

Six month update 2007



Blois, France



Bergen op Zoom, The Netherlands



Milton Keynes, UK



Budapest, Hungary

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Welcome to ProLogis European Properties

ProLogis European Properties, or PEPR, is Europe's largest owner of large, modern distribution facilities, with 100% of its buildings in the industrial real estate sector.

At the end of June 2007, PEPR's real estate portfolio comprised 293 distribution facilities, independently valued at €4.5 billion and covering 5.8 million square metres of leasable space in 11 European countries.

PEPR was established in 1999 as a real estate investment fund, externally managed by a subsidiary of ProLogis (NYSE: PLD). In September 2006, PEPR was listed on the Euronext Amsterdam.



Our state-of-the-art facilities incorporate industry-leading features and design technologies, including high clear heights, superflat floors, a large number of docking bays, high dock-door ratios and extensive truck courts.

Customers are at the heart of our business. We believe the geographic diversity of our high quality portfolio combined with extensive local knowledge of each of our markets and our vast network of relationships helps our customers to streamline their operations and increase efficiency and profitability.

Performance highlights

The quality of our pan-European portfolio and our active portfolio management strategy underpinned strong financial and operating performance for the half year.

Activity highlights

Highlights for the six months to and as at 30 June 2007 include:

€86.5m

of distributable cash flow, providing €0.45 distribution per unit

€2.5bn

adjusted net asset value, a 4.1% increase for the half year

96.4%

occupancy in a modern, well-diversified portfolio

11.1%

increase in adjusted earnings to €81.6m

€220m

acquisitions of 15 modern, fully-let distribution facilities

332,300m²

of lease transactions, demonstrating strong operating performance

Performance in brief

This table shows a snapshot of ProLogis European Properties' financial performance for the half year to 30 June 2007.

The full financial statements are available online at www.prologis-ep.com or by calling +352 2620 5740

	6 months to 30 June 2007	6 months to 30 June 2006
Total revenue	€166.5m	€144.6m
Gross profit	€151.7m	€130.6m
Adjusted net earnings ¹	€81.6m	€73.4m
Distributable cash flow	€86.5m	€76.6m
Distribution per unit	€0.45	€0.46

¹PEPR's measure of underlying earnings is calculated as IFRS post-tax profit excluding the impact of portfolio revaluations and associated tax effects, results of property disposals and non-recurring events.

	As at 30 June 2007	As at 31 December 2006
Total portfolio book value	€4.5bn	€4.2bn
Gross portfolio yield	7.2%	7.3%
Adjusted NAV per unit ²	€14.41	€13.97
Outstanding debt	€2.1bn	€2.0bn
Gearing ratio	45.0%	44.7%
Market capitalisation	€2.5bn	n/a

²Adjusted net asset value per unit excludes deferred tax arising on revaluation movements and purchasers' costs.

Business review

Strong financial and operating result for the first six months of 2007 reflect our continued focus on top quality distribution facilities in the key logistics markets across Europe.



Robert J Watson
Chief Executive Officer

“Our business philosophy is to continue to be a leader in the pan-European distribution facilities sector. To achieve this, we actively manage our state-of-the-art portfolio by building critical mass in strategic locations, delivering excellent customer service and concentrating on proactive leasing. Further growth for our business will mainly come through investment in ProLogis private equity funds, extending our unique relationship with ProLogis through continued, indirect investment in a modern, high-quality pan-European logistics platform.

“We have accomplished many things to date in 2007. We delivered a 3.5% increase in adjusted NAV, an 11.1% increase in adjusted earnings, distributed €0.45 per unit, acquired over €220 million of assets directly and were assigned an A3 investment grade rating from Moody’s. Since the end of June, we have recycled €397 million of capital through the Garonor portfolio sale and have agreed to invest alongside many world-class institutional investors in *ProLogis European Properties Fund II*, thereby growing our pan-European platform.”

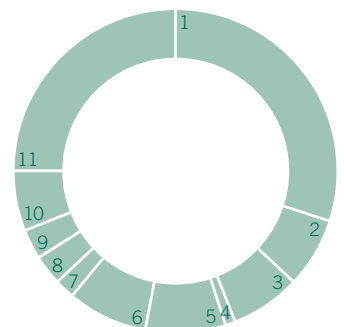
Financial performance

Our 3.5% increase in adjusted NAV to €2.5 billion, reflects the 3.9% uplift in the valuation of 50% of our portfolio over the half year and demonstrates the strength of our high quality platform. During the half year, total portfolio value increased by €299 million, or 7.0%, to €4.5 billion. The gross yield¹ of the portfolio at 30 June 2007 decreased marginally to 7.2% (6.9% net yield²) from 7.3% at the end of 2006 (6.9% net yield).

