



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007
(Unaudited)**

ProLogis European Properties is listed and traded on Eurolist by Euronext,
the regulated market of Euronext Amsterdam N.V

Code PEPR

ISIN LU 0100194785

www.prologis-ep.com

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**PROLOGIS EUROPEAN PROPERTIES
CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX MONTHS ENDED 30th JUNE 2007**

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**PROLOGIS EUROPEAN PROPERTIES
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007 AND 31 DECEMBER 2006**

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

	<u>Notes</u>	<u>30 June 2007</u>	<u>31 December 2006</u>
Assets			
<i>Non Current Assets</i>			
Investment in property as stated in statement			
of investment in properties	2c	4,541,053	4,242,418
Property under construction	2e, 5	9,383	7,157
Hedging instruments	2o, 25	47,665	38,087
Deferred tax asset	2r, 14	7,117	7,326
		4,605,218	4,294,988
<i>Current Assets</i>			
Due from related parties		9,238	-
Accounts receivable, net	2i	53,408	33,913
Other current assets	2j, 6	74,885	94,241
Cash and cash equivalents	2k, 7	93,068	138,049
		230,599	266,203
Total Assets		4,835,817	4,561,191
Equity			
Capital contributions	2l, 8	1,911,810	1,883,571
Costs of raising capital	2m	(37,721)	(37,721)
Net capital contributed		1,874,089	1,845,850
Net earnings for the period		121,672	436,731
Net retained earnings	2n, 9	311,820	(38,403)
Cumulative foreign currency translation	2b, 10	(6,895)	(5,682)
Cashflow hedge valuation reserve	11	17,147	3,993
Equity attributable to Unitholders		2,317,833	2,242,489
Minority interest in subsidiaries		7,115	5,625
Total Equity		2,324,948	2,248,114
Liabilities			
<i>Non-current liabilities</i>			
Interest bearing Secured notes	2p, 12	1,251,755	1,269,331
Fund Incentive Fee	19c	4,544	-
Hedging instruments	2o, 25	6,543	10,311
Interest bearing long term bank loans, net of current portion	2p, 13	156,150	159,056
Deferred taxation	2r, 14	202,736	192,774
		1,621,728	1,631,472
<i>Current liabilities</i>			
Interest bearing bank loans, current portion	2p, 13	722,345	534,231
Accounts payable	2j	6,511	12,243
Due to related parties	2h	6,418	5,062
Income and other taxes payable	2q, 15	17,130	14,811
Accrued expenses and other current liabilities	2j, 16	106,410	92,984
Deferred income	2t	30,327	22,274
		889,141	681,605
Total Liabilities		2,510,869	2,313,077
Total Equity and Liabilities		4,835,817	4,561,191

**PROLOGIS EUROPEAN PROPERTIES
CONSOLIDATED INCOME STATEMENT
FOR THE PERIODS ENDING 30 JUNE 2007 AND 30 JUNE 2006**

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

	Notes	<u>30 June</u> <u>2007</u>	<u>30 June</u> <u>2006</u>
Rental income	2u, 17	158,523	142,442
Other property income	2v	8,003	2,187
Total revenue		166,526	144,629
Ground rents paid		(1,121)	(1,069)
Property management fees	18b	(10,143)	(8,789)
Other property rental expenses	18	(3,524)	(4,220)
Cost of rental activities		(14,788)	(14,078)
Gross profit		151,738	130,551
Fund management fees	19a	(3,378)	(3,071)
Fund Incentive Fee	19c	(4,544)	-
Fund custodian fees		(105)	(97)
Offering costs		-	(7,030)
Other fund expenses		(1,907)	(2,028)
Fund expenses		(9,934)	(12,226)
Investment property disposal proceeds		4,887	8,312
Carrying value of investment property disposals		-	(7,119)
Profit on disposal of investment property		4,887	1,193
Gross valuation gains on property, less disposals		92,981	448,736
Gross valuation losses on property, less disposals		(19,037)	(9,780)
Purchasers costs, less disposals		(24,039)	(28,977)
Property fair value movements		49,905	409,979
Earnings before interest and tax		196,596	529,497
Finance income	2y, 20	1,940	2,170
Finance expense	2z, 21	(53,475)	(40,955)
Earnings before tax		145,061	490,712
Charge for taxation	2q, 2r, 14, 15	(23,139)	(116,834)
Net earnings for the period		121,922	373,878
Attributable to:			
Minority interest		250	247
Unitholders		121,672	373,631
		121,922	373,878
Earnings per unit	9	Euro	Euro
Ordinary Units		0.64	-
Class A and Class B units		-	2.20
Class C Units		-	0.3375
Outstanding Units / Units		190,522,441	199,970,429

PROLOGIS EUROPEAN PROPERTIES
STATEMENT OF CHANGES IN THE NUMBER OF UNITS ISSUED FOR THE PERIOD
ENDING 30 JUNE 2007 AND THE YEAR ENDED 31 DECEMBER 2006

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

	<u>Par Value</u>	<u>30 June</u> <u>2007</u>	<u>December</u> <u>2006</u>
<i>Number of Units / Units</i>			
<i>outstanding at the beginning of</i>			
<i>the period:</i>			
Class A(1) Units	10.00	-	500,000
Class A(2) Units	10.00	-	87,391,985
Class A(3) Units	10.27	-	52,093,478
Class B1 Units	10.00	-	13,000,000
Class B2 Units	10.00 - 11.43	-	23,128,953
Class C(1) Units	10.00	-	10,160,000
Class C(2) Units	10.00	-	10,160,000
Ordinary Units	9.98	188,687,510	-
 <i>Number of Units / Units issued</i>			
<i>during the period:</i>			
Class A(1) Units		-	-
Class A(2) Units		-	-
Class A(3) Units		-	-
Class B1 Units		-	-
Class B2 Units	12.33	-	3,536,013
Class C(1) Units		-	-
Class C(2) Units		-	-
Ordinary Units	15.39	1,834,931	188,687,510
 <i>Number of Units / Units</i>			
<i>redeemed during the period:</i>			
Class A(1) Units	10.00	-	500,000
Class A(2) Units	10.00	-	87,391,985
Class A(3) Units	10.27	-	52,093,478
Class B1 Units	10.00	-	13,000,000
Class B2 Units	10.00-12.33	-	26,664,966
Class C(1) Units	10.00	-	10,160,000
Class C(2) Units	10.00	-	10,160,000
Ordinary Units		-	-
 <i>Number of Units / Units</i>			
<i>outstanding at the end of the</i>			
<i>period:</i>			
Class A(1) Units		-	-
Class A(2) Units		-	-
Class A(3) Units		-	-
Class B1 Units		-	-
Class B2 Units		-	-
Class C(1) Units		-	-
Class C(2) Units		-	-
Ordinary Units		190,522,441	188,687,510

PROLOGIS EUROPEAN PROPERTIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO
UNITHOLDERS FOR THE PERIODS ENDED 30 JUNE 2007 AND 30 JUNE 2006

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

	<u>Notes</u>	<u>30 June</u> <u>2007</u>	<u>30 June</u> <u>2006</u>
Total Equity attributable to Unitholders brought forward		<u>2,242,489</u>	<u>1,821,350</u>
Foreign currency translation	10	(1,213)	(6,107)
Net gains/(losses) on cashflow hedges fair valuation	11	<u>13,154</u>	<u>29,359</u>
Total income and expense for the period recognised directly in equity		11,941	23,252
Net earnings for the period		<u>121,672</u>	<u>373,631</u>
Total net income and expense for the period		<u>133,613</u>	<u>396,883</u>
Distributions for the period	9	<u>(86,508)</u>	<u>(83,860)</u>
Capital contributions by way of cash payment		-	200,750
Capital contributions by way of contribution in kind		28,239	43,599
Capital redemptions		-	-
Cost of raising capital		<u>-</u>	<u>-</u>
Net movement in capital for the period		<u>28,239</u>	<u>244,349</u>
Changes in Equity		<u>75,344</u>	<u>557,372</u>
Total Equity attributable to Unitholders carried forward		<u>2,317,833</u>	<u>2,378,722</u>

PROLOGIS EUROPEAN PROPERTIES
CONSOLIDATED STATEMENT OF INVESTMENT IN PROPERTIES
AS AT 30 JUNE 2007 AND 31 DECEMBER 2006

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

	<u>30 June</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
Historic cost		
Cost at the beginning of the period	3,575,310	3,221,938
Asset additions, by way of Stabilised Property Contribution Agreement	201,651	333,640
Asset additions by way of third party purchase	18,474	-
Other asset additions	25,235	22,863
Capital expenditure	6,518	37,043
Write down of property subject to insurance claim	-	(17,742)
Transfer of completed development from property under construction	-	13,471
Disposals, by way of direct disposals	-	(54,682)
Effect of unrealised currency movements	(3,148)	18,779
	<u>3,824,040</u>	<u>3,575,310</u>
Cost at the end of the period		
Net unrealised gains related to property		
Net unrealised gains at the beginning of the period	667,108	251,870
Gross valuation gains on investment in real estate during the period, less disposals	92,981	471,587
Gross valuation losses on investment in property during the period, less disposals	(19,037)	(21,455)
Deduction for purchasers costs, less disposals	(24,039)	(34,894)
	<u>717,013</u>	<u>667,108</u>
Net unrealised gains at the end of the period		
Fair value at the end of the period	<u>4,541,053</u>	<u>4,242,418</u>
Fair value of investment property		
Appraised Gross Property Value at the end of the period	4,766,719	4,444,046
Purchasers costs	(225,666)	(201,628)
	<u>4,541,053</u>	<u>4,242,418</u>
Fair value at the end of the period		
Appraised market value as a percentage of net assets	<u>195%</u>	<u>189%</u>
Appraised Gross Property Value subject to security		
Secured Notes	2,938,118	2,865,985
Bank Loans	1,432,883	1,414,457
Finance Leases	57,110	57,110
	<u>4,428,111</u>	<u>4,337,552</u>
Insured value	<u>2,381,355</u>	<u>2,198,877</u>

**PROLOGIS EUROPEAN PROPERTIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED 30 JUNE 2007 AND 30 JUNE 2006**

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

	<u>Notes</u>	<u>30 June 2007</u>	<u>30 June 2006</u>
Net cash flow from operating activities	22	139,732	118,133
Cash flow from investing activities			
Acquisitions of property by contribution		(173,411)	(298,897)
Acquisition of property from third parties		(18,474)	-
Capital expenditure on investment property		(31,753)	(18,141)
Property under construction	5	(2,226)	(4,112)
Payments from insurance company for rebuilding of properties		12,830	-
Proceeds from disposal of investment in property		4,887	8,312
Net cash used in investing activities		(208,147)	(312,838)
Cash flow from financing activities			
Proceeds from secured notes:			
— Gross settlements		(21,364)	-
Proceeds from bank loans:			
— Net proceeds/(repayments)		183,923	133,003
— Transaction costs	14	-	(220)
Proceeds from capital contributions	9	-	200,750
Redemption of capital		-	-
Interest paid on financing activities		(43,508)	(40,037)
Distributions to Unitholders	9	(80,384)	(80,260)
Net cash provided from financing activities		38,667	213,236
Effects of exchange rate changes		(15,233)	(3,154)
Net increase/(decrease) in cash and cash equivalents		(44,981)	15,377
Cash and cash equivalents at the beginning of the period		138,049	96,785
Cash and cash equivalents at the end of the period		93,068	112,162

**PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDING 30 JUNE 2007, THE YEAR ENDING 31 DECEMBER 2006
AND THE PERIOD ENDING 30 JUNE 2006**

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

1 ORGANISATION AND REGULATION OF PEPR

ProLogis European Properties ("**PEPR**") a *fonds commun de placement*, was established on 10 September 1999 under the laws of Luxembourg in the form of an unincorporated contractual co-ownership scheme and is now governed by the law on undertakings for collective investments of 20 December 2002 (**Luxembourg Law**) and by its specific Management Regulations dated 10 September 1999 which appear in Appendix E to the Private Placement Memorandum of 10 September 1999 (the **Management Regulations**) as amended on 29 June 2001, 13 May 2003, 7 July 2003, 17 November 2005, 11 September 2006 and on 29 May 2007. PEPR is managed by ProLogis Management S.à.r.l. (the **Management Company**), a limited liability company organised under the laws of Luxembourg (registration number B 70 940) having its registered office at 18 Boulevard Royal, L-2449 Luxembourg.

