

## News release

### ProLogis European Properties results for the quarter and six months ended 30 June 2010

#### PEPR maintains solid operating performance and continues to reduce debt

**Luxembourg – 22 July 2010** – ProLogis European Properties (Euronext: PEPR), one of Europe's largest owners of modern distribution facilities, today reports results for the second quarter and six months ended 30 June 2010.

#### Highlights

- 0.3% increase in the portfolio value since 31 December 2009 resulting from a valuation decrease of 1.1% more than offset by an improvement in foreign exchange rates
- EPRA<sup>1</sup> net asset value per ordinary unit up by 2.0% to €6.27 since end 2009, reflecting stabilising portfolio values and a further quarter of retained earnings; IFRS net asset value per ordinary unit up to €5.99 from €5.97 at end 2009
- Maintained high level of portfolio occupancy at 93.7%, comfortably above the market average
- Further progress on refinancing and deleveraging initiatives:
  - all Commercial Mortgage-Backed Securities (“CMBS”) fully repaid
  - no significant debt maturities until December 2012
  - in advanced discussions on new revolving credit facility
- Continued improvement of loan-to-value ratio: to 53.3% from 53.7% in March and 55.0% at end 2009
- Revised guidance: EPRA earnings and distributable cash flow per ordinary unit in the range of €0.40 to €0.44 due to slower forecasted growth in occupier demand than previously anticipated

#### *Quarter to 30 June 2010*

- EPRA earnings €0.11 per ordinary unit (Q2 2009: €0.16 per ordinary unit)
- IFRS loss €0.07 per ordinary unit (Q2 2009 €1.40 loss per ordinary unit)
- EPRA net asset value €6.27 per ordinary unit (Q1 2010: €6.26 per ordinary unit)
- IFRS net asset value €5.99 per ordinary unit of (Q1 2010: €6.01 per ordinary unit)
- 31 lease transactions covering 249,500m<sup>2</sup>, compared to 18 transactions covering 219,600m<sup>2</sup> in Q2 2009

#### *Six months to 30 June 2010*

- EPRA earnings €0.21 per ordinary unit (HY 2009: €0.32 per ordinary unit)
- IFRS earnings €0.04 per ordinary unit (HY 2009: €1.24 loss per ordinary unit)
- EPRA net asset value €6.27 per ordinary unit (YE 2009: €6.15 per ordinary unit)
- IFRS net asset value €5.99 per ordinary unit (YE 2009: €5.97 per ordinary unit)
- 62 lease transactions covering 701,800m<sup>2</sup>, compared to 34 transactions covering 397,900m<sup>2</sup> in HY 2009

<sup>1</sup> Based on EPRA (European Public Real Estate Association) *Best Practices Policy Recommendations*, issued in July 2009

Commenting on the results, Peter Cassells, chief executive officer of PEPR, said: “We have delivered solid operating performance and financial results during what continues to be a challenging market environment. These results are testament to the quality of PEPR’s pan-European portfolio, established customer relationships and the expertise of its management teams.

“The first half of the year was dominated by significant leasing activity as we continue to prioritise for portfolio occupancy as a key objective. As a result of this activity, we have maintained our occupancy levels at a high 93.7%, well above the industry average, while at the same time removing some of the risks surrounding future lease expiries, especially in weaker markets.”

### **Chief Executive’s review**

Continued uncertainty over the pace and scale of economic recovery in Europe as well as the introduction of austerity measures in a number of EU member countries has hindered improvements in occupier market conditions and as a result the rental markets remain soft. We believe that a patchy economic recovery will lead to a gradual absorption of existing vacancy; this has been borne out by the volume of leasing transactions witnessed in the UK over the last six months as it begins to emerge from the recent economic crises. However, we now do not anticipate any material improvement in market conditions across the greater region until 2011.

Despite these challenges, we are pleased to report an increase in net asset value per ordinary unit due to the stabilisation of property values across the majority of markets, combined with the strengthening of sterling in the first half of the year and the continued retention of earnings. Interestingly, property values within all our markets moved within a tight band of plus or minus 2% since year-end 2009, potentially signalling the trough of European portfolio values.

Our reported earnings for the second quarter and half year are broadly in line with our expectations. However, we expect the slowdown in the pace of recovery in Europe generally will impact our second half portfolio performance more than previously anticipated, accordingly we are revising our full-year guidance for both EPRA earnings and distributable cash flow to between €0.40 and €0.44 per ordinary unit from between €0.45 and €0.50 per ordinary unit.

During the second half of 2010, we will strive to improve further our financial metrics, continuing to reduce leverage and seeking a return to an investment grade credit rating over time. In addition, we will ensure that we remain well placed to capture the benefits of any improvements in occupier demand, maintaining high portfolio occupancy through consistently strong leasing performance and driving cash flow from the portfolio through proactive asset management and exemplary customer service.

### **Market outlook**

The market outlook continues to be challenging, with improvements seen in the first quarter faltering during the latter part of the second quarter amidst concerns over sovereign debt defaults. As a result, the pan-European economic recovery remains slow and intermittent with some evidence of strengthening in a few markets.

Economic commentators are still forecasting continued slow but positive real GDP growth of between zero and 1% a year in 2010 and 2011, with only a modest risk of a double-dip recession. The strengthening of global currencies against the Euro may be a positive development in driving exports and manufacturing in some countries, especially Germany and France, which could consequently lead to an increase in demand for warehouse space across the region.

While the investment markets have seen improving levels of activity resulting in a marked reduction in cap rates on prime product with long leases, occupational demand remains soft with limited net absorption of distribution space. Market activity continues to be dominated by consolidation, particularly within the third-party logistics sector, and reconfiguration of customer supply chains. Customers continue to request greater flexibility in lease terms, resulting in ongoing pressure on net effective rents, especially in areas with excess existing stock. However, the majority of core European markets have seen rents and incentives stabilise and indicators point to the worst of the decline in values being over. Management nonetheless expect the occupier markets to remain soft

for the remainder of 2010.

### **Portfolio revaluation**

The entire portfolio was independently revalued at 30 June 2010, with net market value decreasing 1.1% from the valuation carried out at 31 December 2009 prior to the effect of foreign exchange translations. Including the impact of foreign exchange, the overall net market value increased 0.3% to €2,847.2 million as compared to €2,839.2 million at year end 2009.

Continental European assets recorded an overall valuation decline of 1.4% from €2,345.7 million to €2,312.2 million over the six months to June 2010, including movements in the Swedish krona exchange rate. Excluding this currency effect, continental European asset values fell 1.65% over the same period. Property values in Northern Europe and Central Europe fell 2.05% and 1.95% respectively, whilst Southern Europe suffered a more modest decline of 1.4%. These valuations demonstrate a marked slowdown in the rate of portfolio value decline from the 6.2% fall suffered in the second half of 2009 and the 9.2% decline in the first half of 2009, driven by a reduction in cap rates across most markets offset by further softening of rental values and a repricing of shorter dated income across the portfolio.

The UK witnessed a slight increase in values in the six months to June 2010, increasing 1.2% to £444.5 million from £439.2 million at the end of 2009, driven by improving market sentiment and strong demand from institutions, UK retail funds and overseas investors. The strengthening of the sterling exchange rate during the first half of 2010 took the total value of the UK portfolio up 8.4% in euro terms, to €535.0 million from €493.5 million at end 2009.

The net initial yield<sup>2</sup> of the portfolio at 30 June 2010 decreased to 7.7% from 8.4% at 31 December 2009, taking into account the slight decline in value and lower annualised in-place rental income.

### **Portfolio performance**

ProLogis (NYSE: PLD), PEPR's external manager, has maintained strong leasing momentum during the second quarter, with 31 lease transactions covering 249,500 square metres being completed. Five leases, covering 41,900 square metres, were new leases in Czech Republic, France, Germany and Poland. A further eight leases were expansions, adding 9,800 square metres to existing customers' supply chains. The remaining 18 transactions were lease renewals with customers such as Carrefour, FM Logistics, Geodis, Iron Mountain and John Lewis.

