



Fourth Quarter and Full Year 2010 Financial Results
Thursday 10th February 2011

Jennifer Crooke: 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, good afternoon everyone and welcome to the call today on PEPR's fourth quarter and year end results. 2010 was a year of considerable achievement for PEPR both operationally and financially.

I would like to kick-off by highlighting the significant increase in our portfolio occupancy during the quarter, which is up to 94.5% at the end of the year from 92.7% at the end of September. This is the result of a record level of leasing during the final quarter including 216,000 square metres of new lease transactions, making 2010 overall a record year in terms on leasing volumes.

We are also pleased to report that we are ahead of our guidance for 2010 and have made further progress in our debt reduction and refinancing initiatives. Our loan-to-value ratio stood at 53% at the end of December and since then we have reduced it further to 52.6% following the repayment of €10 million of outstanding debt on the revolving credit facility. This LTV ratio is broadly flat when compared to the end of the third quarter of 2010 but is down notably from the 55% level at the end of 2009, thanks to our continued efforts to deleverage the business throughout the course of the year. Overall and including the recent repayment of the revolving credit facility, we have reduced both our cash balance to a record low level and our debt balance by almost €80 million since December 2009.

2010 kicked off with the successful completion of three new secured financings totalling €393 million. These transactions not only contributed to the restructuring and reduction of our outstanding debt but also demonstrated the ongoing capacity of our business to access the capital markets. The belief of the banking community in PEPR's business model and the quality of its portfolio was further highlighted in August when we closed on a €50 million, three-year unsecured revolving credit facility. With the option to increase this to €150 million subject to the banks' consent, this facility provides us with the flexibility to meet our ongoing working capital requirements. Importantly, we are in the healthy position of having no further debt maturities until the end of 2012.

As a further sign of confidence in the progress PEPR has made to improve its liquidity profile and reduce overall debt levels, in October we negotiated an amendment to the terms of the unsecured 2012 debt facility largely removing restrictions on the payment of ordinary dividends which were put in place at the end of 2008. This will enable us to pay dividends to holders of ordinary units as and when we decide to do so. As we made clear at the time, we believe that PEPR's cash flow from the business is currently better employed in repaying debt as we continue to focus on deleveraging the balance sheet and regaining an investment grade rating.

This upgrade remains a key objective for us, as this will add to PEPR's future financial flexibility with access to the unsecured debt markets. While we were disappointed not to receive a ratings upgrade in 2010, given the significant improvements we have made to the balance sheet since our downgrade, Moody's improved its outlook for PEPR to stable from negative in the first quarter of last year. We will continue to engage with Moody's and are confident that through further retention of earnings and deleveraging we will return to an investment grade rating.

On an operational level, we are very pleased to have accomplished a record level of leasing activity during what has been a weak market in 2010, once again proving the resilience of the portfolio to market downturns. The positive movement in occupancy in Q4 was particularly encouraging. While customer retentions and the level of lease renewals remained above long term averages, we also saw a significant increase in new leasing in the latter part of the year. Some of this new leasing was achieved on space we were in a position to sub-divide shortly after a significant vacancy occurred, enabling us to minimise the gap in rental income. New lease agreements were also completed on space that had experienced longer than average periods of vacancy. Simon will take you through some of the particulars on this as well as other details of the portfolio later on.

Overall, we feel confident that this sustained high level of activity is a clear indicator that our assets are well located and attractive to users who continue to modernise and rationalise their supply chains. To put this into context for our business, and looking ahead, we expect occupancy to

fluctuate in the short-term with average occupancy for 2011 in the 93% to 94% range, similar to 2010 levels.

While it appears that a double-dip recession has so far been avoided, economic growth is likely to be slow but steady and we do not envisage a dramatic rebound in the logistics warehouse market in Europe as government austerity measures in the region continue to weigh on consumer spending. Activity remains constrained as logistics businesses, and the banks on which they depend, continue to operate from weaker balance sheet positions. However, we have seen a pick-up in both trade and shipping volumes as businesses rebuild their inventories and believe this will in turn lead to increased demand for modern warehouse space as third-party logistics operators become more confident and emerge from the financial crisis with greater cost control and more efficient supply chains. We are indeed encouraged by an increase in the level of enquiries throughout the latter part of 2010 and into 2011 as these 3PLs look to grow their businesses in line with increasing trade volumes.

