry, in which ProLogis European Properties operates, as well as management's beliefs and assumptions. Forward-looking statements are not guarantees of performance and actual operating results may be affected by a variety of factors.

Peter Cassells, CEO, will give an overview of general performance and outlook, David Doyle, CFO, will cover financial performance and finally Simon Nelson, Head of Asset Management, will talk about operating performance and market outlook. At the end of the presentation we'll be happy to take your questions from either the call or online. Peter please begin.

Peter Cassells: Thank you and good afternoon everyone.

I'm glad to welcome you to the call today to talk about our activity and progress which has been significant over the course of the last three months and so far this year.

I am very pleased to report that our financial and operational performance has held up very well in spite of the continued challenging market conditions. This is testament to our unrelenting focus on active asset management and portfolio occupancy, which has been maintained at industry-leading levels in excess of 96%. Both our own portfolio management activities and general logistics market trends have been in

line with our guidance for the year and we remain well placed to continue to generate strong levels of income and, hence, cash flow.

I will hand over to our CFO David Doyle in a few moments to take you through the finer details of the financial results. In the meantime let me turn to our achievements this year so far and our plans for the coming months.

Aside from maintaining strong portfolio performance during the current market downturn, our immediate focus remains on deleveraging the balance sheet, by reducing or refinancing near-term debt maturities and improving our future financial flexibility. To that end, I am delighted to report that since the beginning of the year, PEPR has made significant progress in both reducing and refinancing its overall debt levels. In the last three months alone we have successfully completed approximately €148 million of new secured debt packages, with four and five year terms, as well as having extended the maturity of a €126 million secured loan for three years. Earlier this year we sold €190 million of assets which, combined with the €88 million of operational cash flow, has been used to repay debt. To date, we have repaid approximately €459 million representing 44% of the total original debt payable in 2009 and 2010 of €1.3 billion. Very importantly, we remain in compliance with all our financial covenants and we have six new secured debt financing packages active in various stages totalling €630 million, the majority of which are currently targeted for 2009 closings.

Of the remaining short-term debt obligations of €750 million, down from over €1 billion at June, we currently have €450 million of CMBS debt due to mature in May 2010. We intend to continue to redeem this debt through a combination of cash flow from operations, the proceeds from the recently closed Swedish financing, crystallisation of hedge gains and proceeds from the successful closing of new secured debt financings. The remaining 2010 debt maturity is the €300 million under the unsecured bank facility that matures in December. We intend to either extend its maturity or pay it off with proceeds from the closing of further secured

debt financing packages together with cash flow from operations. We are confident in achieving these objectives given the improvement in the capital markets.

Nevertheless 2009 continues to be a challenging time for the European commercial property sector. Although we are seeing the beginnings of a recovery in values in the UK, one of our largest markets, the picture across the remainder of Europe is more mixed. Simon will talk you through this in more detail later on. For now, I want to highlight to you that while we have made considerable advances in deleveraging the balance sheet, from a risk management perspective we believe it is appropriate to ensure that PEPR has the widest range of financing options available to it.

Since our last call we have met with many of you in relation to the proposed EGM to decide on the conversion of PEPR to a SICAF, which as you know we subsequently postponed. Given the complexity of the legal process that such a conversion entailed, as outlined in the draft information memorandum, we felt it would be imprudent to push through the conversion without the full support of all our investors.

At the same time, and perhaps more importantly, the equity and debt capital markets have changed considerably in just the last few weeks and these markets are now very much open. This opens up other possibilities which are less complex and potentially less dilutive to investors. To give you just a couple of examples:

- the high-yield bond market has shown unprecedented strength recently, with global issuances of some \$28 billion in September alone;
- the spreads in secondary trading markets have come in more than 200 basis points and are now back to levels last seen in June 2008; and
- there is renewed strength in the equity-linked market, especially for sub-investment grade issuers.

With this fundamental shift in the markets, it was right that we paused to re-assess options which were not available to PEPR just a short while ago.