These transactions resulted in a weighted average rental decline of 7.7% over the expiring rental level, in line with management expectations given market rental decreases of between 5-20% across Europe. The level of over-renting inherent in the portfolio has reduced to 3.4% at 30 June 2010.

Of the 36 lease breaks and expiries during the first six months, covering 356,900 square metres, 12 were exercised representing 146,000 square metres. This resulted in a customer retention rate of 65% by rental value for the half-year, at the top end of PEPR's historical average customer retention rate. It is likely that PEPR's customer retention rate and portfolio occupancy will deteriorate in the third quarter before staging a recovery in the final quarter and into 2011 given the continued weakness in the occupational markets.

The second quarter of the year saw two instances of customer defaults on leases totalling 7,100 square metres, or less than 0.1% of annualised rental income. PEPR remains focused on monitoring customer performance to minimise future risk. Total accounts receivable from customers for half-year 2010 decreased to €46.4 million, from €48.9 million at 31 March 2010 and from €46.9 million at 31 December 2010. At the end of June 2010, PEPR held a €2.7 million provision for bad and doubtful debts (HY 2009: €1.4 million).

At 30 June 2010, the portfolio comprised 232 distribution facilities, covering 4.9 million square metres across 11 European countries with a net market value of €2.8 billion. The portfolio risk profile remains attractive, with high occupancy of 93.7%, a diversified customer base, and on average 3.4

<sup>2</sup> Annualised rent less non-recoverable property expenses such as empty rates, expressed as a percentage of gross market value i.e. before the deduction of notional purchasers' costs.

years to next lease break or 5.4 years to lease expiry. An overview of the portfolio is provided on page 23.

## Like-for-like portfolio

### LIKE-FOR-LIKE PORTFOLIO OVERVIEW AS AT 30 JUNE 2010

	% of portfolio by m <sup>2</sup>	30 June			30 June			30 June		
		2010	2009	Change	2010	2009	Change	2010	2009	Change
		Annualised rent in € per leasable m <sup>2</sup>			Net market value in € per m <sup>2</sup>			Occupancy %		
Southern <sup>3</sup>	49%	46.94	49.79	-5.7%	1,301	1,401	-7.1%	95.3%	98.7%	-3.5%
Northern <sup>4</sup>	19%	53.97	58.63	-7.9%	584	629	-7.2%	94.6%	96.6%	-2.0%
Central <sup>5</sup>	18%	38.57	46.44	-17.0%	427	480	-11.1%	88.0%	92.5%	-4.9%
UK <sup>6</sup>	14%	64.38	68.48	-6.0%	535	502	+6.6%	93.7%	96.4%	-2.8%
<b>Total / Averages</b>	<b>100%</b>	<b>49.32</b>	<b>53.57</b>	<b>-7.9%</b>	<b>2,847</b>	<b>3,012</b>	<b>-5.5%</b>	<b>93.7%</b>	<b>96.9%</b>	<b>-3.4%</b>

The like-for-like portfolio includes all properties owned by PEPR as at 30 June 2010.

On a like-for-like basis, average annualised rent per square metre decreased 7.9% over the year, partly as a result of rent incentives given on the significant number of leases signed between the two periods and increased portfolio vacancy.

Over the year, the total market value per square metre of the like-for-like portfolio decreased by 5.5%, with continental European countries recording valuation decreases of between 7.1% and 11.1% and the UK improving, up 6.6%.

## Guidance

PEPR management has lowered EPRA earnings and distributable cash flow guidance for 2010 to between €0.40 and €0.44 per ordinary unit from between €0.45 and €0.50 per ordinary unit given the slowdown in the pace of improvement in market conditions. In addition, despite the significant strides made in enhancing PEPR's financial metrics during the past year and a half, it is unlikely that PEPR will return to an investment grade credit rating by 23 October 2010, the annual coupon reset date on the €500 million Eurobond issuance. An investment grade rating would reset the coupon on the Eurobond to 5.875% from 7.625% which had previously been assumed in PEPR's guidance.

The terms of PEPR's €300 million unsecured credit facility currently prohibit cash distributions to ordinary unitholders. As a result, PEPR does not contemplate paying ordinary dividends in 2010, although it intends to revert to paying an ordinary dividend as soon as it is prudent to do so and when permitted under the terms of the facility.

## Financial results

### Earnings

PEPR recorded an IFRS loss for the second quarter of €10.5 million compared to a €266.8 million loss for the same period in 2009, primarily due to significantly lower portfolio fair value movements in 2010 and the loss on asset disposals and the consequential tax impacts recorded in 2009. However, IFRS earnings for the quarter were negatively impacted by an €8.2 million decline in total revenue and a €1.5 million increase in operating costs.

<sup>3</sup> Southern Europe comprises France, Italy and Spain

<sup>4</sup> Northern Europe comprises Belgium, Germany, The Netherlands and Sweden

<sup>5</sup> Central Europe comprises the Czech Republic, Hungary and Poland

<sup>6</sup> Sterling comparative figures have been re-translated using the June 2010 exchange rate for net market values and an average 2010 exchange rate for annualised rent.

EPRA earnings for ordinary unitholders, which provide a better guide to underlying business performance, decreased from €31.2 million for Q2 2009 to €21.2 million in Q2 2010. The reduction is primarily due to the decline in total revenue between the two periods, a lower tax charge and €1.6 million of preferred dividends.

For the half-year, IFRS earnings increased substantially to €11.9 million compared to a loss of €237.5 million for half year 2009, the difference primarily reflecting the lower unrealised portfolio valuation decline recorded in half year 2010 and a €42.5 million loss on property disposals in 2009 and the consequential tax impacts recorded in 2009. These impacts were partially offset by €11.8 million lower total revenue and a €2.3 million increase in operating costs.

EPRA earnings for ordinary unitholders for the half-year decreased to €40.4 million from €60.4 million for the comparable period, primarily due to lower rental income, increased operating expenses, a higher tax charge and €3.2 million of preferred dividends, partially offset by reduced finance expense.

A reconciliation between IFRS and EPRA earnings is shown on page 14.

#### *Total revenue*

Second quarter rental and other property income fell by €8.1 million to €60.6 million (Q2 2009: €68.7 million), primarily related to the loss of €4.4 million of rental income from portfolio sales completed in 2009, a decline of €4.5 million in rental income due to lower market rents on new lease agreements and the marginal decline in portfolio occupancy. This decline was partially offset by a €0.5 million increase in UK sourced income when measured in euro.

Rental and other property income for the half-year fell by 8.6% to €125.1 million (HY 2009: €136.9 million), as a result of the loss of €8.7 million of rental income from the portfolio sales, a decline of €6.8 million as a result of leases rolling back to market and lower portfolio occupancy, partially offset by a €1.0 million increase in UK sourced income when measured in euro. In addition, as previously reported, half year 2010 included a €2.6 million non-recurring receipt relating to the finalisation of insurance and legal claims.

#### *Operating expenses*

Total operating expenses comprise the cost of operating the portfolio and managing PEPR as a listed real estate fund.

Cost of rental activities includes ground rents paid, property management fees, the provision for bad debt and other non-recoverable property related expenses. The cost of rental activities increased to €7.8 million in Q2 2010 from €6.3 million in the comparable period. The key driver of this increase was a €1.3 million non-recurring charge arising from a reassessment of the recoverability of service charges dating back over a number of years.

For the half-year, cost of rental activities increased to €14.1 million (HY 2009: €12.3 million) largely as a result of the €1.3 million non-recurring charge and the recovery of an unusually high level of rental expenses in half year 2009. Property management fees declined 14.2%, to €6.7 million for the six months (HY 2009: €7.8 million) as they are directly correlated to gross portfolio value which has been impacted by portfolio disposals and valuation movements.

Fund expenses comprise the non-property related costs associated within our business, including fund management, custodian and professional fees. These expenses remained broadly flat in Q2 2010 at €2.9 million as compared to €2.7 million in the Q2 2009.