It is clear that market fundamentals are improving and, with rents remaining stable and incentives reducing, we are now reaching a point of equilibrium between landlord and tenant. Nevertheless, there is likely to be a time lag before we see a positive impact on rental values, especially in secondary or oversupplied markets. We have seen valuations stabilise and the rise in transaction volumes compared to 2009 is reassuring, taking us back to levels not seen since the 2003/2006 period.

Before I finish, I wish to cover two further items.

The first item concerns legislative developments in Luxembourg that could enable FCPs, such as PEPR, to convert to a SICAF, which, as you know, would give us flexibility to raise ordinary equity at an issue price below NAV. While some anticipated legal changes were adopted in Luxembourg late in 2010 as part of the implementation of the UCITS IV directive, these changes did not go far enough to enable such a conversion. Further opportunities to amend Luxembourg legislation will arise later this year and we will continue to support these ongoing initiatives.

Finally, on the subject of the proposed ProLogis/AMB merger, we are unable to comment on this at the current time and do not propose to do so on this call. However, I am in a position to confirm one thing: there are no contractual 'change of control' provisions or other direct impacts on PEPR arising from the proposed merger.

And now let me hand you over to David, who will provide more detail and analysis on the financial results for 2010 as well as guidance for 2011.

David Doyle: Thank you Peter and good afternoon everyone. I am pleased to say that we have reported results today that are ahead of our revised guidance, with EPRA earnings and distributable cash flow of 45 cents. That said, the final quarter of the year included some 4 cents of early lease termination fee income. Whilst early lease termination fees are part of the normal course of business, the 4 cents received in Q4 included two large lease terminations and was thus abnormally high. Excluding all of this income, underlying EPRA earnings of 41 cents per unit are in line with our guidance.

Before I begin, I would like to clarify that the comparative 2009 results I will be referring to are restated to take account of the revisions to our IFRS deferred tax accounting as announced a couple of weeks ago.

Now into the detail of the results. As usual, I will cover the key quarterly figures fairly briefly and go into further depth on the annual numbers.

Our IFRS earnings for the quarter were just under €1 million, broadly in line with the prior year. This equates to zero cents for both quarters. The more significant movements between the two periods, included:

- the receipt of over €8 million of early lease termination fee income in Q4 2010
- a €5½ million decline in finance costs due mainly to the €4 million of costs associated with the early retirement of CMBS debt in Q4 2009, and
- a €2 million saving in the overall tax charge due to the implementation of additional tax planning initiatives during the quarter

These improvements were offset by a €11 million higher valuation decline recorded in Q4 this year and the loss of €3 million of portfolio rental income related to last year's asset sales.

Adjusted EPRA earnings for the quarter, which seeks to provide a better indicator of our underlying performance, increased to €27 million from €10 million in Q4 2009. The main drivers are the early lease termination receipts and finance cost savings just mentioned, plus a larger €13 million tax saving as EPRA earnings ignores deferred tax relating to portfolio revaluations. As before, these impacts were offset by the loss in rental income and €4 million of higher operating costs. After allowing for the €1.6 million preferred dividend payment, EPRA earnings per ordinary unit amounted to 14 cents compared to 5 cents for Q4 2009.

Reconciliations between IFRS and EPRA earnings are provided in today's news release.

Turning then to the full year figures. IFRS earnings increased substantially to €20 million compared to €314 million loss in 2009, with the main reasons for the increase being the 2009 portfolio devaluation and the €43 million loss on disposal and associated tax impacts also recorded in 2009.

Adjusted EPRA earnings for the year decreased to €86 million from €103 million in 2009, primarily due to an approximately €14 million decline in rental income and €5 million higher operating costs, offset by some €11 million lower finance and tax expenses. The €6.4 million of preferred dividends further reduces EPRA earnings for ordinary unitholders to 45 cents per unit compared to 54 cents for 2009.

Now to explain these movements in more detail, starting with rental income.