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

Amendment to the Management Regulations

On 29 May 2007, the Management Regulations were amended to redefine Distributable Cash Flow as determined in prior Management Regulations. The major change concerned the fact that Distributable Cash Flow is net of accruals for any incentive fees payable to the Management Company in accordance with Article 13 of the Management Regulations (see Note 19c regarding incentive fees payable)

On 27 September 2006 (the "**Settlement Date**"), PEPR successfully completed the listing of ordinary Units on Euronext, the Amsterdam Stock Exchange (**Euronext**) **Code PEPR, ISIN LU 0100194785**. To facilitate PEPR's public listing, there were a number of changes to the Management Regulations, notably:

- i) the Class A and Class B Units were reclassified as Ordinary Units;
- ii) 15.3 million Class C Units were redeemed and 5 million Class C Units were reclassified as Ordinary Units
- iii) the Stabilised Property Contribution Agreement (the "SPCA") was terminated;
- iv) PEPR will have an unlimited life; and
- v) the Unitholder Advisory Committee ("**UAC**") was replaced by an independent board with four independent members and two members appointed by ProLogis.

Calculation of Net Asset Value (NAV) per Unit

The NAV per Unit of the Ordinary Units shall be determined by dividing the net assets of PEPR, being the value of the portion of assets less the portion of liabilities attributable to the Ordinary Units, on any Valuation Day (the value of such assets and liabilities to be determined according to the accounting principles of PEPR as outlined in Note 2), by the number of Ordinary Units then outstanding,.

Redemption of Ordinary Units

Ordinary Units shall be redeemed by the Management Company in accordance with the provisions set out in Articles 8 and 20 of the Management Regulations. In such circumstances, the Management Company has the ability to call for the redemption of Ordinary Units in the manner laid out in the Management Regulations. The price, if there would be such redemption

**PROLOGIS EUROPEAN PROPERTIES FUND
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(Unless otherwise stated, amounts are expressed in thousands of euros)

1 ORGANISATION AND REGULATION OF PEPR (Continued)

of Ordinary Units, would be the current Unit price of the Ordinary Units on the most recent Valuation Day prior to redemption.

Full details of the Management Regulations are available on the PEPR website: www.ProLogis-ep.com.

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Unless otherwise stated, the consolidated financial statements of PEPR are presented in thousands of euros. The consolidated financial statements are presented on an historical cost basis, except for the measurement of investment properties and certain financial instruments relating to hedging which are stated at fair value.

These consolidated financial statements are presented for the periods ended 30 June 2007 and 30 June 2006 for the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows. Comparative audited figures for the year ended 31 December 2006 are included for the consolidated balance sheet, the statement of changes in the number of units issued and consolidated statement of investment in property.

Statement of compliance

The consolidated financial statements of PEPR and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS").

The preparation of the consolidated financial statements in accordance with the generally accepted accounting principles as described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

The significant accounting principles applied by PEPR are regularly re-evaluated by the Management Company to ensure their continued quality and reasonableness. They are as follows:

2a Principles of consolidation

The consolidated financial statements include all activities of PEPR and its subsidiaries.

Subsidiary companies

Subsidiaries are defined as entities in which PEPR, directly or indirectly, has a controlling interest and are consolidated from the date on which control is transferred to PEPR and cease to be consolidated from the date on which control is transferred out of PEPR. The accounting principles of PEPR may differ from those applied in other countries. Where necessary, the accounts of the underlying entities have been adjusted or reclassified on consolidation in order that their results may be consistent with the accounting principles of PEPR.

Acquired companies have been included in the consolidated financial statements using the purchase method of accounting when, and only when the transaction can be identified as a business combination. When determining if an acquisition qualifies as a business combination or not, management consider if the transaction includes the acquisition of supporting infrastructure, employees, service provider agreements and major input and output processes, as well as active lease agreements. To date the only acquisition where management have determined that these criteria have been met is the Harbor Park transaction.

**PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDING 30 JUNE 2007, THE YEAR ENDING 31 DECEMBER 2006
AND THE PERIOD ENDING 30 JUNE 2006**

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

For business combinations, the Consolidated Income Statement and Consolidated Cash Flow Statement include the results and cash flows of acquired companies for the period from its date of acquisition to the period end. On acquisition, the costs incurred in acquiring subsidiaries are allocated to the separable net assets of the acquired entity with any difference being allocated to goodwill. Subsequent valuation adjustments to goodwill are recorded in the Consolidated Income Statement.

When the transaction has not been identified as being a business combination, the transaction has been accounted for as an acquisition of individual assets and liabilities where the initial purchase consideration is allocated to the separable assets and liabilities acquired.

The cost of investment in a subsidiary is eliminated against PEPR's Unit in the net assets at the date of acquisition or contribution. All intercompany receivables, payables, income and expenses are eliminated.

Where PEPR, either directly or indirectly, holds a controlling interest in a subsidiary but does not have complete control of that subsidiary, the value of the interest not held by PEPR is recorded as a minority interest in the Consolidated Balance Sheet.

Special purpose entities

Certain wholly owned indirect subsidiaries of PEPR (the "**Finance Subsidiaries**") have raised debt financing using special purpose entities ("**SPEs**"). These SPEs are orphan entities which are independently operated by third parties to both PEPR and the Management Company. As the sole function of each SPE is to provide debt financing to a Finance Subsidiary and, in substance, the risks and rewards are with PEPR, for the purposes of these financial statements only, each SPE is treated as if it were a fully consolidated entity within PEPR (Note 25). The precise nature of the loan structure between the SPEs and the Finance Subsidiaries is explained in Note 12 to these consolidated financial statements.

Related parties

Related parties are defined as parties either directly or indirectly controlled, managed or owned by ProLogis, a Real Estate Investment Trust organised under the laws of Maryland, USA, which indirectly, through one or more wholly-owned subsidiaries, owns the Management Company, used to own the Class B1 and Class B2 Units of PEPR ("**ProLogis**") and now owns Ordinary Units.

2b Foreign currency translation

The presentation currency of PEPR is the Euro.

The functional currency of a subsidiary is determined as the principal currency in which the entity's assets, liabilities, income and expenses are denominated. This may be different to the local currency of the country of incorporation or the country where the subsidiary conducts its operations.

Subsidiaries with operations in all jurisdictions, except for the UK and two subsidiaries in Sweden, have the Euro as their functional currency.

Transactions in currencies other than the functional currency of an entity are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in such

PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Unless otherwise stated, amounts are expressed in thousands of euros)

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are recognised in the Consolidated Income Statement under "Finance expenses" (see Note 2z).

The cumulative effect of exchange differences on cash transactions are classified as realised gains and losses in the Consolidated Income Statement in the period in which they are settled. Exchange differences on transactions not yet settled in cash are classified as unrealised gains and losses under "Finance expenses" (see Note 21).

The assets and liabilities of subsidiaries are determined according to the accounting principles of PEPR. Where the functional currency is different from the presentation currency of PEPR those assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. The income statements of such subsidiaries are translated at the average exchange rate for the period. The exchange differences arising on the currency translation are recorded as a separate component of Unitholder reserves under the heading of "Cumulative foreign currency translation". On the disposal of such a subsidiary, accumulated exchange differences are recognised in the Consolidated Income Statement as a component of the gain or loss on disposal, including any tax effects. Exchange differences arising on monetary items, which in substance form part of PEPR's net investment in a foreign entity, are recorded as a separate component of Unitholder reserves under the heading of "Cumulative foreign currency translation".

Fair value adjustments arising on the acquisition of a non-euro denominated foreign entity are treated as assets and liabilities of the acquired company and are recorded at the exchange rate at the date of the transaction.

2c Investment in property

Investment in property mainly comprises the investment in land and buildings in the form of distribution facilities which are not occupied substantially for use by, or in the operations of, PEPR, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation by leasing to third parties under long term operating leases.

Investment in property is initially recorded at cost including acquisition costs such as transfer taxes, initial lease commissions and legal fees. Expenditure on renovation and development of investment properties is also initially capitalised at cost. After initial recognition, investment properties are measured at Fair Value as determined by third party independent appraisers (the "**Appraisers**"). Additionally, valuations are undertaken on acquisitions, contributions in kind and on disposals, in order to comply with Luxembourg Law. The gain or loss arising from a change in the Fair Value of the investment property is included in the Consolidated Income Statement in the period in which it arises. Jones Lang LaSalle ("**JLL**") and DTZ Zadelhoff ("**DTZ**") have been appointed as the Appraisers for PEPR. Depreciation is not provided on investment properties.

Realised gains and losses on the disposal of investment in property are included in the Consolidated Income Statement in the period in which they arise.

2d Leases

Assets held under finance leases are capitalised and depreciated over the shorter of the life of the lease and the life of the assets, up to a maximum of 15 years. The related liability is included in bank loans and the implied interest charge is allocated to the Consolidated Income Statement over the lease term using the effective interest rate method.

**PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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AND THE PERIOD ENDING 30 JUNE 2006**

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

2e Property under construction

Property assets under construction are recorded at historic cost incurred as at the balance sheet date. Historic cost is calculated with reference to invoiced costs to date and capitalised finance costs. When the property is fully let and stabilised, the cost of the asset is transferred to "Investment in property".

2f Leasing commissions

Initial leasing commissions are included in the cost of acquiring an investment property. Leasing commissions incurred post the acquisition of a property are recognised at cost in the carrying value of investment properties in the period in which they are incurred. Subsequently, the Fair Values of the underlying leases are considered in the overall determination of the Fair value of the investment property, with any movement being recorded in the Consolidated Income Statement.

2g Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess cost of the business combination over PEPR's interest in net fair value of the identifiable assets, liabilities and contingent liabilities. Following recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of PEPR's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of PEPR are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

2h Amounts due between related parties

Amounts due from or to related parties (see Note 2a) are stated at nominal value.

2i Accounts receivable

Accounts receivable are stated at nominal value less provisions for doubtful debts, if any. The Management Company assesses specific provisions on a customer by customer basis throughout the year.

2j Current assets and liabilities

The fair value of other current financial assets and liabilities due within one year approximate the carrying value disclosed in the consolidated financial statements, due to the short time in which these transactions are settled.

**PROLOGIS EUROPEAN PROPERTIES FUND
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AND THE PERIOD ENDING 30 JUNE 2006**

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

2k Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value. The use and disbursement of certain cash deposits are restricted under the terms of various financing agreements (see Note 7).

2l Capital contributions

Capital contributions represent the amount of capital called and contributed to PEPR by current Unitholders since the inception of PEPR at historical cost.

2m Cost of raising capital and launching PEPR

General Fund launch costs are written off through the Consolidated Income Statement in the period in which they are incurred. The cost of raising capital represents direct costs incurred in establishing the capital of PEPR including, amongst others, legal, accounting and investment banker's fees. Such costs are netted against the capital raised and are disclosed as a separate component of equity.

2n Accumulated distributions

The Management Regulations create an obligation to pay a quarterly dividend to the extent that Distributable Income is available. Distributions are recognised in the financial statements as a liability in the period to which they are related. Given the fact that such distributions are attached to equity instruments and that there is no obligation to pay them if they do not arise, they are classified in equity.

2o Financial instruments

PEPR uses financial instruments, such as interest rate and cross currency interest rate swaps, to hedge risks associated with interest rate and foreign currency fluctuations. The effectiveness of the hedge is assessed by comparing the value of the hedged item with the notional value implicit in the contractual terms of the financial instrument being used in the hedge (Note 25).

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the Consolidated Income Statement with the corresponding receivable or payable recognised in the Balance Sheet. Any corresponding gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement.

In relation to cash flow hedges used to manage interest rate risks which meet the criteria for hedge accounting, PEPR records interest on the hedged loan at an interest rate implicit in the swap agreement (see Note 12 and Note 25). Cash flow hedges are valued at fair value and included under "Hedging instruments" on the Balance Sheet. The effective portion of the gain or loss on the effective hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Consolidated Income Statement.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Those financial instruments which do not meet the conditions for hedge accounting are accounted for at fair value with changes in fair value recognised immediately as a component of net profit. Where financial instruments are unwound prior to their planned maturity, any gain or loss and associated costs are recorded in "Finance expenses" in the period in which the swap is unwound.

2p Interest bearing debt

Debt, comprising secured notes and bank loans, is carried on the Balance Sheet at the fair value of the initial proceeds less the unamortised portion of discounts and transaction costs incurred to acquire the debt. Discounts and transaction costs are amortised over the life of the related debt through finance expenses using the effective interest rate method (see Note 2z).