On a six month basis, fund expenses increased by €0.5 million, to €5.9 million, primarily due to the write-off of €0.5 million of legal and advisory fees associated with a potential second preferred equity raise reported in Q1 2010. Underlying fund management fees declined to €2.2 million, from €2.6 million in the prior period, as these fees are directly correlated to the gross market value of the portfolio.

### Property fair value movements

Total property fair value movements for Q2 2010 resulted in a net loss of €35.2 million, compared to a net loss of €306.7 million recorded in Q2 2009, reflecting the stabilisation of property values across Europe, particularly in the UK.

Total property fair value movements for the half-year resulted in a net loss of €36.6 million, comprising €65.5 million of revaluation losses, a €0.5 million increase in associated provision for purchasers' costs, partially offset by €29.4 million of revaluation gains.

Further details on the portfolio valuation movements are provided in the *Portfolio revaluation* section on page 3.

### Financing

Interest income for the half-year decreased to €0.2 million from €2.2 million in the comparable period, primarily related to a €1.3 million dividend receipt received from ProLogis European Properties Fund II in Q1 2009, lower levels of cash on deposit and lower interest rates received on those deposits.

Finance costs comprise interest expense, debt amortisation charges and foreign exchange gains/losses.

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### FINANCE EXPENSE

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

<b>Year ended</b>		<b>Six months ended</b>	
<b>31 December 2009</b>		<b>30 June 2010</b>	<b>30 June 2009</b>
<i>Audited</i>		<i>Unaudited</i>	<i>Unaudited</i>
96,173	Interest expense	45,032	49,535
10,524	Amortisation of initial borrowing costs	5,507	4,758
1,092	Net foreign currency (gains)/losses	339	873
<b>107,789</b>		<b>50,878</b>	<b>55,166</b>

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Interest expense for the quarter decreased to €22.2 million from €24.0 million in Q2 2009. Interest expense for the six month period decreased by 9.1% to €45.0 million (HY 2009: €49.5 million), primarily related to costs associated with the early retirement of CMBS debt in 2009 and PEPR's successful deleveraging initiatives. These include the repayment of €548.2 million of CMBS debt between the two periods, largely offset by higher interest rates on secured debt packages which increased average interest rates for the half-year to 5.4% from 4.5% in half year 2009.

Amortisation charges increased by €0.7 million in the first six months of 2010, primarily reflecting accelerated amortisation related to the reduction in size of the revolving portion of the unsecured credit facility and the early repayment of the first €300 million tranche of that facility, originally due December 2010.

### Debt structure

PEPR's financing structure utilises a mix of secured and unsecured debt sources. At the end of June 2010, 51.2% of outstanding debt was secured against specific pools of assets with no recourse to the security of other debt or assets elsewhere within the business.

Total outstanding debt as at 30 June 2010 was €1,594.5 million, a 0.5% decrease since 31 March 2010 (€1,602.6 million), primarily due to the repayment of €54.0 million of CMBS, partially offset by the €24.2 million increase in funds drawn under the €100 million revolving portion of the unsecured credit facility. At the end of June, €75.8 million remains undrawn under the facility and PEPR has €32.8 million cash.

Since the quarter end, PEPR has reduced the amount outstanding under the revolving portion of its unsecured credit facility to €14.6 million, from €24.2 million, increasing undrawn debt capacity to €85.4 million. PEPR is currently in advanced negotiations with a small group of banks to provide a

new unsecured bank facility to replace the existing €100 million revolving portion of the unsecured credit facility, maturing in December 2010.

As anticipated, the weighted average interest rate for half-year 2010 increased to 5.4%, compared to 4.5% in half-year 2009, primarily due to the 175 basis point increase in the €500 million Eurobond coupon arising from the credit rating downgrade in June 2009. In addition, the secured financing facilities completed in Q4 2009 and Q1 2010 have higher average fixed interest rates than the debt they replaced and 2010 has a higher proportion of debt at fixed rates of interest. At 30 June 2010, 82.3% of debt was at fixed rates of interest with the remaining floating debt, namely the €300 million unsecured credit facility, currently at a margin of 270 basis points over EURIBOR or LIBOR.

PEPR has a number of financial debt covenants within its credit facilities. At 30 June 2010, PEPR was in compliance with all covenants.

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## SUMMARY OF FINANCIAL DEBT COVENANTS

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	Limit	30 June 2010	31 March 2010
<b>Unsecured debt:</b>			
<i>€300m unsecured credit facility</i>			
Leverage	less than 60%	55%	55%
Fixed charge coverage	a least 1.5x	1.9x	2.0x
Unencumbered interest coverage	a least 1.5x	1.7x	1.8x
Net Worth (excluding Intangible assets)	at least €1.0bn	€1.2bn	€1.2bn
Unsecured debt as % of unsecured assets	less than 65%	60%	61%
<i>€500m 2014 Eurobond</i>			
Secured debt as % of total assets	less than 40%	28%	29%
<b>Fonds commun de placement structure:</b>			
Loan to value (total debt as percentage of gross portfolio value) – see page 15	less than 60% <sup>7</sup>	53.3%	53.7%

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In addition to the covenants in the table above, the €500 million Eurobond is redeemable at par if there is a change of control of PEPR and a subsequent downgrade of PEPR's credit rating to Ba1 or below within 120 days. At 30 June 2010, PEPR was rated Ba1, with a stable outlook.

An overview of PEPR's outstanding debt is on page 22.

### Tax

PEPR recorded a small tax charge for Q2 2010 as compared to the €48.5 million tax benefit in Q2 2009, which resulted from significant portfolio valuation declines recorded in that period.

The overall tax charge for the half-year is €6.0 million compared to a benefit of €45.4 million for the prior period, again primarily due to a significant reduction in deferred income tax benefit.

The current income tax expense of €8.8 million for half year 2010 represents a €7.1 million decrease over the comparable period (HY 2009: €15.9 million), of which €4.6 million relates to income tax on capital gains generated by asset sales in 2009. The remaining €2.5 million reduction is primarily due to the introduction of tax strategies and initiatives, together with the impact of lower rental income. The half year 2010 current income tax expense represents an effective tax rate of 17.0%, using EPRA earnings before taxation as a proxy for taxable income, down from 17.3% for half year 2009.

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<sup>7</sup> Can be exceeded up to 65% for a maximum of six months

PEPR will continue to pursue strategies to manage its future tax expense and anticipates a lower full year current income tax charge than the underlying charge incurred in 2009. It therefore expects to maintain a relatively consistent effective tax rate to that achieved in 2009.

*Distributable cash flow and distributions*

In December 2008, PEPR suspended future dividend payments as part of the business' strategic initiatives to improve liquidity and as a condition for a debt covenant amendment on PEPR's unsecured credit facility. Under the current terms of that facility, PEPR is prohibited from paying an ordinary dividend until either it raises €200 million of aggregate new equity (of which €61.1 million has been raised) or the facility is repaid.

Distributable cash flow of €20.3 million, or €0.11 per ordinary unit, for Q2 2010 will therefore be retained in the business to reduce debt and improve liquidity. Distributable cash flow for ordinary unitholders for the six months to 30 June 2010 equalled €0.23 per unit, or €44.6 million.

PEPR intends to revert to paying an ordinary dividend as soon as it is prudent to do so and when permitted under the terms of its unsecured credit facility.

PEPR will pay a preferred dividend distribution to holders of its Class A(1) convertible preferred units on 30 July 2010. The €0.157392 per unit distribution relates to the period from 1 April 2010 to 30 June 2010. The ex-dividend date is 23 July 2010 and the record date 27 July 2010.

*Net asset value*

IFRS NAV per ordinary unit increased to €5.99 at 30 June 2010, compared to €5.97 at 31 December 2009, driven by continued retention of earnings and the positive impact of sterling's appreciation against the euro on the cumulative currency translation reserve. These are partially offset by the €3.2 million of preferred dividend distributions and increases in hedging provisions as a flattening yield curve has resulted in PEPR's interest rate hedges being further out-of-the-money.

EPRA NAV per ordinary unit, which makes adjustments for hedging instruments and deferred tax movements, increased to €6.27 at 30 June 2010, compared to €6.15 at 31 December 2009.