With the progress we have made in deleveraging the business we've also seen improvements in our share price, up 15% since the first of September and 150% increase in six months. Taking all of these into consideration, we believe we are now in a position to provide our investors with less dilutive ways of raising capital than a discounted rights offering.

These plans include the possible offering of fully underwritten convertible preferred units to existing unitholders, which could be executed in multiple tranches. Such an offering would be issued at PEPR's latest NAV with an appropriately sized coupon to compensate investors for the current unit price discount to NAV. To facilitate a potential initial offering of up to €60 million before the year end, PEPR is currently preparing the necessary documentation for review by the PEPR Board and the Luxembourg supervisory authority.

As you are aware, we have already been successful in renegotiating covenants with our unsecured lenders and we believe this plan will provide us with the scope to revisit this amendment with our banking group.

We have not ruled out seeking a conversion to a SICAF and the subsequent issuing of equity at a discount to NAV, if and when required. However, as we stand today, the convertible preferred offering appears to be financially a very attractive option for PEPR and its investors, as well as being the most deliverable within the available time frame.

In postponing the SICAF conversion, it is worth pointing out that this does not mean we are abandoning the improvements to the governance structure which we discussed with and presented to investors at the time. We will be implementing many of the proposed modifications at the next

AGM. These include the removal of all voting limits; the lowering of the threshold to propose items for an agenda item for an EGM or an AGM and a supervisory board on which only independent board members may vote on ProLogis related issues. In response to further investor feedback, an additional improvement to the governance changes previously announced, the threshold for proposing agenda items is proposed to be reduced further from 10% to 3%.

As you can see, 2009 has been a busy year so far and we have made significant progress in deleveraging and de-risking the business. Whilst we are not out of the woods yet our achievements to date on refinancing and asset sales have been substantive. Together with our continued strong and stable operational and financial performance this has put us on a more secure footing. We will continue to focus our energies on achieving our deleveraging objectives and maintaining strong portfolio performance to position the business well for the future.

With that let me hand over to David to present you with an update of the financial results of PEPR. David?

David Doyle: Thank you Peter. I am pleased to report on my first set of results for PEPR.

We have reported a loss under IFRS of €211 million for the nine months to September 2009, compared with a loss of €1 million for the comparable period last year. The 2009 result was in line with our expectations given the €308 million unrealised portfolio devaluation recorded in June, as compared to €113 million in 2008, and the recognition of €43 million of accounting losses resulting from asset sales completed during the period.

Stripping out these items and looking at the operational result, pre-tax IFRS earnings for the nine months were in line with 2008 at just on €100 million.

EPRA earnings for the nine months, which seeks to provide a better indicator of our underlying performance, decreased by 11% to €88 million, or 0.46 cents per unit, from €99 million, or 0.52 cents per unit, in the comparative period. This decline is due to the impact of two positive adjustments to EPRA earnings arising from PEPR's stake in PEPF II in 2008 and which are not evident in our 2009 results due to the sale of PEPR's stake in PEPF II. The first element is the inclusion of €9.8m of dividends received by PEPR from PEPF II and the second element is the add back of PEPR's €6.2 million share of PEPF II's losses in the first nine months of 2008. Excluding these adjustments, and focusing on the on-going business that PEPR is today, EPRA earnings for the nine months would have been ahead of the prior year. This is essentially due to revenue declines being more than offset by lower operational expenses, finance costs and taxes.

Reconciliations between IFRS and EPRA figures are provided in today's press release. Turning then to a review of the major components of our nine month IFRS consolidated income statement.

Rental income has dropped to €202 million for the nine months of 2009 from €222 million last year. Around half of this decline is a result of the continued weakness in the sterling exchange rate, which reduced UK rental income by some €6 million when re-measured in euros, the loss of €4 million of rental income from the property sales we have previously announced and €2 million from customer defaults. In addition, the 2008 numbers benefit from a non-recurring adjustment relating to rental income originally agreed when the properties were acquired but ultimately only settled that year.