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include internal administrative or holding costs.

2q Taxation

The consolidated subsidiaries of PEPR are subject to taxation in the countries in which they operate. Current taxation is provided for at the applicable current rates on the respective taxable profits.

2r Deferred taxation

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- i) where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised except:

- i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will

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2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when an asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2s Provisions and expense accruals

A provision is recognised when, and only when PEPR has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

2t Deferred income

Deferred income represents rental income which has been billed to customers as at the balance sheet date, but which relates to future periods.

2u Revenue recognition—rental income

PEPR leases its buildings to customers under agreements that are classified as operating leases.

Rental income represents rents charged to customers and is recognised on a straight line basis taking account of any rent free periods and other lease incentives, net of any sales taxes, over the lease period to the first break option ("**rent levelling**").

2v Revenue recognition—other property income

Represents income derived from property from sources other than customers, and is recognised on an accruals basis in the period to which it contractually relates, net of any sales taxes.

2w Expense recognition

Expenses are accounted for on an accruals basis. Expenses are charged to the Consolidated Income Statement, except for those which are related to the raising of equity (see note 2m), the raising of debt (see note 2p) or incurred in the acquisition of an investment which are capitalised

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2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

as part of the cost of the investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

2x Revenue recognition—Investment property disposals

Gains on the disposal of investments in property are recorded at the time title is transferred.

2y Finance income

This includes interest income received during the period.

2z Finance expenses

Finance expenses includes:

- i) interest expenses related to secured notes, long term and short term debt, and is recognised on an accruals basis;
- ii) amortisation of transaction costs applicable to the period, (see Note 2p);
- iii) the effect of the unrealised change in the fair value of mark to market currency hedges related to the financing activities for the period (see Note 2o);
- iv) the effect of the unrealised foreign currency gains and losses on monetary assets and liabilities arising in the period (see Note 2b) and;
- v) the effect of the realised foreign currency gains and losses on cash transactions completed during the period (see Note 2b).

2aa Segment information

PEPR operates using the ProLogis Operating System®, a system that allows customers' needs to be serviced regardless of their location. The majority of the properties owned by PEPR are designed such that they are of similar standard and design, regardless of their location. The design of the buildings is such that they are attractive to similar customers across markets, and many of ProLogis' customers occupy properties across Western Europe. As a consequence of the generic nature of the properties and needs of the customers, the Management Company believes that it is appropriate to classify all operations under one industry segment, namely Logistical property and one region, namely Europe.

2ab Subsequent events

Post-period-end events that provide additional information about PEPR's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when significant.

2ac Contingencies

Contingencies are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is possible.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

2ad New Standards

The following new standards and interpretations are applicable to PEPR:

- IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users to evaluate the significance of PEPR's financial instruments and the nature and extent of risks arising from these financial instruments. PEPR has not adopted this standard for the semi-annual accounts but will be adopting it for the annual accounts 2007

- Amendment to IAS 1: Presentation of Financial Statements – Capital Disclosures

This amendment requires PEPR to make disclosures to enable users of the financial statements to evaluate PEPR's objectives, policies and processes for managing capital. PEPR will be adopting this amendment for its year-end accounting.

- IFRIC 9 Reassessment of Embedded Derivatives.

PEPR adopted IFRIC Interpretation 9 as of 1 January 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The adoption of this interpretation did not have any effect on the financial position or performance of PEPR.

- IFRIC 10 Interim Financial Reporting and Impairment

PEPR adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The adoption of this interpretation did not have any effect on the financial position or performance of PEPR.

- IFRS 8 Operating Segments

PEPR has elected to adopt IFRS 8 as of 1 January 2007. This standard requires disclosure of information about the Group's operating segments. Adoption of this Standard did not have any effect on the financial position or performance of PEPR. The Group determined that the operating segment was the same as the business segments previously identified under IAS 14.

- IAS 23 Borrowing Costs (revised 2007).

The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets which take a substantial period of time to be readied for use or sale. The adoption of revised IAS 23 did not result in changes the accounting policies of PEPR.

- IFRIC 11 IFRS 2 – Group and Treasury Unit Transactions

PEPR has elected to adopt IFRIC Interpretation 11 as of 1 January 2007. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the Unitholders provide the equity

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2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

instruments needed. The adoption of this Interpretation did not have any effect on the financial position or performance of PEPR.

3 FINANCIAL RISK MANAGEMENT

3a Risk relating to investment in property

Investment in property is subject to varying degrees of risk. The main factors which affect the value of the investment in property include but are not limited to:

- i) changes in general economic climate;
- ii) local conditions, such as an oversupply of distribution space or a reduction in demand for distribution space in an area;
- iii) the relative attractiveness of PEPR's Distribution Facilities to potential customers;
- iv) government regulations, including zoning, usage, environmental and tax laws; and
- v) real estate investments are not as liquid as other types of assets, which may affect PEPR's ability to react promptly to certain changes.

3b Risks relating to the business

- i) PEPR faces competition in each of its markets in terms of significant resources competitors have which can cause a reduction in rental income and negatively impact PEPR's results of operations, Distributable Cash Flow and the NAV of Ordinary Units;
- ii) PEPR no longer has direct access to the ProLogis development pipeline through the SPCA and relies instead on external growth through investments in the ProLogis Private Equity Funds and ProLogis Joint Ventures both of which give PEPR an indirect access to the ProLogis development pipeline;
- iii) PEPR's investments are concentrated in the industrial logistics sector and therefore its business would be adversely affected by an economic downturn in that sector. As at 30 June 2007, 57% of PEPR's customers (as measured by annualised rental income) were third party logistics companies, 13% were retailers, 12% were manufacturers and 18% were others;
- iv) Operating results and Distributable Cash Flow are dependent on the continued generation of lease revenues from customers and may adversely affect PEPR in an event of an economic downturn in these customers' businesses, or by these customers failing to make rental payments that might reduce cash flow to PEPR from the lease;
- v) PEPR's business may be adversely affected if it is unable to renew leases or re-lease space on favourable terms as leases expire;
- vi) Increased maintenance and redevelopment costs could negatively affect PEPR's results of operations as the average age of the properties in the portfolio increases over time;
- vii) Property valuations are inherently subjective and uncertain and there is no assurance that the valuations would reflect actual sales prices.

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3 FINANCIAL RISK MANAGEMENT (Continued)

- viii) PEPR's insurance coverage does not cover all potential losses such as acts of war or riots as the Management Company does not feel it is economically feasible or prudent to do so. PEPR does have the benefit of insurance coverage, including property, liability, fire, flood, earthquake, environmental, terrorism, extended coverage and rental loss as these are items the Management Company considers appropriate for the markets where each of PEPR's Distribution Facilities are located.

3c Risks relating to PEPR

- i) ProLogis may have investment objectives and policies comparable to those of PEPR and may compete with PEPR in particular with Distribution Facilities developed or redeveloped by ProLogis;
- ii) Changes in tax laws, regulations or interpretations by tax authorities could increase tax liabilities and require changes in PEPR's structure, which could negatively affect its Distributable Cash Flow;
- iii) In the absence of cause, the Management Company cannot be removed and this may adversely effect the NAV or market price of Ordinary Units. The Management Company can only be removed or replaced (i) without cause, by a vote of 67% of Ordinary Units, on 15 September 2016 and every fifth year thereafter, or (ii) by a simple majority of Ordinary Units at any time in the event of gross negligence, willful misconduct or fraud and (iii) the failure of ProLogis, or a ProLogis related party, to observe ownership requirements and restrictions on transfer of units as set out in the Management Regulations.

3d Risk diversification rules and borrowing restrictions

- i) Pending investment or reinvestment of the proceeds from the sale of Distribution Facilities or distributions, sales and/or redemption proceeds of ProLogis private equity funds and ProLogis joint ventures, the cash assets of PEPR will be invested in liquid Euro or Sterling denominated money market instruments, time deposits or debt securities;
- ii) In relation to the above point, PEPR may notably invest or hold more than 10 % of its net assets in money market instruments, debt securities of a single issuer or debt securities that are neither listed nor dealt with on a Regulated Market, subject to exceptions provided in the management regulations
- iii) PEPR will not invest more than 20% of its net asset value, directly or indirectly in a single property or a company, or other investment vehicle which is partly owned by PEPR and which PEPR does not control;
- iv) PEPR shall have (i) the right to subscribe up to 30% of equity securities issued by any ProLogis private equity fund in Europe, and (ii) the right to participate in ProLogis joint ventures;
- v) PEPR shall not be required to pay a subscription or placement fee with respect to investments made in the ProLogis private equity fund or ProLogis joint venture;
- vi) PEPR will not enter into or invest in options, futures or other derivative transactions for speculative purposes and may enter into such transactions for currency or interest rate hedging;

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3 FINANCIAL RISK MANAGEMENT (Continued)

- vii) PEPR and its consolidated subsidiaries may not incur additional indebtedness which would cause the value of total indebtedness to exceed 60% of the aggregate as at the most recent valuation day; and
- viii) For the purpose of effective cash management, PEPR may exceed the indebtedness limit of 60% for temporary or short term purposes for up to six months provided that
- ix) such total indebtedness shall not exceed 65% of aggregate valuation as at the most recent valuation day.

3e Credit risk

PEPR's earnings, distributable cashflow and its net asset value could be adversely affected if a significant number of its customers are unable to meet their lease obligations.

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, PEPR obtains collateral in the form of bank deposits and/or bank or parent company guarantees.

The extent of PEPR's credit exposure is represented by the aggregate balance of amounts receivable, as reduced by the effects of any netting arrangements with counterparties.

PEPR has no significant concentrations of credit risk. PEPR has a large and diverse range of customers, and thus concentrations of credit risk in any particular geographic location or industry are considered low.

Accounts receivable are stated net of any provisions, and without any set off of deposits or guarantees. PEPR's maximum exposure to credit risk is represented by the balance disclosed in the Consolidated Balance Sheet.

3f Interest rate risk

PEPR's interest rate risk arises from issuing secured notes at variable interest rates through certain SPEs (the "**Issuers**"). Borrowings at variable rates expose PEPR to cashflow interest rate risk.

PEPR manages its cashflow interest rate risk by using floating to fixed interest rate swaps ("**IRS**"). Such interest rate swaps have the economic effect of converting borrowings from floating rate to fixed rate debt.

The Issuers have loaned the proceeds of the notes to the finance subsidiaries of PEPR through fixed rate financing (Note 25). Thus, the Issuers pay floating rate interest and receive fixed rate interest.

To hedge the risk of rising interest rates, the Issuers have entered into IRS agreements with ABN Amro Bank London Branch, JPMorgan Chase Bank, Bank of America N.A. and Société Générale ("swap counterparties") regulated by the International Swaps and Derivatives Association ("ISDA"). Each one of the IRSs exactly matches the critical terms of a corresponding Euro tranche of the Notes issued: the amount, the currency, the maturity, the interest rate and the interest payment dates.

At the time the Issuer enters into the IRS agreements, these are designated as cash flow hedges. A description of the accounting treatment of the cash flow hedges is given in Note 20. Note 25 sets out the carrying amount, by maturity, of PEPR's financial instruments.

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3 FINANCIAL RISK MANAGEMENT (Continued)

3g Foreign exchange risk

A part of the net assets of PEPR are exposed to variations in Sterling, Polish Zloty, Czech Korun, Hungarian Forint and Swedish Krone. According to the nature of the asset or liability, this exposure is either recorded against the "Cumulative foreign currency translation" in the Consolidated Balance Sheet or against "Finance expenses" in the Consolidated Income Statement.

The Issuers enter into foreign exchange contracts to manage their foreign exchange risk resulting from financing arrangements denominated in foreign currencies. This mainly comprises the currency risks of the Borrowers due to the fact that the finance subsidiaries borrow Euro denominated debt and lend predominantly Sterling denominated debt to other subsidiaries of PEPR to finance property acquisitions.

A portion of the proceeds of the Euro-denominated Notes is converted to Sterling and lent by the Issuers to the Borrowers to provide Sterling denominated fixed rate financing (Note 12). The purpose of the Cross Currency Swaps ("**CCSs**") is to hedge the risk of fluctuating foreign exchange rates of the Euro against Sterling. The Issuers have entered into CCS agreements with ABN Amro Bank London Branch, JPMorgan Chase Bank and Bank of America N.A. Each of the CCSs exactly matches the critical terms of a corresponding Sterling tranche of the Notes issued: the amount, the currency, the maturity, the interest rate and the interest payment dates.