A reconciliation between IFRS and EPRA NAV is shown on page 15.

**Earnings webcast and conference call details:**

We invite you to access the live presentation webcast and conference call, held today, Thursday 22 July 2010, at 12 noon CET, by clicking on the link entitled "Second Quarter and Half Year 2010 Financial Results Webcast" located on the homepage of our website, [www.prologis-ep.com](http://www.prologis-ep.com).

To participate in the conference call please dial one of the following numbers:

	<u>Toll free</u>	<u>Toll</u>
International	--	+44 (0)1452 555 566
France	0805 632 056	+33 (0)1 76 74 24 28
Luxembourg	800 27512	--
The Netherlands	0800 023 5091	+31 (0)20 717 6886
UK	0800 694 0257	+44 (0)844 493 3800
US	1 866 966 9439	--

A replay of the presentation webcast and a transcript of the call will be available in the Investor Relations section of the PEPR website, [www.prologis-ep.com](http://www.prologis-ep.com).

A replay of the conference call will be available from 4pm CET on Thursday 22 July 2010 until Wednesday 4 August 2010. To access the conference call replay please dial one of the following numbers, using passcode 83224794#:

	<u>Toll free</u>	<u>Toll</u>
International	--	+44 (0)1452 550 000
UK	0800 953 1533	+44 (0)845 245 5205
US	1 866 247 4222	--

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**Financial statements and portfolio information**

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

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Forward-looking statements

This document may contain certain ‘forward-looking statements’. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes of results expressed or implied by such forward-looking statements.

Any forward-looking statements made by or on behalf of PEPR speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their accuracy or completeness or the basis on which they were prepared. PEPR does not undertake to update forward-looking statements to reflect any changes in PEPR’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Information contained in this document relating to PEPR should not be relied upon as an indicator of future performance.

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED INCOME STATEMENT

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

Year ended		Three months ended	
31 December 2009		30 June 2010	30 June 2009
<i>Audited</i>		<i>Unaudited</i>	<i>Unaudited</i>
265,320	Rental income	60,418	68,734
462	Other property income	132	11
<b>265,782</b>	<b>Total revenue</b>	<b>60,550</b>	<b>68,745</b>
(2,446)	Ground rents paid	(530)	(605)
(14,746)	Property management fees	(3,376)	(3,544)
(9,236)	Other property rental expenses	(3,893)	(2,146)
<b>(26,428)</b>	<b>Cost of rental activities</b>	<b>(7,799)</b>	<b>(6,295)</b>
<b>239,354</b>	<b>Gross profit</b>	<b>52,751</b>	<b>62,450</b>
(4,910)	Fund management fees	(1,126)	(1,171)
(102)	Fund custodian fees	(36)	(27)
(9,071)	Other fund expenses	(1,695)	(1,539)
<b>(14,083)</b>	<b>Fund expenses</b>	<b>(2,857)</b>	<b>(2,737)</b>
189,097	Investment and development property disposal proceeds	-	166,910
(231,751)	Carrying value of investment and development property and currency translation effect on disposal	-	(209,432)
<b>(42,654)</b>	<b>Loss on disposal of investment and development property</b>	<b>-</b>	<b>(42,522)</b>
6,949	Gross valuation gains on property	29,446	1,148
(476,344)	Gross valuation losses on property	(64,168)	(323,833)
23,618	Purchasers costs	(470)	15,958
<b>(445,777)</b>	<b>Property fair value movements</b>	<b>(35,192)</b>	<b>(306,727)</b>
<b>(263,160)</b>	<b>(Loss)/earnings before net finance expense and tax</b>	<b>14,702</b>	<b>(289,536)</b>
2,357	Finance income	30	440
(107,789)	Finance expense	(25,155)	(26,230)
<b>(105,432)</b>	<b>Net finance expense</b>	<b>(25,125)</b>	<b>(25,790)</b>
<b>(368,592)</b>	<b>Loss before tax</b>	<b>(10,423)</b>	<b>(315,326)</b>
(30,804)	Charge for current income tax	(2,315)	(10,188)
88,777	Deferred income tax benefit	2,267	58,709
<b>57,973</b>	<b>Benefit/(charge) for taxation</b>	<b>(48)</b>	<b>48,521</b>
<b>(310,619)</b>	<b>Net loss for the period</b>	<b>(10,471)</b>	<b>(266,805)</b>
	<b>Attributable to:</b>		
(309,393)	Unitholders	(11,018)	(266,084)
(1,226)	Non-controlling interests	547	(721)
<b>(310,619)</b>	<b>Net loss for the period</b>	<b>(10,471)</b>	<b>(266,805)</b>
<b>€(1.62)</b>	<b>IFRS (loss)/earnings per ordinary unit</b>	<b>€(0.07)</b>	<b>€(1.40)</b>
<b>€0.54</b>	<b>EPRA earnings per ordinary unit</b>	<b>€0.11</b>	<b>€0.16</b>

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED INCOME STATEMENT

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

Year ended 31 December 2009 <i>Audited</i>		Six months ended	
		30 June 2010 <i>Unaudited</i>	30 June 2009 <i>Unaudited</i>
265,320	Rental income	122,111	136,598
462	Other property income	2,962	287
<b>265,782</b>	<b>Total revenue</b>	<b>125,073</b>	<b>136,885</b>
(2,446)	Ground rents paid	(1,149)	(1,289)
(14,746)	Property management fees	(6,723)	(7,837)
(9,236)	Other property rental expenses	(6,220)	(3,220)
<b>(26,428)</b>	<b>Cost of rental activities</b>	<b>(14,092)</b>	<b>(12,346)</b>
<b>239,354</b>	<b>Gross profit</b>	<b>110,981</b>	<b>124,539</b>
(4,910)	Fund management fees	(2,241)	(2,591)
(102)	Fund custodian fees	(60)	(57)
(9,071)	Other fund expenses	(3,585)	(2,708)
<b>(14,083)</b>	<b>Fund expenses</b>	<b>(5,886)</b>	<b>(5,356)</b>
189,097	Investment and development property disposal proceeds	-	166,910
(231,751)	Carrying value of investment and development property and currency translation effect on disposal	-	(209,432)
<b>(42,654)</b>	<b>Loss on disposal of investment and development property</b>	<b>-</b>	<b>(42,522)</b>
6,949	Gross valuation gains on property	29,446	1,148
(476,344)	Gross valuation losses on property	(65,532)	(323,719)
23,618	Purchasers costs	(470)	15,958
<b>(445,777)</b>	<b>Property fair value movements</b>	<b>(36,556)</b>	<b>(306,613)</b>
<b>(263,160)</b>	<b>(Loss)/earnings before net finance expense and tax</b>	<b>68,539</b>	<b>(229,952)</b>
2,357	Finance income	196	2,244
(107,789)	Finance expense	(50,878)	(55,166)
<b>(105,432)</b>	<b>Net finance expense</b>	<b>(50,682)</b>	<b>(52,922)</b>
<b>(368,592)</b>	<b>(Loss)/earnings before tax</b>	<b>17,857</b>	<b>(282,874)</b>
(30,804)	Charge for current income tax	(8,790)	(15,940)
88,777	Deferred income tax benefit	2,830	61,350
<b>57,973</b>	<b>Benefit/(charge) for taxation</b>	<b>(5,960)</b>	<b>45,410</b>
<b>(310,619)</b>	<b>Net (loss)/earnings for the period</b>	<b>11,897</b>	<b>(237,464)</b>
	<b>Attributable to:</b>		
(309,393)	Unitholders	11,216	(236,765)
(1,226)	Non-controlling interests	681	(699)
<b>(310,619)</b>	<b>Net (loss)/earnings for the period</b>	<b>11,897</b>	<b>(237,464)</b>
<b>€(1.62)</b>	<b>IFRS (loss)/earnings per ordinary unit</b>	<b>€0.04</b>	<b>€(1.24)</b>
<b>€0.54</b>	<b>EPRA earnings per ordinary unit</b>	<b>€0.21</b>	<b>€0.32</b>