For the year, rental income declined by €11 million, or 4%, to €255 million, mainly due to the loss of €9 million of rental income from last year's portfolio sales together with a €16 million impact of slightly lower occupancy and lower rental levels, partially offset by a €3 million improvement in income when our UK and Swedish sourced rents are measured in euro.

Partially offsetting these declines, and included within other property income, is the €8 million early termination fees we received this quarter and the €2.6 million one off receipt relating to the finalisation of insurance and legal claims we reported in the first quarter. I would add that we have excluded this later amount from our adjusted EPRA earnings as not in the ordinary course of our business.

Turning to expenses, our total property related expenses increased by some €4½ million to €31 million. As anticipated, property management fees improved by over €1 million as a result of the reduction in portfolio values and asset sales since 2009. This was offset by a €6 million increase in other property rental expenses, mainly related to a €2 million non-recurring charge resulting from a reassessment of our ability to recover service charges as mentioned in prior quarters, an increase of almost €1½ million of non-recoverable property costs related to the higher levels of portfolio vacancy and the unusually high level of recovery of rental expenses in 2009. In addition, we recorded some €2 million additional insurance and maintenance costs partially resulting from adverse weather conditions encountered during the year.

Fund expenses decreased by €2 million between the two years to €12 million, primarily due to the write-off of €3 million of legal conversion fees in 2009. This was offset by the €½ million of costs associated with the previously contemplated second preferred equity raise as reported in the first quarter and higher professional fees related to the tax planning and compliance initiatives we

implemented this year. Underlying fund management fees declined slightly, in line with the reduction in portfolio valuation.

The next item on our income statement is the property fair value movements, which recorded a net €70 million loss for this year as compared to the €446 million loss last year. Both figures result from the independent portfolio valuations concluded in the respective years. As Simon will cover property fair values in more detail, I won't dwell on them here.

Moving on then to our finance expense, which declined €6 million over the year to €102 million. Within that, our pure interest expense decreased by €6 million to €90 million, primarily due to €10 million of costs associated with the early retirement of CMBS debt in 2009. In 2010, PEPR has incurred €19 million of higher interest costs related to an increase in our weighted average cost of debt from 4.6% to 5.6%, largely offset by a €15 million saving as a result of the reduction in outstanding debt between the two periods. The increase in the weighted average cost of debt is attributable to both the higher coupon payable on the Eurobond and the relative higher interest rates on new secured debt financings as compared to the CMBS and unsecured debt facilities that they replaced.

Our amortisation of initial borrowing costs increased by €1 million due to the accelerated amortisation charges related to the reduction in size and subsequent early repayment of the revolving portion of our unsecured credit facility and the regular amortisation of costs associated with all our refinancing over the past two years.

Finally on the income statement, we recorded a net tax charge of €20 million compared to the €54 million benefit in 2009, with the majority of the movement due to a significant reduction in the deferred income taxes, from an €86 million benefit in 2009 to a €6 million expense in 2010. The deferred tax expense is influenced by the changes in the tax base of the properties, changes in the property valuations and the utilisation of losses carried forward. The significant benefit recorded in 2009 was predominantly caused by the unrealised portfolio valuation losses recorded in that year.

The charge for current income tax has decreased by €18 million to €14 million for the year given lower taxable profits and the implementation of tax strategies and initiatives as mentioned on previous earnings calls. In addition, 2009 included €5½ million of capital gains tax related to the portfolio sales. Our effective tax rate, using EPRA earnings as a proxy for taxable income, has fallen to 12.8% from 19.9% for the comparable period after adjusting for the capital gains tax associated with the prior year disposals.

Moving onto the Balance Sheet. IFRS NAV per ordinary unit increased to €5.62 at the end of 2010 compared to €5.55 at end 2009 given the continued retention of earnings, partially offset by €6.5 million of preferred dividend distributions for the year.

EPRA NAV per ordinary unit, which adjusts IFRS NAV for hedging instruments and deferred tax movements, increased to €6.32 at 31 December, compared to €6.15 at 31 December 2009.