At the time the Issuer enters into CCS agreements, these are designated as fair value hedges. A description of the accounting treatment of the fair value hedges is given in Note 2o.

Should a party default on the swap agreements in the performance of any payment obligation, the defaulting party will, on demand, be required to pay interest on the overdue amount to the other party in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the default rate.

A table showing the interest rate swaps, cross currency swaps and the financial instruments to which they relate is included in Note 25.

3h Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through appropriate and adequate credit lines and the ability of customers to settle obligations within normal terms of credit.

PEPR ensures, through the forecasting and budgeting of cash needs, that adequate committed credit lines are available.

To ensure that customers continue to be able to meet their credit terms, the financial viability of customers is kept under review.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

PEPR makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Estimates and judgements are continually evaluated and are based on historical experience and other

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4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

factors, including expectations of future events that are believed to be reasonable under the circumstances.

4a Investment in properties

The gross property value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction without deduction for any associated transfer taxes, sales taxes, or other costs normally borne by the purchaser. Transaction costs normally borne by the seller are not deducted in arriving at Gross Property Value, in accordance with IAS40. The Fair value is calculated by deducting the costs normally borne by the purchaser from the Gross Property Value. Fair Value is not intended to represent the liquidation value of the property, which would be dependent upon the price negotiated at the time of sale less any associated selling costs. The Fair value is largely based on estimates using property appraisal techniques and other valuation methods as outlined below. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

The appraisers derive the fair value by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom in accordance with IAS 40. This approach is based on discounting the future net income receivable from properties to arrive at the net present value of that future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to future vacancy years. The consideration basis for this calculation excludes the effects of any taxes. The discount factors used to calculate fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets.

From June 2005, the property assets within PEPR are being revalued on an alternating six monthly basis such that all assets are revalued at least once a year by the Independent Appraisers. At each balance sheet date, the Management Company reviews the latest independent valuation to ensure that it is still applicable. The last valuation exercise by the independent appraisers was performed as at 30 June 2007.

4b Income and deferred taxes

PEPR is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required in determining the total provision for income and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain during the ordinary course of business. PEPR recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.

4c Fair value currency and interest rate swaps

PEPR estimates fair values of swaps by reference to current market conditions compared to the terms of the swap agreements using the results of an external appraisal process carried out by a third party.

4d Fair value financial liabilities

The fair value of borrowings approximates to the carrying value disclosed in the consolidated financial statements due to the variable interest terms attached to those borrowings, except for

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4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

certain financial leases and mortgages in France and Italy which are carried at amortised cost (see Note 25).

4e Business combinations

Significant judgement is required when determining the appropriate method of accounting for acquisitions of Units of a company owning property.

From inception of PEPR to September 2006, ProLogis contributed properties to PEPR under the Stabilised Property Contribution Agreement ("**SPCA**") (see Note 19d). In the opinion of the Management Company, the special purpose vehicles which themselves own the investment properties do not qualify as businesses under the definition of IFRS 3 as they do not represent "an integrated set of activities and assets". Therefore, the contribution of these properties to PEPR does not represent a business combination under the definition of IFRS 3. The cost of the assets and liabilities acquired by way of the SPCA is allocated based upon their relative fair values, and no goodwill is recognised. A similar treatment is adopted for properties contributed since September 2006 under the Property Contribution Agreement.

In the case of acquisitions of investment property from a third party, PEPR will only recognise a business combination where an integrated set of activities is acquired in addition to the investment property.

In 2005 PEPR purchased 100% of the equity of Harbor Park Ingatlanmukodteto Kft ("**Investment Kft**") which owned 55.665% of the equity of Harbor Park Ingatlanfejszto Kft ("**Management Kft**").

Investment Kft owns investment property on a distribution park on the outskirts of Budapest. Management Kft owns part of the physical infrastructure of the park and has a management agreement to manage the park. This acquisition was treated as a business combination.

5 PROPERTY UNDER CONSTRUCTION

Property under construction comprises expenditure on real estate under construction.

	<u>June 2007</u>	<u>December 2006</u>
Cost at the beginning of the period	7,157	7,052
Additions during the period	2,226	13,576
Transfers of stabilised property to investment properties	-	(13,471)
	<u>9,383</u>	<u>7,157</u>

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6 OTHER CURRENT ASSETS

Other current assets include:

	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
VAT recoverable	27,779	43,039
Deposits with utility companies	1,902	1,634
Prepaid expenses and other receivables	18,781	12,474
Result of straight-lined rents	19,768	18,261
Insurance receivable	6,655	18,833
	<u>74,885</u>	<u>94,241</u>

Insurance receivable

This represents the best estimate of the amount receivable from the insurers regarding insurable losses.

7 CASH AND CASH EQUIVALENTS

	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Restricted cash	54,765	90,245
Unrestricted cash	38,303	47,804
	<u>93,068</u>	<u>138,049</u>

Restricted cash mainly comprises cash which, under the terms of the secured notes, is received from rental agreements and is subject to certain restrictions in any one quarter until interest payments under the notes for that applicable quarter are made.

Under the terms of the Secured Notes, cash received in respect of the sale of assets which are part of the security for those Loan Notes, is held as collateral until either a new property is substituted in as a replacement, or the Notes are partially repaid. At 30 June 2007, no monies were held as collateral. In addition, a sum of €8 million is restricted in Spain subject to the performance of certain obligations under a development agreement.

8 OWNERSHIP OF PEPR

Before PEPR's initial public offering, ownership was split between Class A(1), Class A(2), Class A(3), Class B1, Class B2, Class C(1) and Class C(2) Unitholders. All classes of Units were either redeemed or converted into Ordinary Units on September 27, 2006.

The rights of holders' of Ordinary Units may be limited in several important ways compared to rights that typically attach to ordinary Units, including the following:

- i) the Management Company has the exclusive right to manage PEPR in the exclusive interests of Unitholders and has the sole power to table resolutions to the PEPR Board on all but a limited number of decisions, including the sale of Distribution Facilities;

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8 OWNERSHIP OF PEPR (Continued)

- ii) the Management Regulations limit when the Management Company can be replaced, other than for cause (see Note 3c);
- iii) Ordinary Unitholders (including ProLogis and ProLogis Related Parties) have the right to elect four Independent Board Members (other than the initial Independent Board Members) upon proposal by a nomination committee, and the Management Company has the right to appoint two ProLogis Board Members; and
- iv) although the Independent Board Members will represent a majority of the PEPR Board, they will have limited rights with respect to the management and governance of PEPR.

The Management Regulations define the formula by which the Management Company is contractually obliged to calculate Distributable Cash Flow of PEPR and to distribute such amount, if any, to Unitholders each quarter.

<u>Number of units in issue</u>	<u>June 2007</u>	<u>December 2006</u>
Class of Units		
Ordinary	190,522,441	188,687,510

<u>Par Value in issue</u>	<u>June 2007</u>	<u>December 2006</u>
Class of Units		
Ordinary	1,911,810	1,883,571

9 NET RETAINED EARNINGS

Earnings per unit

Basic Earnings per unit amounts are calculated by dividing net profit for the year attributable to Class A, Class B, Class C and Ordinary Units drawdown, divided by the equivalent weighted average number Class A, Class B, Class C and Ordinary Units drawdown during the year.

Diluted Earnings per unit are calculated by dividing the net profit attributable to Class A, Class B, Class C and Ordinary Unitholders as if 100% of the Units had been drawdown, divided by the total number of Class A, Class B, Class C and Ordinary Units as if fully drawdown. Earnings per Class C unit both diluted and undiluted are the same as this represents the amount of distributions per Unit attributable to the Class C Unitholders according to the Management Regulations.

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9 NET RETAINED EARNINGS (Continued)

	<u>Ordinary Units</u>	<u>Class A and Class B Units</u>	<u>Class C units</u>
For the period ended 30 June 2007			
Earnings per period net of minority interest			
Basic	121,672	-	-
Diluted	121,672	-	-
Weighted average number of Units issued during the period			
Basic	189,650,595	-	-
Diluted	189,650,595	-	-
Earnings per Unit (Euros)			
Basic	0.64	-	-
Diluted	0.64	-	-

	<u>Ordinary Units</u>	<u>Class A and Class B Units</u>	<u>Class C units</u>
For the period ended 30 June 2006			
Earnings per period net of minority interest			
Basic	-	366,773	6,858
Diluted	-	366,773	6,858
Weighted average number of units issued during the period			
Basic	-	166,748,820	20,320,000
Diluted	-	189,071,709	20,320,000
Earnings per Unit (Euros)			
Basic	-	2.2	0.3375
Diluted	-	1.94	0.3375

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9 NET RETAINED EARNINGS (Continued)

The distributions have been calculated in accordance with Article 15 of the Management Regulations and are summarised as follows:

<u>Class of Unit</u>	<u>Total</u>	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>	<u>December</u> <u>2005</u>	<u>December</u> <u>2004</u>
Class A(1)	1,994	-	344	421	406
Class A(2)	361,586	-	60,084	73,540	71,004
Class A(3)	56,564	-	30,175	17,969	7,186
Class B1	96,867	-	8,938	10,940	10,562
Class B2	73,655	-	17,360	18,039	14,233
Class C(1)	51,681	-	5,459	7,366	7,366
Class C(2)	13,880	-	4,706	6,350	2,715
Ordinary	124,641	86,508	38,133	-	-
	780,868	86,508	165,199	134,625	113,472
Accumulated earnings		1,092,688	655,957	420,631	241,937
Cumulative distributions		(780,868)	(694,360)	(529,161)	(394,536)
Net retained earnings		311,820	(38,403)	(108,530)	(152,599)
Distributions brought forward		38,133	35,329	31,797	32,924
Distributions for the period		86,508	165,199	134,625	113,472
Distributions paid		(80,384)	(162,395)	(131,093)	(114,599)
Distributions carried forward		44,257	38,133	35,329	31,797

Distributions per unit

<u>Class of Unit</u>	<u>2007</u> <u>Euro</u> per unit	<u>2006</u> <u>Euro</u> per unit	<u>2005</u> <u>Euro</u> per unit	<u>2004</u> <u>Euro</u> per unit
Class A(1)	-	0.69	0.84	0.81
Class A(2)	-	0.69	0.84	0.81
Class A(3)	-	0.58	0.34	0.14
Class B1	-	0.69	0.84	0.81
Class B2	-	0.65	0.78	0.69
Class C(1)	-	0.54	0.73	0.73
Class C(2)	-	0.46	0.63	0.27
Ordinary	0.45	0.20	-	-

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10 CUMULATIVE FOREIGN CURRENCY TRANSLATION

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Balance at the beginning of the period	(5,682)	(20,846)
Other translation adjustments	<u>(1,213)</u>	<u>(6,107)</u>
Balance at the end of the period	<u>(6,895)</u>	<u>(26,953)</u>

11 CASHFLOW HEDGE VALUATION RESERVE

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Balance at the beginning of the period	<u>3,993</u>	<u>(39,300)</u>
Movement in fair value of existing hedges	13,154	29,359
Fair value of hedges acquired during the year	-	-
Fair value of hedges repaid during the year	<u>-</u>	<u>-</u>
Net variation during the period	<u>13,154</u>	<u>29,359</u>
Balance at the end of the period	<u>17,147</u>	<u>(9,941)</u>

12 INTEREST BEARING SECURED NOTES

Euro Secured Floating Rate Notes (the "**Notes**") have been issued by certain SPEs (the "**Issuers**"), which although not owned by PEPR are consolidated according to PEPR's accounting principles (Note 2a). The Issuers have each made an issue of Notes at 100% of their face value and bear interest at a floating rate of three month Euribor plus a weighted average margin of 0.33% per annum (2006: 0.33% and 2005: 0.33%).

The Notes are stated net of unamortised transaction costs incurred in making the respective issue.

The Notes are secured on the assets of the respective borrower and its direct and indirect subsidiaries. The Notes must be redeemed in full, on or before the repayment date. However, the Notes may be repaid earlier, in full or in part, at the option of certain finance subsidiaries of PEPR (the "**Borrowers**"), subject to certain conditions.

Repayment of all the Notes is due before May 2010.