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

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

<b>Year ended</b>		<b>Three months ended</b>	
<b>31 December 2009</b>		<b>30 June 2010</b>	<b>30 June 2009</b>
<i>Audited</i>		<i>Unaudited</i>	<i>Unaudited</i>
<b>(310,619)</b>	<b>Net loss for the period</b>	<b>(10,471)</b>	<b>(266,805)</b>
	<b>Other comprehensive income/(loss):</b>		
21,078	Exchange difference on translating non-euro operations	16,123	24,394
23,675	Transfer of cumulative exchange difference on disposal of non-euro operations	-	23,675
(2,097)	Non-controlling interest on disposed subsidiaries	(499)	-
4,272	Cash flow hedges	(7,332)	4,796
<b>46,928</b>	<b>Other comprehensive income/(loss) for the period</b>	<b>8,292</b>	<b>52,865</b>
<b>(263,691)</b>	<b>Total comprehensive (loss)/income for the period</b>	<b>(2,179)</b>	<b>(213,940)</b>
	<b>Attributable to:</b>		
(260,368)	Unitholders	(2,227)	(213,241)
(3,323)	Non-controlling interests	48	(699)
<b>(263,691)</b>	<b>Total comprehensive (loss)/income for the period</b>	<b>(2,179)</b>	<b>(213,940)</b>

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

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

<b>Year ended</b>		<b>Six months ended</b>	
<b>31 December 2009</b>		<b>30 June 2010</b>	<b>30 June 2009</b>
<i>Audited</i>		<i>Unaudited</i>	<i>Unaudited</i>
<b>(310,619)</b>	<b>(Loss)/earnings for the period</b>	<b>11,897</b>	<b>(237,464)</b>
	<b>Other comprehensive income/(loss):</b>		
21,078	Exchange difference on translating non-euro operations	17,083	25,595
23,675	Transfer of cumulative exchange difference on disposal of non-euro operations	-	23,675
(2,097)	Non-controlling interest on disposed subsidiaries	(499)	-
4,272	Cash flow hedges	(21,993)	1,397
<b>46,928</b>	<b>Other comprehensive (loss)/income for the period</b>	<b>(5,409)</b>	<b>50,667</b>
<b>(263,691)</b>	<b>Total comprehensive (loss)/income for the period</b>	<b>6,488</b>	<b>(186,797)</b>
	<b>Attributable to:</b>		
(260,368)	Unitholders	6,306	(186,098)
(3,323)	Non-controlling interests	182	(699)
<b>(263,691)</b>	<b>Total comprehensive (loss)/income for the period</b>	<b>6,488</b>	<b>(186,797)</b>

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

31 December 2009 <i>Audited</i>		30 June 2010 <i>Unaudited</i>	30 June 2009 <i>Unaudited</i>
<b>Assets</b>			
<i>Non Current Assets</i>			
2,839,247	Investment in property	2,847,164	2,994,123
25	Property under construction	-	23
-	Hedging instruments	-	13,297
10,381	Deferred tax asset	11,130	11,454
<u>2,849,653</u>		<u>2,858,294</u>	<u>3,018,897</u>
<i>Current Assets</i>			
46,898	Accounts receivable, net of bad debt provision	46,362	65,394
21,692	Other current assets	24,363	34,477
64,530	Cash and cash equivalents	32,756	133,559
133,120		103,481	233,430
-	Investment properties held for sale	-	22,319
<u>133,120</u>		<u>103,481</u>	<u>255,749</u>
<b><u>2,982,773</u></b>	<b>Total assets</b>	<b><u>2,961,775</u></b>	<b><u>3,274,646</u></b>
<b>Equity</b>			
1,911,810	Ordinary capital	1,911,810	1,911,810
61,070	Preferred capital	61,070	-
1,972,880	Capital contributions	1,972,880	1,911,810
(44,718)	Costs of raising capital	(44,718)	(37,721)
1,928,162	Net capital contributed	1,928,162	1,874,089
(592,137)	Net retained losses	(584,148)	(519,351)
(131,535)	Cumulative foreign currency translation adjustment	(114,452)	(127,018)
(5,687)	Cash flow hedge valuation reserve	(27,680)	(8,562)
1,198,803	Equity attributable to unitholders	1,201,882	1,219,158
2,266	Non-controlling interests in subsidiaries	2,448	4,890
<b><u>1,201,069</u></b>	<b>Total equity</b>	<b><u>1,204,330</u></b>	<b><u>1,224,048</u></b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
1,157,847	Interest bearing notes and bank loans, net of current portion	1,534,586	1,139,987
4,826	Hedging instruments	27,680	7,220
28,300	Deferred tax liability	26,302	57,172
<u>1,191,073</u>		<u>1,588,568</u>	<u>1,204,379</u>
<i>Current liabilities</i>			
460,853	Interest bearing notes and bank loans, current portion	28,775	696,370
1,487	Hedging instruments	-	-
3,799	Accounts payable	7,502	7,531
6,095	Due to related parties	528	9,796
22,845	Income and other taxes payable	19,000	26,108
49,861	Accrued expenses and other current liabilities	66,818	53,535
45,691	Deferred income	46,254	52,879
<u>590,631</u>		<u>168,877</u>	<u>846,219</u>
<b><u>1,781,704</u></b>	<b>Total liabilities</b>	<b><u>1,757,445</u></b>	<b><u>2,050,598</u></b>
<b><u>2,982,773</u></b>	<b>Total equity and liabilities</b>	<b><u>2,961,775</u></b>	<b><u>3,274,646</u></b>
<b>€5.97</b>	<b>IFRS NAV per ordinary unit</b>	<b>€5.99</b>	<b>€6.40</b>
<b>€6.15</b>	<b>EPRA NAV per ordinary unit</b>	<b>€6.27</b>	<b>€6.74</b>

PROLOGIS EUROPEAN PROPERTIES

STATEMENT OF PERFORMANCE MEASURES - EPRA EARNINGS

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

Year ended		Three months ended	
31 December 2009		30 June 2010	30 June 2009
<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
(309,393)	<b>Net (loss)/earnings attributable to unitholders</b>	(11,018)	(266,084)
	<i>Adjustments for:</i>		
445,777	Revaluation movements on investment properties and development properties	35,192	306,727
48,362	Loss on disposal of investment properties, net of tax	-	42,605
(84,021)	Deferred tax effects arising on revaluation of investment properties	(1,414)	(51,080)
3,275	Expenses incurred not in the ordinary course of business	-	-
-	Income received not in the ordinary course of business	-	-
(351)	Non-controlling interests in respect of the above	20	(1,000)
<b>103,649</b>	<b>EPRA earnings for the period</b>	<b>22,780</b>	<b>31,168</b>
(158)	Preferred dividend	(1,623)	-
<b>103,491</b>	<b>EPRA earnings for ordinary unitholders</b>	<b>21,157</b>	<b>31,168</b>
190,522,441	Weighted average number of ordinary units	190,522,441	190,522,441
<b>€0.54</b>	<b>EPRA earnings per ordinary unit for the period</b>	<b>€0.11</b>	<b>€0.16</b>

STATEMENT OF PERFORMANCE MEASURES - EPRA EARNINGS

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

Year ended		Six months ended	
31 December 2009		30 June 2010	30 June 2009
<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
(309,393)	<b>Net (loss)/earnings attributable to unitholders</b>	11,216	(236,765)
	<i>Adjustments for:</i>		
445,777	Revaluation movements on investment properties and development properties	36,556	306,613
48,362	Loss on disposal of investment properties, net of tax	-	42,605
(84,021)	Deferred tax effects arising on revaluation of investment properties	(2,098)	(51,080)
3,275	Expenses incurred not in the ordinary course of business	500	-
-	Income received not in the ordinary course of business	(2,573)	-
(351)	Non-controlling interests in respect of the above	21	(978)
<b>103,649</b>	<b>EPRA earnings for the period</b>	<b>43,622</b>	<b>60,395</b>
(158)	Preferred dividend	(3,226)	-
<b>103,491</b>	<b>EPRA earnings for ordinary unitholders</b>	<b>40,396</b>	<b>60,395</b>
190,522,441	Weighted average number of ordinary units	190,522,441	190,522,441
<b>€0.54</b>	<b>EPRA earnings per ordinary unit for the period</b>	<b>€0.21</b>	<b>€0.32</b>