Geographic diversity region

(based on open market value as at 30 June 2007)

1 France	30%
2 Italy	7%
3 Spain	7%
4 Belgium	1%
5 Germany	8%
6 Netherlands	8%
7 Sweden	2%
8 Czech Republic	3%
9 Hungary	3%
10 Poland	6%
11 UK	25%



¹Annualised rental income expressed as a percentage of net open market value i.e. after deduction of purchasers' costs.

²Annualised rental income expressed as a percentage of gross open market value i.e. before deduction of purchasers' costs.



During the half year we redeveloped two Italian facilities at ProLogis Park Lodi for CEVA Logistics, adding 11,100m² and extended our Blois distribution centre in France by 11,000m² at the request of Redcats.

Rental income and other property income for the six months to 30 June 2007 grew by 15.1% to €166.5 million compared to the same period last year. The key drivers behind this performance have been exemplary leasing results, with over 332,000 square metres of transactions concluded in the first six months of 2007 and the net addition of 12 properties since the end of June 2006.

Net debt at the end of June was €2.1 billion, a €0.1 billion increase since the end of 2006, resulting in gross indebtedness as a percentage of gross property value of 45.0%, compared to 44.7% at the end of 2006. Based on June 2007 balance sheet strength, we have the capacity to borrow a further €700 million to finance future investments. The weighted average interest rate for half year 2007 was 4.9% compared to 4.6% for the half year 2006, reflecting the increase in euro and sterling interest rates.

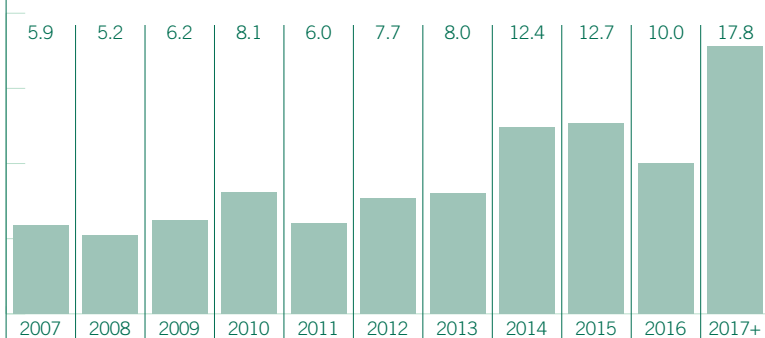
The double-digit increase in adjusted earnings, our preferred measure of underlying performance, enabled us to continue to deliver increasing quarterly distributions, with a €0.23 per unit distribution for the second quarter, a 4.8% increase over the first quarter. This, together with the first quarter distribution, implies an annualised dividend yield of 7.0%, based on the 29 June 2007 closing price of €12.95.

Recent portfolio transactions leave PEPR well positioned strategically

The first six months of 2007 proved to be a very active period for the business, where we continued to successfully deliver on our strategy of active portfolio management and focus on maintaining virtually full portfolio occupancy. PEPR acquired 15 modern distribution centres, covering over 320,000 square metres, in six countries for €220 million, completed over 332,000 square metres of leasing transactions and extended two of our facilities at the request of our customers. This activity took PEPR's total portfolio at the end of June 2007 to 293 assets, covering 5.8 million square metres, in 11 European countries and portfolio occupancy to an enviable 96.4%.

Lease expiry

(based on % of annualised rental income expiring)





In July 2007, we sold a portfolio of assets in France to Foncière Europe Logistique. As a result of this transaction our portfolio on France increased its average building size from 19,600m² to 25,700m², improved its occupancy from 94.3% to 97.4% and decreased in average age from 10.6 to 5.9 years.

The portfolio sale in France, for €425 million, provided a significant premium over book value, enabling us to recycle capital into more accretive investments.

Since the end of June, we have completed the sale of a portfolio of buildings in France, covering 556,000 square metres, for €425 million (gross proceeds), providing a significant premium over current book value. These buildings were marketed for sale as their age, average building size and localised customer base were not consistent with the rest of the PEPR portfolio and our core customers.