On 15 January 2007, €21.4 million was repaid to Loan Noteholders. To effect the repayment £8.2 million of the sterling tranche was repaid to the swap counterparty and €13.2 million was received. Details of the Notes and the application of the proceeds are shown below:

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12 INTEREST BEARING SECURED NOTES (Continued)

Application of the Proceeds

	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Cumulative proceeds		
<i>Proceeds from secured floating rate notes:</i>		
Loan notes listed on the London Stock Exchange	1,123,096	1,144,459
Loan notes listed on the Irish Stock Exchange	<u>144,000</u>	<u>144,000</u>
	<u>1,267,096</u>	<u>1,288,459</u>
Transaction costs		
<i>Cost</i>		
Balance at the beginning of the period	64,509	65,087
Retirements and amounts written off	(916)	(578)
Additions during the period	<u>-</u>	<u>-</u>
Balance at the end of the period	<u>63,593</u>	<u>64,509</u>
<i>Amortisation</i>		
Balance at the beginning of the period	45,381	34,298
Retirements and amounts written off	(343)	-
Amortisation shown in interest expense	<u>3,214</u>	<u>11,083</u>
Balance at the end of the period	<u>48,252</u>	<u>45,381</u>
Net book value of Transaction Costs	<u>15,341</u>	<u>19,128</u>
Net book value of proceeds from Secured notes	<u>1,251,755</u>	<u>1,269,331</u>
Value of pledged assets		
For loan notes listed on the London Stock Exchange	2,652,961	2,582,908
For loan notes listed on the Irish Stock Exchange	<u>285,157</u>	<u>283,077</u>
	<u>2,938,118</u>	<u>2,865,985</u>

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12 INTEREST BEARING SECURED NOTES (Continued)

Proceeds from Notes listed on the London Stock Exchange	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Pan European Industrial Properties Series I S.A. 2011	200,586	213,750
Pan European Industrial Properties Series II S.A. Class A—2012	277,300	285,500
Pan European Industrial Properties Series II S.A. Class B—2012	30,750	30,750
Pan European Industrial Properties Series II S.A. Class C—2012	39,750	39,750
Pan European Industrial Properties Series III S.A. Class A—2013	145,960	145,959
Pan European Industrial Properties Series III S.A. Class B—2013	17,250	17,250
Pan European Industrial Properties Series III S.A. Class C—2013	22,500	22,500
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class A—2013	337,000	337,000
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class B—2013	32,000	32,000
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class C—2013	20,000	20,000
	<u>1,123,096</u>	<u>1,144,459</u>

Gross Value of pledged assets	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Pan European Industrial Properties Series I S.A.	570,818	566,790
Pan European Industrial Properties Series II S.A.	783,308	748,010
Pan European Industrial Properties Series III S.A.	475,023	463,804
Pan European Industrial Properties Series IV S.A.	818,312	804,304
	<u>2,647,461</u>	<u>2,582,908</u>

Issuer: Pan European Industrial Properties Series I S.A.

Borrower	ProLogis European Finance S.à r.l.
Issue price	100%
Issue date	May 2001
Legal Maturity date	April 2011
Interest payment	Quarterly
Effective interest rate	6.59%

Amount	€200,586
Interest rate: 3 month Euribor +	0.35%

Application of Proceeds

Euro tranche	€95,500
Fixed interest rate	5.41%
Sterling tranche (£'000)	£65,410
Fixed interest rate	6.033%
Exchange rate	0.6225

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12 INTEREST BEARING SECURED NOTES (continued)

Issuer: Pan European Industrial Properties

Series II S.A.

Borrower	ProLogis European Finance II S.à r.l.		
Issue price	100%		
Issue date	May 2002		
Legal Maturity date	July 2012		
Interest payment	Quarterly		
Effective interest rate	6.23%		

As at June 2007	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Amount	€277,300	€30,750	€39,750
Interest rate: 3 month Euribor +	0.32%	0.48%	0.90%

Application of Proceeds

Euro tranche	€160,869	€18,210	€23,539
Fixed interest rate	5.45%	5.61%	6.03%
Sterling tranche (£'000)	£70,493	£7,706	£9,961
Fixed interest rate	5.92%	6.11%	6.54%
Exchange rate	0.6145	0.6145	0.6145

Issuer: Pan European Industrial Properties

Series III S.A.

Borrower	ProLogis European Finance IV S.à r.l.		
Issue price	100%		
Issue date	February 2003		
Legal Maturity date	May 2013		
Interest payment	Quarterly		
Effective interest rate	5.20%		

As at June 2007	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Amount	€145,960	€17,250	€22,500
Interest rate: 3 month Euribor +	0.35%	0.48%	0.85%

Application of Proceeds

Euro tranche	€85,660	€9,802	€12,785
Fixed interest rate	4.23%	4.36%	4.73%
Sterling tranche (£'000)	£38,092	£4,705	£6,136
Fixed interest rate	4.95%	5.08%	5.45%
Exchange rate	0.6317	0.6317	0.6317

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12 INTEREST BEARING SECURED NOTES (continued)

**Issuer: Pan European Industrial Properties
Series IV S.A. (Compartment 1)**

Borrower	ProLogis European Finance VII S.à r.l.
Issue price	100%
Issue date	March 2005
Legal Maturity date	May 2013
Interest payment	Quarterly
Effective interest rate	4.21%

As at 30 June 2007	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Amount	€337,000	€32,000	€20,000
Interest rate: 3 month Euribor +	0.14%	0.18%	0.30%

Application of Proceeds

Euro tranche	€283,306	€26,901	€16,813
Fixed interest rate	3.29%	3.33%	3.45%
Sterling tranche (£'000)	£37,113	£3,524	£2,203
Fixed interest rate	5.09%	5.13%	5.26%
Exchange rate	0.6912	0.6912	0.6912

**Proceeds from Notes listed on the Irish
Stock Exchange**

	<u>June 2007</u>	<u>December 2006</u>	<u>December 2005</u>
France Industrial Properties No I S.A. Class A 2012	115,000	115,000	115,000
France Industrial Properties No I S.A. Class B 2012	29,000	29,000	29,000
	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>
Value of pledged assets	<u>285,157</u>	<u>285,077</u>	<u>270,197</u>

Issuer: France Industrial Properties No I S.A.

Borrower	ProLogis European Finance V S.à r.l.
Issue price	100%
Issue date	April 2002
Repayment date	April 2012
Interest payment	Quarterly
Effective interest rate	5.84%

As at 30 June 2007	<u>Class A</u>	<u>Class B</u>
Amount	€115,000	€29,000
Interest rate: 3 month Euribor +	0.38%	0.90%
Fixed interest rate	5.59%	6.11%

Application of Proceeds

Euro tranche	€115,000	€29,000
Fixed interest rate	5.59%	6.11%

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13 INTEREST BEARING LONG TERM BANK LOANS

Loan Financing

The secured Loan Notes require a minimum asset base before being presented to the market. Until such time as there is a critical mass of suitable real estate assets, assets are financed by a secured revolving €800 million credit facility provided by Banc of America N.A. and ABN AMRO Bank N.V. The facility is secured by way of pledges on the Units of certain subsidiaries of PEPR, intercompany receivables and a guarantee from PEPR. A second secured facility of €151 million is provided by Hypo Real Estate Bank International and secured on the assets of certain subsidiaries located in Central Europe.

Mortgage and Lease Financing

Real estate assets which are either unsuitable for secured loan note transactions, or that have been acquired by PEPR with financing already in place, are primarily financed by either third party mortgages or in France and Italy by "credit bail" style finance leases.

	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Proceeds		
Bank loans maturing beyond 5 years	-	2,294
Bank loans maturing between 2 to 5 years	157,742	156,761
Bank loans maturing within 1 year	722,411	537,312
Total proceeds from long term bank loans	<u>880,153</u>	<u>696,367</u>
Transaction costs		
<i>Cost</i>		
Balance at the beginning of the period	12,578	11,234
Retirements and amounts written off	-	1,124
Additions during the period	-	220
Balance at the end of the period	<u>12,578</u>	<u>12,578</u>
Amortisation		
Balance at the beginning of the period	9,498	8,420
Retirements and amounts written off		(1,134)
Amortisation shown in interest expense	1,422	2,212
Balance at the end of the period	<u>10,920</u>	<u>9,498</u>
Net book value of Transaction Costs	<u>1,658</u>	<u>3,080</u>
Net book value of proceeds from bank loans	878,495	693,287
Less current portion of bank loans	<u>(722,345)</u>	<u>(534,231)</u>
Net book value of bank loans net of current portion	<u><u>156,150</u></u>	<u><u>159,056</u></u>

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13 INTEREST BEARING LONG TERM BANK LOANS (continued)

	<u>June 2007</u>	<u>December 2006</u>
Available facilities		
Loans secured by guarantee and on Units and intercompany receivables of certain subsidiaries	951,059	951,059
Loans secured by first mortgage	952	1,123
Finance leases	7,896	8,971
	<u>959,907</u>	<u>961,153</u>
Amounts drawn		
Loans secured by guarantee and on Units and intercompany receivables of certain subsidiaries	871,305	686,273
Loans secured by first mortgage	952	1,123
Finance leases	7,896	8,971
	<u>880,153</u>	<u>696,367</u>
Unutilised loan facilities		
Loans secured by guarantee and on Units and intercompany receivables of certain subsidiaries	79,754	264,786
Loans secured by first mortgage	-	-
Finance leases	-	-
	<u>79,754</u>	<u>264,786</u>
Value of pledged assets		
Real estate—Loans	1,432,883	1,414,457
Real estate—Finance leases	57,110	57,110
	<u>1,489,993</u>	<u>1,471,567</u>

The future minimum payments under existing finance lease arrangements, for the acquisition of certain real estate properties, are as follows:

	<u>June 2007</u>	<u>December 2006</u>
Within one year	1,832	1,893
Between one and two years	1,898	1,982
Between two and three years	1,688	1,813
Between three and four years	1,400	1,562
Between four and five years	1,078	1,237
After five years	-	484
Total	<u>7,896</u>	<u>8,971</u>
Number of loans	2	2
Weighted average effective interest rate	4.15%	4.14%

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13 INTEREST BEARING LONG TERM BANK LOANS (continued)

Summary of facilities

Lender: Hypo Real Estate Bank International AG

Principal Borrower:	ProLogis Central European Finance S.L.
First drawdown	February 2004
Repayment date	March 2010
Pricing 3 month Euribor	+ 137 bps
Interest payment	Quarterly
Effective interest rate	3.61%

Lender: Banc of America N.A. and ABN AMRO Bank N.V.

Revolving credit facility with a maximum capacity of €800 million

Principal Borrowers:	ProLogis European Properties VI S.à r.l. ProLogis European Properties VII S.à r.l. ProLogis European Properties IX S.à r.l.
First drawdown	December 2003
Final date	December 2007
Pricing 3 month Euribor	+ 35 to 47.5 bps

14 DEFERRED TAXATION

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

Deferred tax liability has not been accrued in respect of unremitted profits contained in direct and indirect subsidiaries of PEPR as it is unlikely that these profits will be remitted to the parent in a manner which will attract income tax.

	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Deferred tax liability		
Opening balance	192,774	84,735
Effect of revaluations of properties to fair value post acquisition	9,962	113,989
Deferred tax on properties disposed of	-	(5,950)
Deferred tax liabilities acquired as part of business combinations	-	-
	<hr/>	<hr/>
Movements on deferred tax liability	9,962	108,039
	<hr/>	<hr/>
Closing balance	202,736	192,774
	<hr/>	<hr/>

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14 DEFERRED TAXATION (continued)

	June 2007	December 2006
Made up of:		
Deferred tax liabilities acquired as part of business combinations	2,200	2,200
Revaluation of investment properties to fair value	200,536	190,574
Total deferred tax liabilities	<u>202,736</u>	<u>192,774</u>
Long term tax asset mainly relating to losses carried forward		
Opening Deferred Tax Asset balances	7,326	5,992
Deferred tax assets acquired as part of business combinations	-	-
Relating to tax losses carried forward	(209)	1,334
Total deferred tax assets	<u>7,117</u>	<u>7,326</u>

15 TAXATION

PEPR is an unincorporated contractual co-ownership scheme governed by the law on Undertakings for Collective Investments of 20 December 2002. According to legislation currently in force, PEPR is not subject to corporate income or capital gains taxes in Luxembourg. It is, however, liable to an annual subscription tax based upon the Ordinary Units in issue. This tax is 0.05% per annum on the net assets attributable to Ordinary units. The tax, payable quarterly, is assessed on the last day of each quarter.