Before I move onto guidance, let me now provide you with a brief update of where we are with our financial metrics and credit rating. As at 31 December we had €1.6 billion of outstanding debt, had further reduced our loan-to-value ratio to 53.0% compared to 55% at the end of 2009 and had interest coverage of 2.3x compared to 2.4x. Since year end we have repaid the €10 million drawn under our revolving credit facility and have therefore reduced our loan-to-value to 52.6%. As mentioned in prior calls, we now have no debt maturities until December 2012 and intend to continue to retain earnings to further reduce our leverage to below 50% in order to steer the business to a return to an investment grade rating.

As Peter has mentioned, a return to investment grade remains a key management objective in order to improve future financial flexibility through access to the unsecured debt markets. In addition, the repricing of the Eurobond alone would result in a €9 million annualised saving on our interest costs.

Unfortunately, there isn't much to update since our Q3 call with regard to securing the upgrade. As at 31 December, we estimate Moody's metrics as 55.7% leverage, and 2.1 interest coverage.

Finally, turning to our guidance for 2011, we expect EPRA earnings to be between 37 and 42 cents per ordinary unit. This guidance is based on the following assumptions:

- we anticipate like-for-like rental income to continue to decline as a result of rents rolling back to market on leases signed in 2010 and 2011
- average portfolio occupancy is expected to be similar to that in 2010, in the 93-94% range
- we have forecast a return to a more normalised level of asset disposals in 2011, in the €75 - €100 million range, as part of regular asset management initiatives
- cost of rental activities should reduce to levels closer to that of 2009 as the non-recurring costs for 2010 are stripped out
- finance expense will decrease reflecting lower outstanding debt levels, a flat to very marginally increasing average cost of debt and the elimination of any accelerated amortisation changes
- our guidance does not assume any reduction in interest expense arising from a return to investment grade

- current income tax expense will likely increase given the level of one-off benefits achieved in 2010. We anticipate an effective tax rate for 2011 to be in the high teens rather than the unusually low 12.8% achieved in 2010.

Finally, we expect distributable cash flow to be slightly lower, in the range of 33 to 38 cents per ordinary unit, given the additional capital expenditure contemplated this year.

With that, let me hand you over to Simon.

Simon Nelson: Thank you David.

While the last months of the year are usually busier than others in terms of transaction activity, our fourth quarter leasing volumes still exceeded expectations. We carried out a total of 68 lease transactions on over 546 000 square metres, a record number which took the total for the year to 1 million 560 thousand square metres, the highest level we have done to date. At just over 30% of the portfolio, I don't expect this number to be repeated in the near future as on the one hand it contains a certain amount of short term leasing – about one third of the leases signed were for two years or less - and on the other it reflects our desire during 2010 to solve for occupancy and ensure medium-term stability of revenues by renewing leases early where market circumstances made it appropriate to do so. Both of these trends will be less apparent as we move into 2011 and as market conditions continue to improve.

Importantly, the number of new leases signed in the fourth quarter was particularly strong, with 22 new deals on over 216 000 square metres. This represents a 35% increase on the equivalent period in 2009, and is more than double the amount of all new leases in the first nine months of 2010, taking the total for last year to 375 000 square metres. Interestingly, this leasing activity was in multiple markets, and particularly in markets which had previously been relatively weak. The largest deals were in Rotterdam, where we successfully leased over 59 000 square metres to Steinweg Handelsveem, removing some of our oldest vacancy in our portfolio in the process, and boosting our occupancy in the Netherlands from 84% to just under 96%.

In Italy, we re-leased 41 000 square metres in our building in Bologna to four separate customers, with an option over the last remaining space. This building became vacant in July last year when the previous single occupier moved out. The ability to re-lease nearly all the space in less than six months in a market which otherwise remains fairly slow is a good indication of the functionality and divisibility of the building.

Elsewhere, there were new leases signed in the Czech Republic, Poland and the UK, to DHL, Rhenus and Furniture Village respectively. We also had over 46 000 square metres of lease

expansions as customers took additional space, as well as the 284 000 square metres of renewals with major customers including Ceva, Intermarché, NYK and Tesco.