On the expense side, our total operating expenses decreased substantially from €34 million in 2008 to €27 million for this year, primarily due to a decrease in the cost of rental activities.

This cost decreased to €19 million this year from €25 million in 2008, mainly due to a higher provision for bad debts in 2008 and savings of over

€2.5 million in property management fees related to the reduction in portfolio value since last year.

The €1.5 million decrease in fund expenses for the period, from €9 million to €7.5 million, is a result of savings in fund management fees, again related to portfolio devaluation, and a €1 million non-reclaimable VAT expense recorded in 2008.

As previously reported, we have recorded a €43 million accounting loss on the sale of the two property portfolios sold in the first half of this year. These disposals generated €189 million of proceeds.

Turning to finance income and costs. Our finance income for the nine months to September 2009 decreased to €2 million from €4 million in 2008, reflecting both the lower level of cash on deposit as we repay debt and the lower interest rates available in 2009. These declines were partially offset by the €1.3 million dividend receipt from PEPF II in Q1 of this year.

Overall finance expenses decreased 8% to €78 million from €85 million in 2008. Pure interest expense decreased by over €9 million, mainly due to the repayment of €434 million of CMBS and all amounts drawn under the revolving credit facility during 2009 and a decrease in our average interest rate to 4.5% from 5.3% for the comparable period last year as we benefitted from substantial reductions in base rates.

This decrease in interest expense was partially offset by a €2 million increase related to the accelerated write-off of initial set-up costs of our CMBS, set-up costs related to the completion of two secured bank loans and the amortisation of additional fees incurred in concluding the tangible net worth covenant amendment at the end of last year.

However, we do expect interest costs to increase in future, not least due to the 175 basis point increase in the coupon on our €500 million Eurobond, to 7.625%. This is a result of Moody's downgrade of PEPR to Ba1 in June, and takes effect as of tomorrow.

Finally, we recorded a net tax benefit for the nine months of 2009 of €40 million, a substantial increase on the €10 million benefit in 2008. This breaks down into a €36 million increase in deferred income tax benefit which is driven by the portfolio devaluations reported in the first half, offset by a €6 million increase in the current income tax charge.

The increase in the current income tax charge is largely due to a €5.7 million tax charge on capital gains generated on the first half asset sales. Adjusting for this one-off tax expense, the nine month 2009 current income tax expense represents an effective tax rate of 16.8% for the period, using EPRA pre-tax earnings as a proxy for taxable income, compared to 13.7% for the same period last year.

As commented on at the beginning of the call, our financial results for the year to date are in line with our earnings guidance for 2009, with both EPRA earnings and distributable cash flow expected to be between €0.55 and €0.60 per unit for the year. IFRS losses are expected to be in the range of €1.50 cents to €1.70 per unit. I am pleased to reiterate that we are maintaining our guidance for the year and will provide 2010 guidance as part of our year end results, once our budgeting process is finalised.

With that, let me hand you over to Simon to discuss operations and market outlook.

Simon Nelson: Thank you David. Although the months of July and August are often quite quiet in the leasing markets, we nonetheless once again saw a fairly sustained level of activity in our portfolio. During the third quarter, we completed a total of 23 leasing transactions on around 218,000 square metres of space. This was a very similar level to that of the second quarter, and is actually 2½ times increase on the equivalent quarter in 2008.

Interestingly, over a third of this activity related to new leases, with 6 new contracts signed on over 73,000 square metres of space in the last three months. Three of these in fact were in the UK, which is encouraging given

the general economic outlook. Two are perhaps worthy of particular mention:

Firstly in Wakefield, a new 20 year lease was signed with office supply company VOW Europe on a 23,800 square metre warehouse. This was the building that had become vacant as a result of the bankruptcy of the previous occupier last year.