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

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

	June 2007	June 2006
Income and other current taxes payable		
Balance brought forward	14,811	16,457
Tax expense	12,968	6,041
Tax paid	(10,649)	(8,363)
Closing balance	<u>17,130</u>	<u>14,135</u>
Tax expense		
Income taxes	11,989	5,174
Other taxes	319	752
Subscription taxes	660	115
Income taxes expensed	<u>12,968</u>	<u>6,041</u>
Deferred tax expense		
Arising from liabilities	9,962	112,384
Arising from properties disposed of	-	-
Arising from assets	209	(1,591)
Net transfers from deferred tax liability	<u>10,171</u>	<u>110,793</u>
Charge for taxation reported in the consolidated income statement	<u>23,139</u>	<u>116,834</u>

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15 TAXATION (continued)

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Effective tax rate	15.95%	23.81%
Made up of:		
Effective tax rate of the operating activities of subsidiaries	9.22%	5.53%
Effective deferred tax on valuation movements	6.73%	18.28%
	<u>15.95%</u>	<u>23.81%</u>

16 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>June</u> <u>2007</u>	<u>December</u> <u>2006</u>
Accrued construction costs	6,638	7,222
Security deposits	13,886	13,437
Legal fee accruals	605	614
Interest payable	12,145	6,249
Other accrued expenses	14,891	9,422
VAT payable	13,238	17,907
Eurobond issue costs	750	-
Distributions payable	44,257	38,133
Total	<u>106,410</u>	<u>92,984</u>

17 RENTAL LEASES

PEPR leases real estate under operating leases. The terms of the leases are in line with normal practices in each market. Leases are reviewed or subject to automatic inflationary adjustments as appropriate. Operating expenses, where applicable, are recharged to customers either by way of direct charge or monthly service charges.

Lease payments receivable from non-cancellable leases is shown below. For the purposes of this schedule it is conservatively assumed that a lease expires on the date of the first break option.

	<u>Amount</u> <u>receivable</u>	<u>%</u>
Within 1 year	306,309	19.96%
between 2 and 5 years	822,640	53.61%
5 years and more	405,498	26.43%
	<u>1,534,447</u>	<u>100%</u>

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18 OTHER PROPERTY RENTAL EXPENSES

Property operating result comprises operating expenses net of amounts recoverable from customers and is analysed as follows:

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Maintenance and utilities	1,100	932
Insurance costs	1,910	1,950
Property management fees (Note 19b)	514	1,338
Total	<u>3,524</u>	<u>4,220</u>

The Management Company is obliged to provide management services to PEPR. In return the Management Company has subcontracted a number of related investment managers to carry out property management functions for PEPR (Note 19b), as a result, PEPR does not have any employees except for 3 employees in a partly owned, indirect subsidiary incorporated in Hungary.

19 TRANSACTIONS WITH RELATED PARTIES

19a Management fees

Since Settlement Date the Management Company is entitled to charge the following management fees

- (i) a management fee equivalent to 0.60% per annum of the Gross property Value of the Portfolio, excluding any interest in any ProLogis Private Equity Funds or ProLogis Joint Ventures.
- (ii) A cash management fee equal to 0.10% per annum of unrestricted balances of cash and cash equivalents.
- (iii) From December 31, 2008, an incentive fee of 20% of net income per Unit above a hurdle rate of an annual return of 9% of Net assets over an average of three years.

Prior to Settlement Date the Management Company was entitled to a base management fee equivalent to a percentage of the value of PEPR's investment (direct or indirect) in real estate. The rate was 60 basis points per annum on the first €2 billion of the value of real estate. Between €2 billion and €3.5 billion the rate was 30 basis points with 20 basis points charged on the excess beyond this range. The management fee was charged in two parts, a fund management fee equal to 15 basis points and a property management fee equal to the balance of the base management fee.

19b Property management fees

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

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19 TRANSACTIONS WITH RELATED PARTIES (Continued)

19c Fund Incentive Fee

As per the management regulations, PEPR is obliged to pay a fund incentive fee to the Investment Manager based on the performance of PEPR over a certain benchmark. It is due for payment in 2009. The Fund Incentive Fee is based on the performance of PEPR since September 2006, and is calculated as 20% of the profits of PEPR over a predefined performance level. The current performance level is 9% per annum.

19d The Stabilised Property Contribution Agreement and the Property Contribution Agreement

On 11 September, 2006 the Stabilised Property Contribution Agreement ("SPCA") was terminated. In accordance with the provisions of the SPCA, ProLogis was obliged to offer for sale and the Management Company, on behalf of PEPR, was obliged to accept all distribution facilities that met certain investment and operating criteria. The Units of the company owning eligible properties, or in certain cases the properties themselves, were contributed based on the fair value of their respective underlying assets and liabilities adjusted to reflect 95% of the Gross value of the distribution facility owned. A minimum of 3% of this discounted gross appraised value was paid to ProLogis in the form of additional Class B2 Units. The remainder of the net book value was paid in cash. Net unrealised gains of PEPR include the recognition of the discounts.

Following termination of the SPCA, the Management Company on behalf of PEPR, entered into a Property Contribution Agreement on 11 September 2006 pursuant to which PEPR agreed to acquire upon stabilisation, Distribution Facilities having an aggregate Contribution Value of €200 million. The Units of the company owning eligible properties, or in certain cases the properties themselves, are to be contributed based on the fair value of their respective underlying assets and liabilities adjusted to reflect 95% of the Gross Value of the distribution facility owned. A minimum of 3% of this discounted value will be paid to ProLogis in the form of additional Ordinary Units with the balance paid for in cash.

19e Class B2 Subscription Agreement

Under the agreement dated 29 June 2001 between ProLogis and the Management Company additional series of Class B2 Units were issued to ProLogis for a maximum amount of €150 million, by the Management Company at any time on or before 15 September 2009. The Management Company does not intend to make any further calls under the agreement.

19f Leasehold agreements

PEPR has leased real estate to some of the Investment Managers on an arm's length basis. Rent charged for the year amounted to €0.5 million (2006: €1.0).

19g Development fee

Up until the Settlement Date, ProLogis has entered into a number of contracts with indirect subsidiaries of PEPR to manage, on behalf of those subsidiaries, significant redevelopment or extension projects. In return ProLogis receives a development fee of 7% of the cost of the project. These fees are included within the cost basis of real estate investments. Under the terms of the revised Management Regulations the Board of PEPR will annually approve ProLogis development rates based upon evidence of Local Market Rates.

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19 TRANSACTIONS WITH RELATED PARTIES (Continued)

19h Insurance

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

19i Leasing Commissions

Under the terms of the revised Management Regulations the Board of PEPR will annually approve ProLogis Leasing Commissions based upon evidence of Local Market Rates, which can be charged for initial and renewed leases where no outside broker is involved in the lease negotiations.

19j Private Equity Fund Investment Agreement

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

20 FINANCE INCOME

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Interest income	1,940	2,170
Total finance income	<u>1,940</u>	<u>2,170</u>

21 FINANCE EXPENSES

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Interest payable brought forward	(6,249)	(5,343)
Interest payable carried forward	12,145	5,338
Interest paid	43,507	40,037
Interest expense	<u>49,403</u>	<u>40,032</u>
Amortisation of initial borrowing costs	4,292	4,929
Total interest and amortisation expense	<u>53,695</u>	<u>44,961</u>
Unrealised change in value of fair value hedges	(882)	(4,046)
Other net unrealised foreign currency (gains)/losses on monetary assets and liabilities	565	2,004
Cumulative realised (gains)/losses	97	(1,964)
Net foreign currency losses on monetary assets and liabilities	<u>(220)</u>	<u>(4,006)</u>
Total finance expenses	<u>53,475</u>	<u>40,955</u>

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22 NET CASH FLOW FROM OPERATING ACTIVITIES

	<u>June</u> <u>2007</u>	<u>June</u> <u>2006</u>
Earnings before taxes	145,061	490,712
<i>Adjustments for non cash items</i>		
Reversal of rent levelling adjustment	921	3,926
Amortisation of transaction costs relating to debt	4,293	4,929
Unrealised change in value of fair value hedges	(882)	(4,046)
Reversal of Interest Paid	43,508	40,037
Net Unrealised gain on the investment in real estate	(49,904)	(407,975)
Realised (gain)/loss on sale of investments	(4,887)	(1,193)
<i>(Increase)/decrease in operating assets</i>		
Decrease/(increase) in amounts receivable from related parties	(9,238)	(23)
Decrease/(increase) in accounts receivable	(19,495)	(1,961)
Decrease/(increase) in other assets	19,356	(7,621)
Decrease/(increase) in accounts payable	(5,732)	3,213
Decrease/(increase) in fund incentive fee	4,544	-
(Decrease)/increase in amounts due to related parties	1,356	(7,404)
Payment of income tax	(10,649)	(8,363)
(Decrease)/increase in accrued expenses and other current liabilities	13,426	15,121
(Decrease)/increase in deferred income	8,054	(1,219)
Net cash generated by operating activities	<u>139,732</u>	<u>118,133</u>

23 CONTINGENCIES AND COMMITMENTS

Contingencies:

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

Commitments:

Commitments under finance leases are disclosed under Note 13, Long Term Bank Loans

Commitments for capital improvements and construction contracts total €5.5 million (December 2005: €15.2 million).

24 NON-CASH INVESTING AND FINANCING ACTIVITIES

Under the PCA PEPR issued Ordinary Units at a value of €28.2 million (December 2006 under the SPCA - €43.6 million) as part of the consideration for real estate assets contributed by ProLogis in March 2007.

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25 FINANCIAL INSTRUMENTS

Interest rate and Fair Value

The following table sets out the carrying amount before deduction of unamortized transaction costs and fair value by maturity, of PEPR's financial instruments that are exposed to interest rate risk.

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

Year end 30 June 2007

<u>Fixed rate</u>	<u><1 year</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Obligations under finance leases				
Carrying value	(1,832)	(6,064)	-	(7,896)
Fair value	(1,832)	(6,064)	-	(7,896)
<u>Floating rate</u>	<u><1 year</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Cash and cash equivalent	93,068	-	-	93,068
Secured bank loans	(720,246)	(151,059)	-	(871,305)
Mortgages	(334)	(618)	-	(952)
			(1,066,5	
Loan notes	-	(200,586)	10)	(1,267,096)
			1,066,51	
Interest rate swap	-	200,586	0	1,267,096

Year end 31 December 2006

<u>Fixed rate</u>	<u><1 year</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Obligations under finance leases				
Carrying value	(1,893)	(6,594)	(484)	(8,971)
Fair value	(2,157)	(6,594)	(498)	(9,249)
<u>Floating rate</u>	<u><1 year</u>	<u>1-5 years</u>	<u>>5 years</u>	<u>Total</u>
Cash and cash equivalent	138,049	-	-	138,049
Secured bank loans	(535,214)	(151,059)	-	(686,273)
Mortgages	(288)	(835)	-	(1,123)
			(1,074,7	
Loan notes	-	(213,750)	09)	(1,288,459)
			1,074,70	
Interest rate swap	-	213,750	9	1,288,459

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

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25 FINANCIAL INSTRUMENTS (continued)

Swap Agreements

	<u>Pan-European Industrial Properties</u>	
<u>Issuer:</u>	<u>Series I S.A.</u>	
Starting date	May 2001	
Maturity date	April 2011	
Interest payment	Quarterly	
<u>Swap counter-party:</u>	<u>ABN Amro</u>	
Cash flows hedged		€95,500
Pays floating interest	3-month Euribor +	0.35%
Receives fixed interest		5.410%
<u>Swap counter-party:</u>	<u>JPMorgan Chase</u>	
Fair value hedge (£'000)		£65,416
Pays floating interest	3-month Euribor +	0.35%
Receives fixed interest		6.033%
Exchange rate		0.6225

The total amount of interest paid and interest received is €10.0 million to June 2007 (June 2006: €8.9 million).