This level of activity is clearly encouraging, though the fact that the positive numbers exceeded even our Q3 forecasts indicates that the market is still working on a very short term horizon, with longer term visibility still somewhat less clear. This is also borne out by the number of short term leases that we are still signing. Nonetheless, we are seeing a greater number of longer-term projects being revived, and as confidence returns, we can look forward to pushing lease lengths out again. For the time being we are comfortable with signing slightly shorter leases as this leaves the potential for future upside as the market improves, rather than locking in rents at the very bottom of the cycle.

Clearly it is the new leasing that drives occupancy, and as a result we saw a meaningful step forwards in our occupancy rate, ending the year at 94.5%. While in the short term we expect occupancy to continue to fluctuate somewhat, this should be within a fairly narrow range and – barring any further macro-economic shocks – should continue to stay ahead of the low point of last year.

Two other elements will have a minor impact on occupancy going into this year. As Peter mentioned earlier, although there were no instances of tenant default recorded in the fourth quarter, we have had two cases confirmed since quarter end, one in Birmingham and one in Romentino, near Milan, on a total of nearly 32 000 square metres. This partially offsets the upside from increased occupancy elsewhere. As in previous cases, these defaults are with tenants with whom our exposure is limited to a single lease. The buildings are well located, and we are encouraged by the new leasing elsewhere in our Italian portfolio last quarter, while the UK property is located in a core market and has already started to attract interest from prospective new occupiers.

Additionally, we agreed two separate lease surrenders on buildings in Germany, receiving a significant one-off premium that David referenced earlier. The flipside is of course that these buildings will now show up as vacant in our numbers. However, we believe these deals to be value accretive; the larger premium represents over six years of rent on a building near Hanover and we should reasonably expect to re-lease it well within that period. On the second building, near Frankfurt, a tenant has already been found for half of the space.

Turning to our year-end valuations and market outlook, I propose to give a brief overview of general market conditions before looking at markets and the portfolio valuation movements on a regional basis.

- As we mentioned earlier, trade and shipping volumes are up and we expect this to filter through to a further pick-up in demand for new space over the coming couple of quarters;

- Customer confidence continues to improve, and the third party logistics companies are beginning to talk about growth for the first time in a while;
- Northern and Central Europe in particular are already beginning to see a recovery in longer term demand, while the UK is still a little slower in certain sectors;
- Rents are now stable in most markets, with one or two exceptions where there is still significant oversupply;
- Investment volumes in the industrial sector were up to around 8 billion in 2010, an increase of more than 20% on the previous year but still only half of the peak levels of the last cycle;
- Investor focus remains on core investment product, although prime cap rate compression has slowed and investors are likely to move towards a more core plus profile given the scarcity of available opportunities;
- Finally, land transactions are once again beginning to take place, and the absence of current pipeline construction is leading to plans for speculative development for the first time in over two years, albeit on a very limited basis for the time being.

Overall, our portfolio valuation was essentially flat for the period from June to December last year, with a slight negative movement of 60 basis points, or 40 basis points if you offset the proceeds from the two lease surrenders. Only one region – Northern Europe – moved more than half a percent, showing the continued stabilisation across all regions. Movement over the full year was negative 1.7%, confirming the end of the significant repricing of 2008 and 2009.

Our UK portfolio increased in value by 10 basis points over the second half, and by 1.2% over the year on a currency neutral basis, to €523 million. Market sentiment in the UK remains cautious, and is likely to be so until the impact of the government spending cuts is more apparent. In the meantime, activity remains at a relatively low volume. That said, with no new speculative space coming to the market, net absorption is positive. New demand still tends to be concentrated on larger projects, which is fuelling build-to-suit activity.

The value of our portfolio in Northern Europe declined by 1.8% between June and December, and by 3.9% over the full year, to €578 million. The bulk of the movement in the second half of the year was in Germany, which fell 3% due to slightly increased vacancy. The early surrender premium is not included in this number.

Container volumes in Antwerp and Rotterdam are back close to pre-crisis levels, having recovered strongly in the second half of last year. Market rents have stabilised in core locations, though there are still pockets of vacancy in the southern Netherlands. The relatively strong GDP growth of Germany and Sweden has helped to improve customer sentiment. Investment activity in the region has remained fairly low, primarily due to a lack of suitable product available.