PROLOGIS EUROPEAN PROPERTIES

STATEMENT OF PERFORMANCE MEASURES - EPRA NET ASSET VALUE

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

<b>31 December 2009</b> <i>Unaudited</i>		<b>30 June 2010</b> <i>Unaudited</i>	<b>30 June 2009</b> <i>Unaudited</i>
<b>1,198,803</b>	<b>Net asset value attributable to unitholders per IFRS consolidated financial statements</b>	<b>1,201,882</b>	<b>1,219,158</b>
	<i>Adjustments for:</i>		
5,687	Cash flow hedge valuation reserve	27,680	8,562
28,300	Deferred tax	26,302	57,172
<b>1,232,890</b>	<b>EPRA net asset value</b>	<b>1,255,864</b>	<b>1,284,892</b>
	<b>Attributable to:</b>		
1,171,820	Ordinary unitholders	1,194,794	1,284,892
61,070	Preferred unitholders	61,070	-
<b>1,232,890</b>	<b>EPRA net asset value</b>	<b>1,255,864</b>	<b>1,284,892</b>
<b>€6.15</b>	<b>EPRA net asset value per ordinary unit</b>	<b>€6.27</b>	<b>€6.74</b>

FINANCIAL RATIOS

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

<b>31 December 2009</b> <i>Unaudited</i>		<b>30 June 2010</b> <i>Unaudited</i>	<b>30 June 2009</b> <i>Unaudited</i>
2,980,594	Gross value of real estate portfolio	2,991,196	3,144,616
-	Investment properties, held for sale	-	22,319
2,980,594	Total value	2,991,196	3,166,935
1,638,943	Debt (excluding unamortised transaction costs)	1,594,474	1,854,572
55.0%	LTV (debt as percentage of total value)	53.3%	58.6%
227,000	Undrawn committed facilities	75,778	219,500
3.1 years	Average maturity, based on earliest repayment date	3.5 years	2.5 years
		<b>Six months ended</b>	
<b>Year ended</b>		<b>30 June 2010</b>	<b>30 June 2009</b>
<b>31 December 2009</b> <i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
4.6%	Average interest rate	5.4%	4.5%
2.4x	Interest cover	2.3x	2.5x

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED STATEMENT OF INVESTMENT IN PROPERTIES

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

<b>31 December 2009</b> <i>Audited</i>		<b>30 June 2010</b> <i>Unaudited</i>	<b>30 June 2009</b> <i>Unaudited</i>
	<b>Historic cost</b>		
3,244,724	Cost at the beginning of the period	3,058,985	3,244,724
2,951	Capital expenditure	1,909	389
(160)	Leasing commission	1,333	(108)
(387)	Rent levelling	912	-
109	Transfer of completed developments from property under construction	-	110
-	Transfer to investment properties held for sale	-	(23,647)
(222,407)	Disposals	-	(199,893)
34,155	Effect of unrealised currency movements	53,854	67,669
<b>3,058,985</b>	<b>Cost at the end of the period</b>	<b>3,116,993</b>	<b>3,089,244</b>
	<b>Net unrealised gains related to property</b>		
196,998	Net unrealised gains/(losses) at the beginning of the period	(219,738)	196,998
6,949	Gross valuations gains on investment in property during the period	29,446	1,148
(476,344)	Gross valuations losses on investment in property during the period	(65,532)	(323,719)
23,618	Adjustment for purchasers costs	(470)	15,958
14,331	Reversal of accumulated revaluation (gain)/loss on disposals	-	14,134
-	Reversal of accumulated revaluation loss and purchaser cost on investment properties held for sale	-	1,328
14,710	Effect of unrealised currency movements	(13,535)	(970)
(219,738)	Net unrealised gains/(losses) at the end of the period	(269,829)	(95,121)
<b>2,839,247</b>	<b>Fair value at the end of the period</b>	<b>2,847,164</b>	<b>2,994,123</b>
	<b>Fair value of investment property</b>		
2,980,594	Appraised gross property value at the end of the period	2,991,196	3,144,616
(141,347)	Purchasers costs	(144,032)	(150,493)
<b>2,839,247</b>	<b>Fair value at the end of the period</b>	<b>2,847,164</b>	<b>2,994,123</b>

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED STATEMENT OF CASH FLOWS

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

Year ended		Three months ended	
31 December 2009		30 June 2010	30 June 2009
<i>Audited</i>		<i>Unaudited</i>	<i>Unaudited</i>
<b>(368,592)</b>	<b>Loss before tax</b>	<b>(10,423)</b>	<b>(315,326)</b>
484,429	Adjustment for non-cash items and changes in operating assets	31,688	332,577
<b>115,837</b>	<b>Net cash flow from operating activities</b>	<b>21,265</b>	<b>17,251</b>
	<b>Cash flow from investing activities</b>		
6,168	Distributions from an associate	-	-
(38,000)	Investment in other financial assets, available for sale	-	-
1,270	Distributions from other financial assets, available for sale	-	1,270
(2,951)	Capital expenditure and other expenditure on investment property	(2,460)	(340)
(2)	Property under construction	-	-
1,082	Payments from insurance company in regard of building losses net of rebuilding costs	-	937
48,496	Proceeds from disposal of shares of an associate	-	-
189,097	Proceeds from disposal of investment in property	-	168,639
<b>205,160</b>	<b>Net cash provided from/(used in) investing activities</b>	<b>(2,460)</b>	<b>170,506</b>
	<b>Cash flow from financing activities</b>		
(793,545)	Repayment of secured notes	(54,048)	-
75,302	Proceeds from hedge related to secured notes	-	-
(4,250)	Repayment of unsecured notes	-	-
(25,059)	Repayment of bank loans	(2,316)	-
353,796	Proceeds from bank loans	23,045	(124,973)
5,760	Restricted proceeds from swap contracts	-	16,470
54,073	Net proceeds from preferred units issue	-	-
-	Distributions to unitholders	(1,603)	-
<b>(333,923)</b>	<b>Net cash provided used for financing activities</b>	<b>(34,922)</b>	<b>(108,503)</b>
<b>355</b>	<b>Effects of exchange rates changes</b>	<b>(303)</b>	<b>881</b>
<b>(12,571)</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(16,420)</b>	<b>80,135</b>
77,101	Cash and cash equivalents at the beginning of the period	49,176	53,424
<b>64,530</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>32,756</b>	<b>133,559</b>

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED STATEMENT OF CASH FLOWS

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

<b>Year ended</b>		<b>Six months ended</b>	
<b>31 December 2009</b>		<b>30 June 2010</b>	<b>30 June 2009</b>
<i>Audited</i>		<i>Unaudited</i>	<i>Unaudited</i>
<b>(368,592)</b>	<b>Loss before tax</b>	<b>17,857</b>	<b>(282,874)</b>
484,429	Adjustment for non-cash items and changes in operating assets	43,966	339,883
<b>115,837</b>	<b>Net cash flow from operating activities</b>	<b>61,823</b>	<b>57,009</b>
	<b>Cash flow from investing activities</b>		
6,168	Distributions from an associate	-	6,168
(38,000)	Investment in other financial assets, available for sale	-	(38,000)
1,270	Distributions from other financial assets, available for sale	-	1,270
(2,951)	Capital expenditure and other expenditure on investment property	(3,242)	(389)
(2)	Property under construction	-	-
1,082	Payments from insurance company in regard of building losses net of rebuilding costs	-	937
48,496	Proceeds from disposal of shares of an associate	-	48,496
189,097	Proceeds from disposal of investment in property	-	168,639
<b>205,160</b>	<b>Net cash provided from/(used in) investing activities</b>	<b>(3,242)</b>	<b>187,121</b>
	<b>Cash flow from financing activities</b>		
(793,545)	Repayment of secured notes	(90,590)	(335,872)
75,302	Proceeds from hedge related to secured notes	-	50,755
(4,250)	Repayment of unsecured notes	-	-
(25,059)	Repayment of bank loans	(395,564)	-
353,796	Proceeds from bank loans	397,656	80,431
5,760	Restricted proceeds from swap contracts	-	16,470
54,073	Net proceeds from preferred units issue	-	-
-	Distributions to unitholders	(1,761)	-
<b>(333,923)</b>	<b>Net cash provided from/(used for) financing activities</b>	<b>(90,259)</b>	<b>(188,216)</b>
<b>355</b>	<b>Effects of exchange rates changes</b>	<b>(96)</b>	<b>544</b>
<b>(12,571)</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(31,774)</b>	<b>56,458</b>
77,101	Cash and cash equivalents at the beginning of the period	64,530	77,101
<b>64,530</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>32,756</b>	<b>133,559</b>