At Huntingdon, a new 15 year lease was signed with Firstan, a pharmaceutical packaging company, on a 7,400 square metre warehouse where the lease to the previous occupier had only just ended, with zero downtime between lettings. In both of these cases the new rent showed a slight increase over previous passing rent on these buildings.

Overall, on the 23 leases signed in the quarter, showed a 6.5% decrease in passing rent. This remains at the low end of the range of rental value movements that we are seeing in various markets, which vary from 5% or less in northern or western European locations that are not unduly affected by oversupply, to 10% or more in markets in central Europe which continue to trend downwards from the higher levels of four or five years ago.

In spite of this, the same store rental figures for the portfolio as a whole again remain broadly flat, with a decrease of just over half a percent compared to this time last year, as a result of rent increases or indexation elsewhere in the portfolio.

On the subject of indexation, the French cost of construction index published last week showed a negative adjustment for its second quarter value of -4.1% year on year. This is the unsurprising flipside of the steep increases that have taken the index up over 25% in the past three years. It is worth mentioning however that one of the asset management initiatives we have talked about on previous calls is now taking effect: of the 15 leases that will be subject to indexation using this latest reference,

9 have a cap or a collar on indexation, put in place during previous discussions with customers on rent and lease breaks. As a result, the impact on our French portfolio next quarter will be significantly reduced. We have now built this kind of arrangement into more than 60% of our leases in France and will continue to do so for as long as we see a risk of low or negative inflation.

Our retention rates still remain high, at 80% for the year to date, once again significantly higher than the historical trend of around 60-65%. In addition, of the 28 breaks or expiries covering 284,000 square metres we have in the fourth quarter of this year, we have already agreed terms with 67% of that, and this could increase to 74% if we manage to retain those customers that are as yet undecided.

In terms of rent payments, we continue to monitor our accounts receivable extremely closely. Arrears over 60 days currently stand at €3.1 million; although this is lower than the equivalent number at the end of 2008, it does represent an increase over the €2.7 million we had last quarter. Again, we shouldn't draw too hasty a conclusion over lasting trends one way or another but we remain highly focussed on working with customers to ensure that payment obligations are met. While there were again no instances of bankruptcy during the third quarter, we do anticipate a limited number of impending defaults before the end of this year, which would result in a total of maybe 40,000 square metres becoming vacant.

On a separate note, we are pleased to announce the first phase of another portfolio and asset management initiative that we have been working on for some time, in the form of a new venture with a solar panel operator on eight of our buildings in Spain. We have leased the roof space of three buildings in Sant Boi, Barcelona and five in Alcala, Madrid, to Recurrent Energy, who will use the space to operate solar panel installations generating a total of 4.8 megawatts of clean energy. We see three advantages for PEPR in this transaction; firstly, the intangible benefit of

showing that the company is at the forefront of environmental and green energy initiatives that we strongly believe will continue to increase in importance over the coming years in terms of customers' choice of buildings; secondly the slightly more tangible benefit of receiving an additional rental income for these assets, augmented thirdly by the benefit of a new 20 year warranty on the roof of these buildings, which represents significant savings in future capital expenditure.

As perhaps the largest owner of roof space in Europe, we see this as a real area of potential long-term added value and we are already working on similar, even larger arrangements in Spain, France and Germany.

Turning to the markets in general, the third quarter was perhaps characterised by the following main trends:

- increased stabilisation of cap rates, with the UK actually showing cap rate compression for the first time in more than two years;
- continued slowdown in leasing activity compared to a year ago, although some markets picked up slightly compared to the previous quarter; and
- confirmation of the reduction in new developments, although build to suit activity is also picking up in some markets.

The big surprise of the quarter has been the rate at which yields have moved back in again in the UK, where current activity suggests that prime yields have come down by as much as 75 basis points since the beginning of Q2 this year, putting an end to an expansion of around 300 basis points since early 2007. The extent and speed of the turnaround is creating a knock-on effect in continental Europe, where we see cap rates stabilising in the core markets of France, Benelux and Germany, and the rate of increase beginning to slow in the central European markets.