Our Southern European portfolio values declined by 40 basis points compared to the June valuations and by 1.8% compared to December 2009. The value of the Italian buildings fell by 3.5% over the second half, largely due to the down time on the building in Bologna and the prudent assumption that the impending default in Romentino was going to occur at year end.

In France, rent indices have been positive for the last three quarters and we expect the combined effect of shrinking inventories, increasing demand, and underlying inflation to start to push rents in the second half of the year. Rent concessions have stabilised.

Values in Spain increased by 1 and a quarter % over the period, due to the re-leasing achieved in Madrid and also to the new roof leases on our two main Spanish parks which became effective during the last quarter. These relate to the photovoltaic installations that are part of our sustainability initiatives. The market in general however remains morose, with rents still in decline.

Finally, the Central European portfolio was also essentially flat over the second half of the year, declining 41 basis points in value to €425 million. This is 2.5% lower than the December 2009 number. Although Poland was slightly up and the Czech Republic broadly flat, Hungary dropped back by nearly 3% over the period due to reduced occupancy, which at 84.3%, nonetheless remains above general market occupancy of 81%.

Poland still remains the best performing economy of the Central and Eastern European countries with the above average GDP growth of 3.5% year on year forecast to continue. Renewed investor interest is leading to a compression in prime cap rates. Market rents in central Europe appear to have stabilised, although Hungary still suffers from weak demand. Rent incentives for stronger locations around southern Poland and Prague for example are also beginning to decrease.

Given the continued improvement of the investment markets, we intend to return to an “ordinary course of business” level of asset sales, which I anticipate will represent up to €100m of sales during the course of this year. As I have said in the past, we would expect to rotate 3 to 5% of our assets as part of an ordinary portfolio management strategy, and I believe that market conditions have normalised sufficiently for us to return to this policy of moving out assets where we believe value has been maximised. For the time being proceeds will continue to be used to pay down debt.

To sum up, we are encouraged by the strong level of leasing and see a variety of reasons to believe that the inflexion point we have been referring to is likely to be reached sooner rather than later. As a result, our focus for the coming year will be to continue to make sure that the intelligent leasing

decisions are made, which means that as the market moves back in our favour we will be pushing NOI as the priority.

With that let me hand back to Peter.

Peter Cassells: Thank you, Simon. Before opening the call up to questions, let me lay out for you our key objectives for 2011:

- One – not to relax our proactive asset management efforts or let up on our standards of excellent customer service;
- Two – with our continued strong leasing performance, we aim to maintain our above-average occupancy levels, ensuring we benefit from improvements in occupier demand;
- Three – where excess supply of space has been absorbed, we will look to push for higher rents; And, finally
- Four – based on our success on the leasing front and the resultant cash flow, we will actively further deleverage our balance sheet and continue on our path to return to an investment grade rating.

With that, let me open up the call for questions. Operator?

Operator: Our first question today comes from Boudewijn Schoon from Kempen. Please ask your question

Question 1: Boudewijn Schoon, Kempen & Co.

Good afternoon. I have a, yeah I think four questions. The first question is related to the mentioning of additional capex spends expected in 2011 and that should depress distributable cash flow per share. My question would be is this related to the capex or allowance for re-letting expenses?

Answer: Simon Nelson

Hi Boudewijn, capex, pure capex we're budgeting to be slightly ahead of last year's budgeted number at around seven million, seven to eight million euros. In addition as you point out we add TI's and make ready costs on the rolling leases. These numbers are slightly ahead of last year because we did hold back on capex, we were very prudent on our spend this year, there was a little bit of catch up in the fourth quarter when we realised that we were within budget but the, the portfolio, it is prudent to maintain a reasonable level of maintenance on our buildings and that is what we propose to do.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay and you're saying it's going to come out slightly above the seven to eight million that you normally prognostise for a year, I mean what could that mean, ten, 11? Where should I expect the number to come out roughly? It's possible to give any guidance there?