PROLOGIS EUROPEAN PROPERTIES

RECONCILIATION OF PROFIT TO DISTRIBUTABLE CASH FLOW

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

Year ended		Three months ended	
31 December 2009		30 June 2010	30 June 2009
<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
<b>(309,393)</b>	<b>Net loss attributable to unitholders for the period</b>	<b>(11,018)</b>	<b>(266,084)</b>
	<i>Adjustments for items per the Management Regulations:</i>		
469,782	Net valuation losses on property	34,722	322,645
(23,618)	Purchasers costs	470	(15,958)
-	Reversal of rent levelling adjustment	(424)	-
951	Unrealised currency (gains)/losses	543	(343)
10,524	Amortisation of debt expenses	2,379	2,099
(89,479)	Movements on deferred tax balances	(2,267)	(58,709)
42,654	Loss on asset disposals	-	42,522
5,708	Charge for current income tax, related to asset disposals	-	4,557
(2,788)	Less an allowance for capital and re-letting expenses	(2,460)	(478)
(158)	Preferred dividend	(1,623)	-
413,576	Total adjustments	31,340	296,335
<b>104,183</b>	<b>Distributable cash flow for ordinary unitholders</b>	<b>20,322</b>	<b>30,251</b>
190,522,441	Weighted average number of ordinary units	190,522,441	190,522,441
<b>€0.55</b>	<b>Distributable cash flow per unit for the period<sup>8</sup></b>	<b>€0.11</b>	<b>€0.16</b>

<sup>8</sup> In December 2008, PEPR suspended ordinary dividend payments. Q4 2008 and all subsequent quarters' distributable cash flow for ordinary unitholders has therefore been retained in the business.

PROLOGIS EUROPEAN PROPERTIES

RECONCILIATION OF PROFIT TO DISTRIBUTABLE CASH FLOW

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

Year ended		Six months ended	
31 December 2009		30 June 2010	30 June 2009
<i>Unaudited</i>		<i>Unaudited</i>	<i>Unaudited</i>
<b>(309,393)</b>	<b>Net (loss)/earnings attributable to unitholders for the period</b>	<b>11,216</b>	<b>(236,765)</b>
	<i>Adjustments for items per the Management Regulations:</i>		
469,782	Net valuation losses on property	36,086	323,093
(23,618)	Purchasers costs	470	(15,958)
-	Reversal of rent levelling adjustment	(707)	-
951	Unrealised currency (gains)/losses	(29)	420
10,524	Amortisation of debt expenses	5,507	4,758
(89,479)	Movements on deferred tax balances	(2,830)	(61,350)
42,654	Loss on asset disposals	-	42,522
5,708	Charge for current income tax, related to asset disposals	-	4,557
(2,788)	Less an allowance for capital and re-letting expenses	(3,242)	(820)
(158)	Preferred dividend	(3,226)	-
413,576	Total adjustments	32,029	297,222
<b>104,183</b>	<b>Distributable cash flow for ordinary unitholders</b>	<b>43,245</b>	<b>60,457</b>
190,522,441	Weighted average number of ordinary units	190,522,441	190,522,441
<b>€0.55</b>	<b>Distributable cash flow per unit for the period<sup>8</sup></b>	<b>€0.23</b>	<b>€0.32</b>

PROLOGIS EUROPEAN PROPERTIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Capital contributions	Cost of raising capital	Net retained earnings/ (losses)	Cumulative foreign currency translation adjustment	Cash flow hedge valuation reserve	TOTAL EQUITY ATTRIBUTABLE TO UNITHOLDERS	Non-controlling interests	TOTAL EQUITY
<b>Balance as at 31 December 2009</b>	<b>1,972,880</b>	<b>(44,718)</b>	<b>(592,137)</b>	<b>(131,535)</b>	<b>(5,687)</b>	<b>1,198,803</b>	<b>2,266</b>	<b>1,201,069</b>
Other comprehensive income/(loss)	-	-	-	960	(14,661)	(13,701)	-	(13,701)
Profit/(loss)	-	-	22,233	-	-	22,233	134	22,367
Total comprehensive income/(loss)	-	-	22,233	960	(14,661)	8,532	134	8,666
Preferred distributions	-	-	(1,603)	-	-	(1,603)	-	(1,603)
<b>Balance as at 31 March 2010</b>	<b>1,972,880</b>	<b>(44,718)</b>	<b>(571,507)</b>	<b>(130,575)</b>	<b>(20,348)</b>	<b>1,205,732</b>	<b>2,400</b>	<b>1,208,132</b>
Other comprehensive income/(loss)	-	-	-	16,123	(7,332)	8,791	(499)	8,292
Profit/(loss)	-	-	(11,018)	-	-	(11,018)	547	(10,471)
Total comprehensive income/(loss)	-	-	(11,018)	16,123	(7,332)	(2,227)	48	(2,179)
Preferred distributions	-	-	(1,623)	-	-	(1,623)	-	(1,623)
<b>Balance as at 30 June 2010</b>	<b>1,972,880</b>	<b>(44,718)</b>	<b>(584,148)</b>	<b>(114,452)</b>	<b>(27,680)</b>	<b>1,201,882</b>	<b>2,448</b>	<b>1,204,330</b>

**PROLOGIS EUROPEAN PROPERTIES**

**OUTSTANDING DEBT  
AS AT 30 JUNE 2010**

Description	Rating	Issue date	Issue size	Coupon	Maturity date	Drawn amount		Comments / facility LTV <sup>9</sup>
						Local currency	Euros	
<i>Listed on the Luxembourg Stock Exchange</i>								
ProLogis International Funding S.A.	Ba1	Oct 2007	€500.0m	7.625% <sup>10</sup>	Oct 2014	€495.7m	€495.7m	Unsecured Fixed rate
<i>Other</i>								
Senior unsecured credit facility	-	Dec 2007	€100.0m	n/a	Dec 2010	€17.0m £6.0m	€24.2m	Unsecured
			€300.0m		Dec 2012	€109.0m £123.5m	€257.6m	Floating rate
Deutsche Pfandbriefbank loan	-	Jul 2009	€126.0m	4.99%	Mar 2013	€126.0m	€126.0m	LTV: 55%
Eurohypo bank loan	-	Jul 2009	£86.1m	5.93%	Jul 2013	£86.1m	€103.7m	LTV: 50%
Helaba bank loan	-	Oct 2009	SEK 332.5m €15.4m	5.93% 5.19%	Oct 2014	SEK 327.6m €15.3m	€49.4m	LTV: 60%
Helaba bank loan	-	Dec 2009	€45.3m	4.34%	Jan 2013	€45.3m	€45.3m	LTV: 55%
Crédit Agricole CIB bank loan	-	Dec 2009	£43.0m	5.04%	Mar 2013	£43.0m	€51.8m	LTV: 50%
Landesbank Berlin bank loan	-	Dec 2009	€74.0m	3.93%	Jan 2014	€73.8m	€73.8m	LTV: 50%
Deutsche Pfandbriefbank loan	-	Dec 2009	€74.5m	5.42% 4.80%	Dec 2013	£24.3m €38.5m	€67.7m	LTV: 54%
Syndicated bank loan	-	Jan 2010	€300.0m	5.16%	Jan 2014	€299.3m	€299.3m	LTV: 52%
<b>TOTAL</b>							<b>€1,594.5m</b>	

<sup>9</sup> Facility loan-to-value as at latest covenant reporting date

<sup>10</sup> Reduces to 5.875% in the event of a return to an investment grade credit rating, subject to annual reset date of 23 October.