Swap Agreements

	<u>Pan-European Industrial Properties</u>			
<u>Issuer:</u>	<u>Series II S.A.</u>			
Starting date	May 2002			
Maturity date	July 2012			
Interest payment	Quarterly			
<u>Swap counter-party:</u>	<u>ABN Amro</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Cash flows hedged		€76,835	€9,105	€11,769
Pays floating interest	3-month Euribor	-	-	-
Receives fixed interest		5.450%	5.610%	6.030%
Fair value hedge (£'000)		£70,493	£7,706	-
	3-month Euribor			
Pays floating interest	+	0.32%	0.48%	-
		6 -		
Receives fixed interest		6.11%	6.110%	-
Exchange rate		0.6145	0.6145	0.6145
<u>Swap counter-party:</u>	<u>JPMorgan</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
	<u>Chase</u>	<u>Chase</u>	<u>Chase</u>	<u>Chase</u>
Cash flows hedged		€84,535	€9,105	€11,770
Pays floating interest	3-month Euribor	-	-	-
Receives fixed interest		5.450%	5.610%	6.030%
Fair value hedge (£'000)		-	-	£9,961
	3-month Euribor			
Pays floating interest	+	0.32%	0.48%	0.90%
Receives fixed interest		-	-	6.540%
Exchange rate		0.6145	0.6145	0.6145

The total amount of interest paid and interest received is €17.0 million to June 2007 (June 2006: €14.8 million).

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25 FINANCIAL INSTRUMENTS (continued)

		<u>Pan-European Industrial Properties</u>		
		<u>Series III S.A.</u>		
<u>Issuer:</u>				
Starting date		February 2003		
Maturity date		May 2013		
Interest payment		Quarterly		
<u>Swap counter-party:</u>	<u>ABN Amro</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Cash flows hedged		€42,830	€4,901	€6,393
Pays floating interest	3-month Euribor	-	-	-
Receives fixed interest		4.228%	4.358%	4.728%
Fair value hedge (£'000)		£17,533	£2,352	£3,068
	3-month Euribor			
Pays floating interest	+	0.35%	0.48%	0.85%
Receives fixed interest		4.950%	5.075%	5.445%
Exchange rate		0.6317	0.6317	0.6317
<u>Swap counter-party:</u>	<u>JPMorgan</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Cash flows hedged	<u>Chase</u>	€42,830	€4,901	€6,393
Pays floating interest	3-month Euribor	-	-	-
Receives fixed interest		4.228%	4.358%	4.728%
Fair value hedge (£'000)		£20,559	£2,353	£3,068
	3-month Euribor			
Pays floating interest	+	0.35%	0.48%	0.85%
Receives fixed interest		4.950%	5.075%	5.445%
Exchange rate		0.6317	0.6317	0.6317

The total amount of interest paid and interest received is €8.1 million to June 2007 (June 2006: €6.8 million)

Swap Agreements

		<u>Pan-European Industrial Properties</u>		
		<u>Series IV S.A.</u>		
		<u>(Compartment 1)</u>		
<u>Issuer:</u>				
Starting date		March 2005		
Maturity date		May 2013		
Interest payment		Quarterly		
<u>Swap counter-party:</u>	<u>ABN Amro</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Cash flows hedged		€141,653	€13,451	€8,407
Pays floating interest	3-month Euribor	—	—	—
Receives fixed interest		3.285%	3.325%	3.445%
Fair value hedge (£'000)		£18,557	£1,762	£1,101
	3-month Euribor			
Pays floating interest	+	0.14%	0.18%	0.30%
Receives fixed interest		5.093%	5.133%	5.263%
Exchange rate		0.6912	0.6912	0.6912

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25 FINANCIAL INSTRUMENTS (continued)

<u>Swap counter-party:</u>	<u>Bank of America</u>	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>
Cash flows hedged		€141,653	€13,451	€8,407
Pays floating interest	3-month Euribor	—	—	—
Receives fixed interest		3.285%	3.325%	3.445%
Fair value hedge (£'000)		£18,557	£1,762	£1,101
	3-month Euribor			
Pays floating interest	+	0.14%	0.18%	0.30%
Receives fixed interest		5.093%	5.133%	5.263%
Exchange rate		0.6912	0.6912	0.6912

The total amount of interest paid and interest received is €14.7 million to June 2007 (June 2006: €12.0 million).

<u>Issuer:</u>	<u>France Industrial Properties No.1 S.A.</u>
Starting date	April 2002
Maturity date	April 2012
Interest payment	Quarterly

<u>Swap counter-party:</u>	<u>Société Générale</u>	<u>Class A</u>	<u>Class B</u>
Cash flows hedged		€115,000	€29,000
	3-month Euribor		
Pays floating interest	+	0.38%	0.90%
Receives fixed interest	5.205% +	0.38%	0.90%

The total amount of interest paid and interest received is €6.2 million for June 2007 (June 2006: €6.2 million).

Fair value of hedging instruments

	<u>June 2007</u>	<u>December 2006</u>
Balance at the beginning of the period	<u>27,776</u>	<u>(11,500)</u>
Movement in fair value of existing hedges	13,342	39,371
Fair value of hedges acquired during the year	-	-
Fair value of hedges terminated during the year	<u>4</u>	<u>(95)</u>
Net variation during the period	<u>13,346</u>	<u>39,276</u>
Balance at the end of the period	<u>41,122</u>	<u>27,776</u>
Positive hedge values	47,665	38,087
Negative hedge values	<u>(6,543)</u>	<u>(10,311)</u>
	<u>41,122</u>	<u>27,776</u>

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26 LIST OF CONSOLIDATED ENTITIES

Companies Incorporated in Luxembourg:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis European Holdings S.à r.l.	ProLogis France XX S.à r.l.
ProLogis European Holdings II S.à r.l.	ProLogis France XXI S.à r.l.
ProLogis European Holdings IV S.à r.l.	ProLogis France XXII Sarl
ProLogis European Holdings V S.à r.l.	ProLogis France XXIII S.à r.l.
ProLogis European Holdings VI S.à r.l.	ProLogis France XXIV S.à r.l.
ProLogis European Holdings VII S.à r.l.	ProLogis France XXV S.à r.l.
ProLogis European Holdings VIII S.à r.l.	ProLogis France XXVI S.à r.l.
ProLogis European Holdings IX S.à r.l.	ProLogis France XXVII S.à r.l.
ProLogis European Finance S.à r.l.	ProLogis France XXVIII S.à r.l.
ProLogis European Finance II S.à r.l.	ProLogis France XXIX S.à r.l.
ProLogis European Finance III S.à r.l.	ProLogis France XXX S.à r.l.
ProLogis European Finance IV S.à r.l.	ProLogis France XXXI S.à r.l.
ProLogis European Finance V S.à r.l.	ProLogis France XXXIV S.à r.l.
ProLogis European Finance VI S.à r.l.	ProLogis France XXXV S.à r.l.
ProLogis European Finance VII S.à r.l.	ProLogis France XXXVI S.à r.l.
ProLogis European Finance VIII S.à r.l.	ProLogis France XXXVII S.à r.l.
ProLogis European Finance IX S.à r.l.	ProLogis France XXXVIII S.à r.l.
ProLogis Belgium S.à r.l.	ProLogis France XXXIX S.à r.l.
ProLogis Belgium II S.à r.l.	ProLogis France XL S.à r.l.
ProLogis Belgium VIII Sarl	ProLogis France XLI S.à r.l.
ProLogis Belgium V Sarl	ProLogis France XLIII S.à r.l.
ProLogis Belgium VI Sarl	ProLogis France XLIV S.à r.l.
ProLogis Czech Republic S.à r.l.	ProLogis France XLV S.à r.l.
ProLogis Czech Republic II S.à r.l.	ProLogis France XLVII S.à r.l.
ProLogis Czech Republic III S.à r.l.	ProLogis France XLVIII S.à r.l.
ProLogis Czech Republic IV S.à r.l.	ProLogis France XLIX S.à r.l.
ProLogis Czech Republic VII S.à r.l.	ProLogis France LII Sarl
ProLogis Czech Republic X Sarl	ProLogis France LIII Sarl
ProLogis Czech Republic XI Sarl	ProLogis France LVII S.à r.l.
ProLogis Czech Republic XII Sarl	PLD Germany V S.à r.l.
ProLogis Czech Republic XIII S.à r.l.	PLD Germany VII S.à r.l.
ProLogis France S.à r.l.	ProLogis Germany S.à r.l.
ProLogis France I S.à r.l.	ProLogis Germany II Sarl
ProLogis France II S.à r.l.	ProLogis Germany III S.à r.l.
ProLogis France III S.à r.l.	ProLogis Germany IV S.à r.l.
ProLogis France IV S.à r.l.	ProLogis Germany XIX S.à r.l.
ProLogis France V S.à r.l.	ProLogis Germany XV S.à r.l.
ProLogis France VI S.à r.l.	ProLogis Germany XVII S.à r.l.
ProLogis France VII S.à r.l.	ProLogis Italy III S.à r.l.
ProLogis France IX S.à r.l.	ProLogis Italy V S.à r.l.
ProLogis France X S.à r.l.	ProLogis Italy IX S.à r.l.
ProLogis France XI S.à r.l.	ProLogis Italy XIV S.à r.l.
ProLogis France XIII S.à r.l.	ProLogis Italy XXV S.à r.l.
ProLogis France XIV S.à r.l.	ProLogis Netherlands S.à r.l.
ProLogis France XV S.à r.l.	ProLogis Netherlands I S.à r.l.
ProLogis France XVI S.à r.l.	ProLogis Netherlands II S.à r.l.
ProLogis France XVII S.à r.l.	ProLogis Netherlands IIa S.à r.l.
ProLogis France XVIII S.à r.l.	ProLogis Netherlands III S.à r.l.
ProLogis France XIX S.à r.l.	ProLogis Netherlands IV S.à r.l.

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26 LIST OF CONSOLIDATED ENTITIES (continued)

Companies Incorporated in Luxembourg:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Netherlands V S.à r.l.	ProLogis Spain VII S.à r.l.
ProLogis Netherlands VI S.à r.l.	ProLogis Spain VIII S.à r.l.
ProLogis Netherlands VII S.à r.l.	ProLogis Spain IX S.à r.l.
ProLogis Netherlands VIII S.à r.l.	ProLogis Spain X S.à r.l.
ProLogis Netherlands IX S.à r.l.	ProLogis Spain XI S.à r.l.
ProLogis Netherlands X S.à r.l.	ProLogis Spain XII S.à r.l.
ProLogis Netherlands XI S.à r.l.	ProLogis UK II S.à r.l.
ProLogis Netherlands XII S.à r.l.	ProLogis UK III S.à r.l.
ProLogis Netherlands XIII S.à r.l.	ProLogis UK IV S.à r.l.
ProLogis Netherlands XIV S.à r.l.	ProLogis UK IX S.à r.l.
ProLogis Netherlands XV S.à r.l.	ProLogis UK X S.à r.l.
ProLogis Netherlands XVI S.à r.l.	ProLogis UK XI S.à r.l.
ProLogis Netherlands XVII S.à r.l.	ProLogis UK XIV S.à r.l.
ProLogis Netherlands XVIII S.à r.l.	ProLogis UK XV S.à r.l.
ProLogis Netherlands XIX S.à r.l.	ProLogis UK XVI S.à r.l.
ProLogis Netherlands XX S.à r.l.	ProLogis UK XVII S.à r.l.
ProLogis Netherlands XXI S.à r.l.	ProLogis UK XVIII S.à r.l.
ProLogis Netherlands XXII S.à r.l.	ProLogis UK XXII S.à r.l.
ProLogis Netherlands XXXI S.à r.l.	ProLogis UK XXIV S.à r.l.
ProLogis Poland S.à r.l.	ProLogis UK XXVI S.à r.l.
ProLogis Poland II S.à r.l.	ProLogis UK XXVIII S.à r.l.
ProLogis Poland III S.à r.l.	ProLogis UK XXXIV S.à r.l.
ProLogis Poland IV S.à r.l.	ProLogis UK XXXV S.à r.l.
ProLogis Poland V S.à r.l.	ProLogis UK XXXVII S.à r.l.
ProLogis Poland VI S.à r.l.	ProLogis UK XL S.à r.l.
ProLogis Poland VIII S.à r.l.	ProLogis UK XLI S.à r.l.
ProLogis Poland X S.à r.l.	ProLogis UK XLIV S.à r.l.
ProLogis Poland XI S.à r.l.	ProLogis UK XLV S.à r.l.
ProLogis Poland XVI S.à r.l.	ProLogis UK XLVI S.à r.l.
ProLogis Poland XIII S.à r.l.	ProLogis UK XLVII S.à r.l.
ProLogis Poland XIV S.à r.l.	ProLogis UK XLIX S.à r.l.
ProLogis Poland XV S.à r.l.	ProLogis UK LV S.à r.l.
ProLogis Poland XVII S.à r.l.	ProLogis UK LVII S.à r.l.
ProLogis Poland XX S.à r.l.	ProLogis UK LXI S.à r.l.
ProLogis Poland XXII S.à r.l.	ProLogis UK LXII S.à r.l.
ProLogis Poland XXVIII Sarl	ProLogis UK LXIV S.à r.l.
ProLogis Poland XXIX S.à r.l.	ProLogis UK LXXI S.à r.l.
ProLogis Poland XXXIV S.à r.l.	ProLogis UK LXXIV S.à r.l.
ProLogis Poland XLVIII S.à r.l.	ProLogis UK LXXIX S.à r.l.
ProLogis Realty I S.à r.l.	ProLogis UK LXXX S.à r.l.
ProLogis S.à r.l.	ProLogis UK LXXXI S.à r.l.
ProLogis Spain S.à r.l.	ProLogis UK LXXXII S.à r.l.
ProLogis Spain II Sarl	ProLogis UK LXXXIII S.à r.l.
ProLogis Spain III S.à r.l.	ProLogis UK XC S.à r.l.
ProLogis Spain IV S.à r.l.	ProLogis UK CC S.à r.l.
ProLogis Spain V S.à r.l.	ProLogis UK CCI S.à r.l.
ProLogis Spain VI S.à r.l.	