Although investment activity remains at less than half the amount seen last year, transaction volumes are beginning to pick up compared to six

months ago. As we have mentioned on previous calls, there has been a significant amount of capital waiting in the wings for a perceived return to value in the market, and the indications are that this capital is now ready to be deployed. The scarcity of good investment product means that there is now competition at the prime end of the market.

Investment deals are also beginning to take place in central Europe after over a year of inactivity and it is likely that the stabilisation of yields will be seen across all markets as confidence returns.

Occupier demand however continues to decline, though at varying rates across the markets. Western Europe continues to show the most resilience, with Germany in particular showing a good level of activity, but market vacancy rates are rising and now range from 8% in France to over 23% in Hungary. Some market observers are beginning to predict an upturn in leasing activity as economies improve and occupiers look to take advantage of favourable market conditions. We expect that demand is likely to remain relatively low for the next 12 to 18 months, but to put this into context, this represents a level of leasing comparable to the period from 2003-2005, and it is likely that the existing vacancy in the core markets could be absorbed fairly quickly, particularly if new construction remains at the current low level.

In the meantime, we are encouraged by our success in maintaining portfolio occupancy in excess of 96% despite current market conditions, while remaining focussed on the continued lease renewal programme that we are already engaged on for 2010.

Before handing back to Peter, I would just like to re-emphasise our main messages concerning PEPR's operating portfolio:

- Firstly, we continue to execute a high volume of leases and renewals, more than 2 ½ times the amount this quarter than in the equivalent period last year. Overall, in the first nine months of this year, we

have leased or renewed nearly 616,000 square metres of space, an increase of nearly 30% over last year. This shows on the one hand the focus of the in-house teams on the ground and on the other hand the quality and generic nature of our buildings.

- Secondly, this high volume of leasing has not been simply at the expense of rental value. Our same store rents are within 0.6 percent of the levels this time last year. Over a period of twelve months which has seen such unprecedented turmoil in the financial markets and during which all of the European economies were in recession, this remains an encouraging indication that the diversification of our portfolio and quality of our customer base is a real protection against a difficult market environment.
- Finally, speaking of the environment, the signature of our first major solar panel programme in Spain represents the culmination of two years' work by our Global Renewable Energy group to create the right structure for this type of venture, and one which can be rolled out into other European markets in the near future. Again, we remain convinced of the importance that these initiatives represent, not only in terms of the benefits to the environment in general, but also of the positive effect they will have in the long-term value of the portfolio.

With that let me hand back to Peter.

Peter Cassells: Thank you, Simon. I would like to sum up by saying that we have already achieved a lot this year and have more recently been actively pursuing alternative capital raising plans that have become available due to the fundamental shift in the debt and equity capital markets. We have a plan which we will continue to drive to deliver full financial flexibility for the company with new secured debt financings and, potentially, convertible preferred offerings. Add to this the continued strength in the operational side of the business, we are confident we will deleverage the business, the balance sheet, address debt maturities well

in advance of their repayment dates and will continue to execute against those plans for the benefit of our investors.

With that, I'd now like to open it up for questions, operator?

Operator: Our first question comes from Rick Tervoort, please go ahead.

Question 1: Rick Tervoort, Rabo Securities: Good afternoon, this is Rick Tervoort of Rabo Securities. I have four questions. The first one is regarding the portfolio value. As I can read in the press release, there will be a revaluation for September 30. Could you please tell us what you think will be the write downs?

Answer: Simon Nelson: I am afraid I can't. We have that process is only now being done. We don't know what the answer is going to be. We expect to have that in the next couple of weeks.

Further Question: Rick Tervoort, Rabo Securities: Okay. And then regarding the potential offering of convertible preferred units. The first question I have is that it is mentioned that currently you are working to go out with up to 60 million as an option. Can you please tell us how does 60 million, what is the rationale behind that number?