## PROLOGIS EUROPEAN PROPERTIES

### PORTFOLIO OVERVIEW AS AT 30 JUNE 2010

	Number of facilities	Market value ('MV') <sup>11</sup> €million	% of total MV	Leasable area 000m <sup>2</sup>	% of total leasable area	Annualised rental income <sup>12</sup> €million	ERV <sup>13</sup> €million	Net portfolio yield <sup>14</sup> Current occupancy	Gross portfolio yield <sup>15</sup> Current occupancy	Occupancy level	Average age of facilities years	Number of leases	Average number of years to next lease break	Average number of years to lease expiry
France	61	810.8	29%	1,590.6	32%	71.3	67.2	8.0%	8.8%	94.9%	9.0	71	2.4	5.7
Italy	18	258.6	9%	522.7	11%	23.6	21.1	7.8%	9.1%	96.1%	10.0	18	4.6	4.6
Spain	13	231.9	8%	309.5	6%	18.8	18.5	7.6%	8.1%	95.7%	7.5	21	3.2	3.7
<i>Southern</i>	<b>92</b>	<b>1,301.3</b>	<b>46%</b>	<b>2,422.8</b>	<b>49%</b>	<b>113.7</b>	<b>106.8</b>	<b>7.9%</b>	<b>8.7%</b>	<b>95.3%</b>	<b>8.9</b>	<b>110</b>	<b>3.0</b>	<b>5.1</b>
Belgium	5	50.3	1%	98.3	2%	4.4	4.1	7.9%	8.7%	100.0%	6.0	5	2.5	8.4
Germany	20	220.5	8%	328.0	7%	20.3	19.3	8.3%	9.2%	99.0%	6.0	39	2.6	3.3
Netherlands	20	221.8	8%	378.5	8%	17.8	20.1	6.1%	8.0%	87.6%	10.0	29	2.2	4.2
Sweden	4	91.6	3%	130.4	2%	8.0	6.9	7.9%	8.7%	100.0%	15.4	4	7.3	8.6
<i>Northern</i>	<b>49</b>	<b>584.2</b>	<b>20%</b>	<b>935.2</b>	<b>19%</b>	<b>50.5</b>	<b>50.4</b>	<b>7.3%</b>	<b>8.6%</b>	<b>94.6%</b>	<b>8.7</b>	<b>77</b>	<b>3.2</b>	<b>4.9</b>
Czech Republic	12	99.1	4%	180.4	4%	6.9	8.0	6.8%	7.0%	82.1%	7.3	31	2.4	2.5
Hungary	14	92.2	3%	182.1	4%	7.9	7.6	8.5%	8.6%	88.7%	7.2	31	2.9	3.7
Poland	26	235.4	8%	494.5	10%	18.2	19.9	7.4%	7.7%	90.0%	8.0	77	2.5	2.8
<i>Central</i>	<b>52</b>	<b>426.7</b>	<b>15%</b>	<b>857.0</b>	<b>18%</b>	<b>33.0</b>	<b>35.5</b>	<b>7.5%</b>	<b>7.7%</b>	<b>88.0%</b>	<b>7.2</b>	<b>139</b>	<b>2.6</b>	<b>3.0</b>
UK	39	535.0	19%	706.8	14%	45.5	42.1	7.9%	8.5%	93.7%	8.4	36	5.2	8.4
<b>TOTAL</b>	<b>232</b>	<b>2,847.2</b>	<b>100%</b>	<b>4,921.8</b>	<b>100%</b>	<b>242.7</b>	<b>234.8</b>	<b>7.7%</b>	<b>8.5%</b>	<b>93.7%</b>	<b>8.7</b>	<b>362</b>	<b>3.4</b>	<b>5.4</b>
Vacant space (at ERV per m <sup>2</sup> )							<u>14.8</u>							
							<b>249.6</b>							

<sup>11</sup> An independent revaluation of the portfolio is conducted every 30 June and 31 December. In accordance with IFRS fair value accounting, valuations are reported net i.e. after deduction of purchasers' costs

<sup>12</sup> Annualised rental income means the estimate of annual income based on the gross rental income for leases in place as at the latest valuation date 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

<sup>13</sup> ERV refers to the Estimated Rental Value calculated by the independent third-party appraisers as at the latest valuation date

<sup>14</sup> Annualised rental income less non-recoverable property expenses such as empty rates, expressed as a percentage of gross market value i.e. before the deduction of notional purchasers' costs

<sup>15</sup> Annualised rental income on occupied portfolio expressed as a percentage of market value

**LEASE BREAK AND MATURITY DATES  
AS AT 30 JUNE 2010**

	Number of leases with next break option in year	Leased space subject to next break option <sup>16</sup> 000m <sup>2</sup>	Annualised rental income of leases subject to first break option		Number of leases with expiry date in year <sup>17</sup>	Leased space subject to lease expiry 000m <sup>2</sup>	Annualised rental income of expiring leases	
			(€m)	%			(€m)	%
2010	53	391	22.2	9.2	52	372	21.2	8.7
2011	96	1,014	52.0	21.4	63	503	25.9	10.7
2012	73	935	49.6	20.4	52	420	24.7	10.2
2013	44	531	27.9	11.5	41	391	22.1	9.1
2014	27	394	23.7	9.8	28	471	25.2	10.4
2015	27	542	24.6	10.1	27	572	26.2	10.8
2016	13	240	13.5	5.6	19	427	21.1	8.7
2017	10	284	15.6	6.4	22	426	21.5	8.9
2018	3	57	1.8	0.7	12	222	9.2	3.8
2019	6	57	3.5	1.5	12	162	10.6	4.3
2020+	10	166	8.3	3.4	34	645	35.0	14.4
<b>Total</b>	<b>362</b>	<b>4,611</b>	<b>242.7</b>	<b>100.0</b>	<b>362</b>	<b>4,611</b>	<b>242.7</b>	<b>100.0</b>

**LARGEST 20 CUSTOMERS BY ANNUALISED RENTAL INCOME  
AS AT 30 JUNE 2010**

	Customer Name <sup>18</sup>	Industry Type	Share of annualised rental income	Number of leases
1	Ceva	3PL	7.3%	15
2	Geodis	3PL	4.9%	11
3	NYK Holdings (Nippon Yusen Kaisha)	3PL	4.0%	8
4	Deutsche Post AG (DHL)	3PL	3.0%	14
5	Gefco (PSA Peugeot)	3PL	2.7%	6
6	ND Logistics	3PL	2.4%	5
7	FM Logistic	3PL	2.3%	3
8	Fagor Electrodomesticos (Brandt Appliances)	Industrial Durables	2.1%	3
9	GoodYear/Dunlop	Automotive	2.0%	2
10	DSV A/S	3PL	1.7%	5
11	Intermarche	Retail	1.6%	3
12	Schneider	Electrical/Mechanical	1.6%	3
13	ID Logistics Group	3PL	1.4%	4
14	Amazon.com Inc	Retail	1.3%	1
15	Kuehne & Nagel	3PL	1.3%	3
16	J. Sainsbury	Retail	1.2%	2
17	Sonepar NV (Elektroskandia)	Electrical/Mechanical	1.1%	1
18	Depolabo Pharma Logistique	Pharmaceuticals	1.1%	2
19	Fiege Logistik	3PL	1.1%	5
20	Wincanton Logistics	3PL	1.0%	6
	Subtotal of largest 20 customers		45.1%	102
	Leases with 186 other customers		54.9%	260
	<b>Total</b>		<b>100.0%</b>	<b>362</b>

<sup>16</sup> Leases at earlier of next break date or expiry date

<sup>17</sup> Leases at expiry date regardless of upcoming lease breaks

<sup>18</sup> Customers shown are either actual names on the lease or the name of the group