Answer: Peter Cassells

In total it's around the ten million number.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay, thanks. Another question is related to the SICAF, where you mentioned that the changes in legislation has not gone far enough to enable conversion as of yet, further discussions on this will be before the end of the year. How do you see your chances, do you think you will be able to convert before the end of the year to SICAF? Could you expand a bit on that?

Answer: Peter Cassells

Certainly, Boudewijn. There's a couple of parts to that, the first part is the law has to be changed in our favour is the first step, the second is we had to have a unit holder vote on the conversion so that will take time. We discovered last year as we had supported this initiative that the authorities in Luxemburg had rushed through the changes before the end of the year without adopting a number of proposals that we had tabled plus others and we would hope that they would return to the table with those proposals because they've been well researched and made a lot of sense but there was a different agenda at play that meant they got pushed to the sidelines. But I feel a lot more comfortable or more confident about them being processed the next time round.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay and when will this occur do you think? Do you think this by July or...?

Answer: Peter Cassells

No, no it will not be by July this year, it will be a stretch to have it all done including shareholder decision on the part of PEPR unit holders if that's the way we decide to go by the end of the year. I think it's more likely to be, you know, early next year.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay... I'm just writing something down. But that does not for example if you were to decide that actually it goes into the next question maybe I should ask it first, if I look at the investment grade requirements of Moody they're still quite strict, especially on the ICR. And you have to maintain it for a while. Yeah, first of all do you think there will be any changes to the metrics that are used by Moody's; is there any movement there?

Answer: David Doyle

Boudewijn hi, it's David.

Boudewijn Schoon Hi, David

Answer: David Doyle

There's two parts to the answer to this, the short answer's no, the slightly longer answer is that generically Moody's have been continuing to re-evaluate their own metrics and ratings methodologies and whether there might be some resultant shift in that as they revise their own methodologies to companies at large I can't yet say. We will be sitting down with them later this month to appraise them of where we're at, so I think, you know, if there's any news to come on that well then obviously we'll let you know as soon as there is something to say. I think generically I would say that if you look at the comments I made apropos earnings guidance we've not assumed a return to investment grade in our earnings guidance for this year.

Further Question: Boudewijn Schoon, Kempen & Co.

No. No, I see that. No changes then in the treatment of the preferred units as well I assume? But that...

Answer: David Doyle

If you recall there was a slight change in the course of last year that I think we reported onto you, I think it was last quarter...

Boudewijn Schoon Yeah, yeah.

Answer: David Doyle

...where the equity treatment had increased from 25% to 50% and so as we sit here today I wouldn't hypothesise on any further change from that Boudewijn.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay, thanks. I'm not sure, I mean if I look at it, it might be quite difficult to reach it anyhow even next year, on the ICR. Is there any backup plan, for example replacing the preferred units and then to get back to the SICAF conversion? I mean that would then have to happen before the end of the year.

Answer: Peter Cassells

The interest reset date on the coupon is October so that's actually adding more pressure in terms of a deadline for the upgrade to happen but you're right, in terms of further levers to pull one would be an equity angle from... an equity raise after a SICAF conversion. So, again as you rightly conclude that would be unlikely to happen in 2011.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay, and that closes that window I think because you have two years during which you could undertake such a thing. Okay. Well thank you for that, maybe yeah a last question and that's just to round it off, the 7.4 million lease termination fee in Germany, that is fully in 2010 earnings, that's what you said, am I correct?

Answer: David Doyle

That's correct, Boudewijn.

Further Question: Boudewijn Schoon, Kempen & Co.

Okay, okay that's partly the reason of the 45 cents then.

Answer: David Doyle

Correct. I mean I think, you know, in my prepared comments I said that if you strip all of that out, you know, 45 cents goes down to 41. I think there is another way of looking at it which is that, you know, it is part of the normal part of our business that we would incur some level of early lease termination fees so, you know, I think it just depends on how you want to slice it really, but there is an argument to say that some level of that is normal and perhaps 41 is 42 on a normalised type basis. But whichever way you want to look at it.

Boudewijn Schoon Okay, no fair enough. Well, thank you very much for the clarity.

Peter Cassells Thanks Boudewijn.

Operator: Your next question comes from Ruud van Maanen from ABN AMRO. Please ask your question.