Answer: Peter Cassells: It is Peter again. The 60 million is driven by what is the current management regulations. The 10% limit of the economic value of the business from 1 January 2009.

Further Question: Rick Tervoort, Rabo Securities: Okay and this is also a maximum. So 60 million you are restricted to for this year then?

Answer: Peter Cassells: Correct. It is down to the timing involved and the remaining number of weeks and months in this year.

Further Question: Rick Tervoort, Rabo Securities: Okay. And any potential coupon on such an offering and what do you think if you take the latest NAV and maybe some more write downs, in Q3 and Q2 accounts, what do you think is a number that is likely to materialise?

Answer: Peter Cassells: We are leaving that to our advisers right now. We have not yet agreed all the terms. It is part of a set of options being presented to the Board next week. So when that has been finalised that will be made public if that is the outcome.

Further Question: Rick Tervoort, Rabo Securities: And there are no transactions that you have seen in the market recently that you can use as a reference?

Answer: Peter Cassells: No nothing I can hang my hat on right now.

Further Question: Rick Tervoort, Rabo Securities: Okay and then my last question which is regarding the conversations you have had with minority shareholders, which were the reason for postponing the EGM, Can you please elaborate a little bit on how these discussions are going and what the likely outcome is?

Answer: Peter Cassells: Let's step back a minute. The conversations with our investors did not result in the postponement. We have witnessed monumental changes in the market that have provided us with other opportunities to tackle the same issue that we have been tackling all year. If you recall, if you were listening a few seconds ago, the differential between the NAV and the share price, there was a huge gap in that number as little as six months ago and they have both come in substantially to a place where an alternative that was not available six months ago are now within our grasp.

Further Question: Rick Tervoort, Rabo Securities: But there may be regarding those discussions, is it possible to shed some light on how they are advancing?

Answer: Peter Cassells: Yes we have had follow up discussions with many of our investors after the decision to postpone the meeting and they resulted in even further improvements that we are going to propose to the investors as part of the enhancement of the governance next year. So I would say they are very constructive.

Rick Tervoort, Rabo Securities: Okay well that was all from me. Thank you.

Operator: And now from RBS you have a question from Jaap Kuin. Please go ahead sir.

Question 2: Jaap Kuin, RBS: Good afternoon. My first question also relates to the convertible preferred units to be issued. In the Press Release it says multiple tranches. Does this implicate that there will be a first tranche of 60 million and then probably in Q1 2010, another issue?

Answer: Peter Cassells: Again it is, if necessary, given that the optionality that we don't have today, I explained on the previous answer, the 60 million is a number that is arrived at mechanically and is a balance I guess level within the current time frame. And if a second tranche is required it would have a different reset in the new year.

Further question: Jaap Kuin, RBS: Okay and another further, you referred to an incremental equity raise remains likely. What does this exactly relate to and what kind of size would that be?

Answer: Peter Cassells: That covers the same topic. It is possibly a follow on second tranche, but again that remains to be seen.

Further question: Jaap Kuin, RBS: Okay, clear. And if you are talking about the advance discussions you are having about securing new financing, history has shown that some of these discussions can actually take a very long time. But this time you are stating that you expect a lot of this to materialise in Q4. What kind of degree of certainty do you have towards realising some of these loans?

Answer: Peter Cassells: It is a very good question. But we have been working on these for I think part of that very long time already. And we announced something similar in our Q2 numbers. We closed on the Swedish financing a couple of weeks ago with Helaba and we have, we feel very comfortable about closing on any number of these within 2009 alone. And what we have done is, 600 million is I am afraid it is probably more than we need right now today, but we have to work on a number that is in parallel to cover ourselves for ones that is basically fall out of bed.

Further question: Jaap Kuin, RBS: What is the size of the loans you expect to be closing this year?

Answer: Peter Cassells: They are varied. They are similar size to the Helaba. Some are double that size and others are larger again, but the range anywhere from 50 million upwards.