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26 LIST OF CONSOLIDATED ENTITIES (continued)

Companies Incorporated in the United Kingdom:

(Unless otherwise stated, all companies 100% owned by the fund)

1&2 Buncefield Lane (No.1) Limited	Interlink Park Management Company
1&2 Buncefield Lane (No. 2) Limited	ProLogis Apex Park DC 3 (No.1) Limited
Beddington Lane Unit C (No.1) Limited	ProLogis Apex Park DC 3 (No.2) Limited
Beddington Lane Unit C (No.2) Limited	ProLogis (Basingstoke Unit D) Limited
ProLogis Corby Limited	ProLogis Marston Gate Plot 1 (No.1) Limited
ProLogis Grange Park Plot 6 Zone A (No.1) Limited	ProLogis Marston Gate Plot 1 (No.2) Limited
ProLogis Grange Park Plot 6 Zone A (No.2) Limited	ProLogis Marston Gate Plot 3 (No.1) Limited
ProLogis Grange Park Plot 6 Zone A (No.3) Limited	ProLogis Marston Gate Plot 3 (No.2) Limited
ProLogis Grange Park Zone A Unit 4 (1) Limited	ProLogis (Plot 1200 Central Park Rugby No.1) Limited
ProLogis Grange Park Zone A Unit 4 (2) Limited	ProLogis (Plot 1200 Central Park Rugby No.2) Limited
ProLogis Keresley Limited	ProLogis Wakefield Limited
ProLogis Kettering (Number I) Limited	

Companies Incorporated in France:

(Unless otherwise stated, all companies 100% owned by the fund)

Angeloir S.à r.l.	ProLogis France XV Eurl
Artoilog S.à r.l.	ProLogis France XVI Eurl
Bre Francilienne 2 S.à r.l.	ProLogis France XVII Eurl
Bre Francilienne Compans S.à r.l.	ProLogis France XVIII Eurl
Bre Francilienne S.à r.l.	ProLogis France XX Eurl
Bre Orbium S.à r.l.	ProLogis France XXI Eurl
Chesnes Nord	ProLogis France XXII Eurl
Garonor SAS	ProLogis France XXIII Eurl
ProLogis France I Eurl	ProLogis France XXIV Eurl
ProLogis France II Eurl	ProLogis France XXV Eurl
ProLogis France II SAS	ProLogis France XXVI Eurl
ProLogis France III Eurl	ProLogis France XXVII Eurl
ProLogis France III SAS	ProLogis France XXX Eurl
ProLogis France IV Eurl	ProLogis France XXXI Eurl
ProLogis France LII Eurl	ProLogis France XXXIII Eurl
ProLogis France LIII Eurl	ProLogis France XXXIV Eurl
ProLogis France LVII Eurl	ProLogis France XXXIX Eurl
ProLogis France LVII Eurl	ProLogis France XXXV Eurl
ProLogis France VI Eurl	ProLogis France XXXVI Eurl
ProLogis France VII Eurl	ProLogis France XXXVII Eurl
ProLogis France VIII Eurl	SCI Carrefour de l'Europe
ProLogis France XI Eurl	SCI Copernic
ProLogis France XII Eurl	SCI Crépy Paris Nord
ProLogis France XIII Eurl	SCI Croisée des Autoroutes Lorraines
ProLogis France XIV Eurl	SCI d'Ormes
ProLogis France XIX Eurl	SCI Ile de France

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26 LIST OF CONSOLIDATED ENTITIES (continued)

Companies Incorporated in France:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis France XL Eurl	SCI Le Parc
ProLogis France XLI Eurl	SCI Magasins Généraux de Vitrolles
ProLogis France XLIII Eurl	SCI Plessis Pate
ProLogis France XLIV Eurl	SCI Plessis Pate 2
ProLogis France XLIX Eurl	SNC Aulnay Extension Ouest
ProLogis France XLV Eurl	SNC Melun 7
ProLogis France XLVII Eurl	Sofinvest S.à r.l.
ProLogis France XLVIII Eurl	

Companies Incorporated in Spain:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Spain I SL	ProLogis Spain VIII SL
ProLogis Spain II SL	ProLogis Spain IX SL
ProLogis Spain III SL	ProLogis Spain X SL
ProLogis Spain IV SL	ProLogis Spain XI SL
ProLogis Spain V SL	ProLogis Spain XII SL
ProLogis Spain VI SL	ProLogis Spain XIII SL
ProLogis Spain VII SL	ProLogis Central European Finance S.L.

Companies Incorporated in Italy:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Italy Ia Srl	ProLogis Italy VI 2 Srl
ProLogis Italy Ib Srl	ProLogis Italy VII Srl
ProLogis Italy Ic Srl	ProLogis Italy VIIb Srl
ProLogis Italy Id Srl	ProLogis Italy IX Srl
ProLogis Italy II Srl	ProLogis Italy IX a Srl
ProLogis Italy VIa Srl	ProLogis Italy X Srl
ProLogis Italy VI 1 Srl	ProLogis Italy XXV Srl

Companies Incorporated in the The Netherlands:

(Unless otherwise stated, all companies 100% owned by the fund)

PLD Germany V BV (94.8%)	ProLogis Germany XXIII BV (94.4%)
PLD Germany VII BV (94.8%)	Prologis Germany XXIX BV (94.4%)
ProLogis Finance BV	ProLogis Germany XXV BV (94.4%)
ProLogis Germany II BV (94.8%)	ProLogis Germany XXVI BV (94.4%)
ProLogis Germany III BV	ProLogis Germany XXVII BV (94.4%)
ProLogis Germany IV BV	ProLogis Germany XXVIII BV (94.4%)
ProLogis Germany XII BV (94.8%)	ProLogis Germany XXXI BV (94.4%)
ProLogis Germany XIX BV	ProLogis Germany XXXIII BV (94.4%)
ProLogis Germany XLI BV (94.4%)	ProLogis Germany XXXIX BV (94.4%)
ProLogis Germany XLIII BV (94.4%)	ProLogis Germany XXXV BV (94.4%)
ProLogis Germany XLVI BV (94.4%)	ProLogis Germany XXXVI BV (94.4%)
ProLogis Germany XV BV (94.8%)	ProLogis Poland Finance BV
ProLogis Germany XVII BV (94.4%)	ProLogis Realty I BV
ProLogis Germany XXI BV (94.4%)	ProLogis Realty II BV
ProLogis Germany XXII BV (94.4%)	

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26 LIST OF CONSOLIDATED ENTITIES (continued)

Companies Incorporated in Germany:

(Unless otherwise stated, all companies 100% owned by the fund)

Garonor Deutschland GmbH
Garonor Verwaltung GmbH

Garonor Verwaltung GmbH & Köln Eifeltor KG

Companies Incorporated in Belgium:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Belgium I Sprl
ProLogis Belgium II Sprl
ProLogis Belgium V Sprl

ProLogis Belgium VI Sprl
ProLogis Belgium VIII Sprl

Companies Incorporated in Sweden:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Sweden I AB
ProLogis Sweden Gothenburg AB
ProLogis Holding AB

ProLogis Sweden Nörrköping AB
ProLogis Sweden Örebro AB

Companies Incorporated in Poland:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Poland I Spzoo
ProLogis Poland II Spzoo
ProLogis Poland III Spzoo
ProLogis Poland IV Spzoo
ProLogis Poland V Spzoo
ProLogis Poland VI Spzoo
ProLogis Poland VIII Spzoo
ProLogis Poland X Spzoo
ProLogis Poland XI Spzoo
ProLogis Poland XIII Spzoo
ProLogis Poland XIV Spzoo
ProLogis Poland XV Sp zoo
ProLogis Poland XVI Spzoo

ProLogis Poland XVII Spzoo
ProLogis Poland XX Spzoo
ProLogis Poland XXII Spzoo
ProLogis Poland XXVIII Spzoo
ProLogis Poland XXIX Spzoo
ProLogis Poland XXXIV Spzoo
ProLogis Poland XLVIII Spzoo
ProLogis Poland XXXV Spzoo
ProLogis Poland XXXVI Spzoo
ProLogis Poland XXXVII Spzoo
ProLogis Poland XXXVIII Spzoo
ProLogis Poland XXXIX Spzoo

Companies Incorporated in Czech Republic:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Czech Republic II Sro
ProLogis Czech Republic III Sro
ProLogis Czech Republic IV Sro
ProLogis Czech Republic VII Sro
ProLogis Czech Rep. X Sro (99%)

ProLogis Czech Rep. XI Sro (99%)
ProLogis Czech XII Sro (99%)
ProLogis Czech Republic XIV Sro
ProLogis Czech Republic XIII Sro

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26 LIST OF CONSOLIDATED ENTITIES (continued)

Companies Incorporated in Hungary:

(Unless otherwise stated, all companies 100% owned by the fund)

ProLogis Hungary Kft	ProLogis Hungary THREE Epitesi es Beruhazasi Kft
Harbor Park Ingatlanmukodteto Kft (55.665%)	ProLogis Hungary TEN Kft
Harbor Park Ingatlanfejleszto Kft	ProLogis Hungary Finance Kft
ProLogis Hungary TWO Epitesi es Beruhazasi Kft	ProLogis Italian Finance Kft
Mobilporfolio Kft	ProLogis Finance Kft
Wingprojekt 2 Kft	

Other Special Purpose entities relating to financing:

Operated by Equity Trust Company (Luxembourg) S.A.:

<u>Company name</u>	<u>Country of incorporation</u>
Pan-European Industrial Properties Series I S.A	Luxembourg
Pan-European Industrial Properties Series II S.A	Luxembourg
Pan-European Industrial Properties Series III S.A	Luxembourg
Pan-European Industrial Properties Series IV S.A. (Compartment 1)	Luxembourg
France Industrial Properties No. 1 S.A.	Luxembourg

REGISTERED OFFICE:

46A, Avenue J. F. Kennedy
 L-1855 Luxembourg

Operated by Mercuria Services S.A.:

<u>Company name</u>	<u>Country of incorporation</u>
Alzette Funding No. 1 S.à r.l.	Luxembourg

REGISTERED OFFICE:

8-10, rue Mathias Hardt
 L-1717 Luxembourg

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27 SUBSEQUENT EVENTS

Full repayment of France Industrial Properties No. 1 S.A. and Pan European Industrial Properties Series I SA Loan

On 16 July 2007, PEPR fully redeemed all the notes issued in these companies, namely €144.0 million outstanding under *France Industrial Properties No. 1 S.A. 2012* and €200.6 million outstanding under *Pan European Industrial Properties Series I S.A. 2011*. The redemption notices for both notes were sent to relevant Noteholders on 12 June 2007. Financing was arranged with proceeds from a new short-term €400 million bridging loan facility, available until June 2008, at a cost of Euribor plus 55 basis points.

27 SUBSEQUENT EVENTS (continued)

Sale of portfolio of Garonor assets in France

On 31 July 2007, PEPR completed the disposal of a portfolio of non-core assets in France for €425 million. The portfolio covers some 556,000 square metres and is situated in three locations in the Paris region and one at Vitrolles, outside Marseille. The portfolio was marketed for sale as the buildings' average age, size and localised customer base were not consistent with rest of the PEPR portfolio and our core customers. The sale of these assets will have an approximate €10 million impact on rental income for the remainder of 2007. The net proceeds from the sale were used to pay down debt and provide capital for reinvestment.