Question 2: Ruud van Maanen, ABN AMRO

Hello everyone. Thank you for the presentation. I had a question regarding the tax. The tax initiative certainly had its impact in Q4 and all of the year. Can you give some guidance and some colour on what we could expect going forward?

Answer: David Doyle

Ruud, good morning, or afternoon I should say. Yes, in terms of the guidance that I gave in setting the sort of the key points for guidance for next year we do anticipate that there's a degree to which, you know, some of the things we did in the course of this year gave us one-off benefits this year that won't be repeated into future years and thus the guidance that we expect, the current income tax to return to a more normalised level and if we use EPRA earnings as a proxy for taxable income into that sort of high teens type percentage rather than the 12.8% of this year.

Further Question: Ruud van Maanen, ABN AMRO

Yeah. Then my second question was the negative trend in occupancies appears to be broken in Q4, a very positive sign. Do we expect this level can be kept in 2011 or maybe even a further improvement?

Answer: Simon Nelson

Hello, Ruud. Yes, we are projecting occupancy, our average levels of occupancy to be, you know, at least equivalent to what we saw last year, I do think it's going to fluctuate a little bit, we had a very good quarter as you heard last quarter. There are a number of reasons to believe that demand will continue to pick up, we pointed to a variety of factors behind that but we are anticipating occupancy to be at least at the same level as our average level for 2010.

Further Question: Ruud van Maanen, ABN AMRO

Okay, and my last question is regarding the length of leases, that's slightly improved, you mentioned that enquiries have been a lot and there might be around the corner longer contracts. What are the last contracts that you have closed other than the short term leases in Germany? Do you see five year leases already or maybe a little bit longer than that?

Answer: Simon Nelson

Oh yes, I mentioned the short term leases because that is a, you know, larger than normal feature of our leasing activity at the moment but in addition to that we've been signing five, even ten year leases and the average length of leases that we've been signing is almost six years to expiry and well over four years to lease break.

Ruud van Maanen Okay. Thank you very much.

Simon Nelson A pleasure.

Operator: Your next question comes from Jaap Kuin, RBS. Please ask your question.

Question 3 : Jaap Kuin, Royal Bank of Scotland

Good morning, it's Jaap Kuin, RBS. My first question I guess for Simon, you briefly mentioned spec(ulative) developments, could you maybe detail where you exactly see these spec developments and maybe additionally how you feel PEPR is positioned for an eventual pick up in the market?

Answer: Simon Nelson

Sure. Just to be clear this is spec development that we're seeing in the market, it's not spec development that we're proposing to do within PEPR, if that was part of your question but where we see them in the market is as follows and it's still restricted to really a handful of locations and a handful of projects. I'm aware of one in Lyon, I'm aware of one in Frankfurt, I'm aware of a couple being planned in Poland on smaller buildings and that for the moment... Oh, there's also one in Italy, interestingly enough, but that really is it for the time being. What, you know, our message is and our reading of the market is that this is going to start to come through to a larger extent probably during the second half of this year and I would expect France and Germany and maybe Poland in certain submarkets to be amongst the locations concerned.

Further Question: Jaap Kuin, Royal Bank of Scotland

Okay, thank you and then maybe with regards to PEPR itself do you expect these developments are going to be a threat for PEPR's assets or is PEPR going to benefit from the same increasing amount for space?

Answer: Simon Nelson

Spec(ulative) development coming back to the market is indicative of, you know, demand having reached a level where existing supply is unable to meet it, therefore, you know, it's a good sign for our buildings in that it means that, you know, if we do have availability this is likely to be attractive to the market. Given that we do have well located buildings and they're often, you know, better located than some of the sites that are available for construction today.

Jaap Kuin Okay, thank you, those are actually all my questions, thanks.

Simon Nelson Thank you.

Operator There are no further questions from the telephone lines. Are there any questions from the online webcast?

Jennifer Crooke There are no questions from the webcast.

Peter Cassells Okay, well thank you for that, thank you for joining us today, we will look forward to joining you again on 28th April when we discuss the earnings for the first quarter. With that good afternoon and goodbye.