Further question: Jaap Kuin, RBS: Okay thank you. And then referring to the solar panels you talked about. What kind of income can we expect coming from these installations in 2010?

Answer: Simon Nelson: We haven't released a number and the reason for that is that we are currently in a tender process for other installations at the moment. So I am afraid I am not able to give a number. It will move the needle. It will vary depending on geography. It is a very technical process that is linked to differing local legislation in the various countries that we are looking at. So it will be difficult in any case to draw

any conclusions as to the total potential rental income from this initiative, but we are at the start of that and I think it is good news. And obviously once we have a number we will publish it.

Further question: Jaap Kuin, RBS: But is there any kind of range indication you can give on a rent per square metre basis?

Answer: Simon Nelson: Not today I am afraid no.

Further question: Jaap Kuin, RBS: Okay, thank you. Then I have a question about the tangible net worth covenant. During a recent presentation you have shown concerns that you might breach this covenant at year end revaluations. Has this assumption changed in the meantime or do you still think this covenant will be breached?

Answer: Simon Nelson: Well I think again in terms of valuations, we saw a negative 9% in the first half of this year. We don't anticipate that it will be that great for the second half. The market as a whole has been surprised by the speed at which the UK market has turned around. We are now seeing real evidence of decreasing cap rates in the UK and stabilisation of cap rates in the Western European markets. And so you know there are reasons to be optimistic.

Further question: Jaap Kuin, RBS: I have a last question pertaining to rental levels. Now you have reported a 6½ % decline in average rent on new transaction. Is that a number which is accelerating or is it going to be a stable number going forward in your view?

Answer: Simon Nelson: The number we reported on the previous quarter was around 4 ½ % from memory. This is slightly higher. We don't see the rate of rental decrease accelerating. We are renewing these leases or negotiating new leases back to market. So if you look at the over rentedness of our portfolio which has increased slightly over the past

couple of quarters, that will give you a good indication of where we expect that number to be.

Jaap Kuin, RBS: Okay, thank you very much, that was it.

Operator: Now from Kempen you have a question from Boudewijn Schoon. Please go ahead sir.

Question 3: Boudewijn Schoon, Kempen: Hi. Good afternoon. You also state in your press release that you are in discussion with the banks regarding the 2010 December debt. I mean do you have more clarity which of those banks in that consortium would like to postpone or increase the maturity of the loan? And is there a backup plan to renegotiate net equity covenant and is there a little bit of flexibility there?

Answer: Peter Cassells: Hi Boudewijn. We believe and taking in reverse responses to answers there. We believe there is flexibility with our unsecured lenders on the covenants that we have already seen. They are willing to amend. In terms of the banks who are in the syndicate for the December 2010 maturities, you realise we just went back to them for the amendment to flex the covenant let's say. We did not broach the topic of an extension of the time because of the complicating factors that would bring to the negotiations. But it is technically on our plan on our radar screen to either extend that maturity from December 2010 outwards, reduce the commitment as another alternative. Or to take some of those banks out of that line and bring them over to the secured banking side. And with the available properties we have today, that definitely provides a lot of opportunity for us.

Further Question: There was a second question on the new bank loans, secured bank loans of 600 million. Is there an overlap between the banks you are talking to and the banks in the 2010 syndicate?

Answer: Peter Cassells: No. I am just going through my mind the list of the banks. No there is no overlap. There may be one or two, but it is minor. The banks we are talking to on the secured facility right now as you will have seen on the closing we did on Q3, are new names to us and are mostly European banks, whereas the syndication banks is a more global group.

Further question: Boudewijn Schoon, Kempen: Okay, as far as pricing, should we think of something in line as seen for the Swedish refinancing?

Answer: Peter Cassells: I would think that is a good area across the 600 million we are talking about. I am just again mentally looking at the list and that seems to be the sweet spot.

Further question: Boudewijn Schoon, Kempen: And it was kind of asked before, but I understand you can do for example the 60 million preferred unit issue before the end of the year. Theoretically if you do it before the end of this year you could do another one as of 1-2 January. Is that correct?

Answer: Peter Cassells: That is correct in theory, practically speaking you may want to give it a few more weeks after that in terms of getting the NAV because it is the NAV on 31 December that would drive the issue price. And the share price on 1 January would dictate the size of any such offering if we deemed to go that far.

Further question: Boudewijn Schoon, Kempen: Okay. Now something on the effective tax rate. I mean your current tax went up to 16.8 from 13.7 on recurring earnings. Corrected for the one-offs. Where would you see the tax rate going for the next year?

Answer: David Doyle: Picking that sort of territory is about the right sort of place.

Boudewijn Schoon: Sorry could you repeat that?

Answer: David Doyle: It is in that territory.

Further Question: Okay, so around 16.8?

Answer: David Doyle: Well yes.

Further answer: Peter Cassells: Last year also was a bit, I guess this year was a exceptionally high for the 9 months, because last year we had extra income there which was the dividend from Fund II, which is non taxable in the hands of PEPR and therefore was a big part of the EPRA earnings, which is the basis for the average tax rate. So I think the rate that we are showing for the 9 months '09 is as David said, in the territory where you would expect to be long term.

Further question: Boudewijn Schoon, Kempen: Thank you, that was very clear. And maybe a last question. You mentioned around 60% of the leases in France have caps and collars. So I assume they are protected against negative indexation, that would be my first question. And my second would be, at what cost have the caps and collars been implemented in the leases?

Answer: Simon Nelson: We have put these kind of arrangements into place progressively over the past 2-3 years when we were having customers struggling with indexation increases at 8 and sometimes 10%. The caps and collars tend to be a range of 1 ½ to 3 ½ %. The cost if you like is that you know if indexation goes back to 8% we will be forgoing indexation above 3 ½ but these were put in place as part of the discussions in terms of lease extensions or renewals. And we think it is the right thing to do given the current way indexation is going.

Boudewijn Schoon, Kempen: Alright, well thank you very much.

Operator: And now from Fortis Bank you have a question from Steven Vlek. Please go ahead sir.

Question 4: Steven Vlek, Fortis Bank: Yes good afternoon. I have one more question on the convertible preference shares. Could you elaborate a little bit on when they will convert and how long and what to?

Answer: Peter Cassells: That's in the term sheet Steven and a lot of information that has not been agreed on yet. It is part of a proposal amongst other options from our financial advisers to the Board next week. So I would rather not be too committal on that.

Further question: Steven Vlek, Fortis Bank: But in theory they could convert to normal shares at NAV right? You can't convert them to let's say 1.3 normal shares because then you would theoretically go under NAV?

Answer: Peter Cassells Correct. The NAV again is the foundation for issuance for conversions, for redemptions and that is the regime we are living under at the FCP.

Further question: Steven Vlek, Fortis Bank: Okay I have one more question on the amendment you have got from the banks regarding the 1.1 net worth billion covenant. If I calculate it correctly, then you will be able to approximately raise 150 million Euros of preferred equity. So that will be quite close to the 200 million, but yes not enough. How flexible is that amendment? Could you renegotiate it given the fact that like you said markets have improved since you negotiated that 200 million equity amendment?

Answer: Peter Cassells: I believe so. I mean that was a number put out there that actually was not a target for us. We may never issue

any preference equity to be frank. We're just adding for ourselves the financial flexibility to face the future challenges.

Steven Vlek, Fortis Bank: Okay well then those were my two questions. Thank you.

Operator: There are no further questions from the telephone. Any questions from the webcast?

Webcast Operator: There are no questions from the webcast.

Operator: Thank you very much indeed.

Peter Cassells

Thank you all for joining the call today and we look forward to updating you with news as it develops and the Q4 results which we will have in February. Thank you very much.

End