These transactions not only ensure we continue to drive returns from our portfolio, by serving our world-class customers effectively, but also enable us to recycle capital into more accretive investments such as *ProLogis European Properties Fund II*. These developments in PEPR's business leave us very well placed to take advantage of market trends in the European logistics real estate market over the medium term.

Financing strategy

Our financing strategy has predominately been to utilise commercial mortgage-backed securities ("CMBS") transactions to raise debt and to hedge interest rate exposure by swapping floating rate interest payments to fixed rate obligations. In May 2007 we were assigned an A3 investment grade rating with stable outlook by Moody's Investors Service. This rating has enabled us to review our financing strategy and explore the flexibility offered through the unsecured debt market and provides the potential to more effectively utilise the credit strength inherent in our portfolio.

Since the end of June 2007, we repaid €317.5 million of debt using proceeds from the portfolio sale in France and paid out €44.3 million as Q2 distributions. Additionally, we borrowed €344.6 million under a new bridge facility to redeem an equivalent amount of CMBS debt issued in 2001 and 2002. Following this activity, we have outstanding debt of some €1.9 billion, of which 49% is at fixed rates with an average term to maturity of over 5 years. The €418.0 million capacity in our existing facilities is sufficient to cover our financing needs in the medium term. Given current volatility in the debt market, we will continue to review our long-term financing options, exploring both the CMBS market as well as the unsecured debt market.

We expect our investment in ProLogis' new private equity fund will provide a 6.5% to 7% income return per annum and that our initial investment will be earnings accretive in 2007.

Future growth through investment in private equity fund

Since the end of the half year, PEPR has agreed to invest €900 million over the next three years in a new private equity fund, *ProLogis European Properties Fund II* (PEPF II), established by ProLogis in Europe. This transaction is part of the execution of our stated growth plan of investment in new ProLogis private equity funds and an extension of our unique relationship with ProLogis through continued, indirect investment in newly developed and fully let facilities. The investment in PEPF II will complement PEPR's existing state-of-the-art portfolio and expand our reach into new markets while growing our relationships with key customers. We expect an income return in the range of 6.5% to 7% per annum and that our initial investment will be earnings accretive in 2007.

PEPF II will have total capital of €6 billion to €7.5 billion, comprising some €3 billion of equity and 50–60% of targeted leverage. The fund will use this capital to invest in ProLogis' newly developed and stabilised properties in Europe over the next three years and may also acquire third-party buildings that meet the funds' criteria. The properties acquired by the fund will be consistent with PEPR's current high-quality portfolio. Indeed, we expect a number of assets to be adjacent to our directly owned facilities or within existing ProLogis Parks owned by PEPR. As such, they will complement our existing portfolio, increase our critical mass in target markets and we believe will therefore be accretive to overall results.

Supporting responsible investment

We are committed to being a socially responsible business and strive to continually improve the environmental performance of our portfolio. Climate change and building sustainability have become high priority issues across Europe, where we comply with both stricter regulations and with the environmental demands of our customers. These customers as well as an increasing number of socially responsible investors are emerging as a key force driving the sustainability movement.

ProLogis, our external manager, is a global leader in sustainable warehouse construction and is currently the only real estate company to have joined the Chicago Climate Exchange. Through their management of our direct portfolio and our investment in ProLogis developments, through PEPF II, we strive to be a European leader in environmental best practice in our industry.



We acquired Penedès DC1, south-west of Barcelona, from ProLogis in March 2007. The 26,756m² facility has solar panels installed on roof membrane and was the first in Spain to participate in the government-sponsored “solar farming” programme. The 105 kWp solar array is expected to generate 170,000 kWh of power annually, which will be sold back to the local utility at a premium to market rates.

ProLogis is the world's largest owner, manager and developer of distribution facilities with operations in 20 countries across North America, Europe and Asia.

Unique relationship with ProLogis, our external manager

ProLogis is the world's largest owner, manager and developer in the industrial property sector, with the extensive customer relationships, global perspective and highly experienced associates required to optimise portfolio performance. As at 30 June 2007, ProLogis had a team of some 350 locally managed associates across Europe. ProLogis uses its expertise, resources, customer relationships and local knowledge on our behalf to seek the best lease terms available in our markets and manage costs effectively.

The Board of PEPR is advised by ProLogis and makes independent investment decisions governed by our prime objective: to maximise value for its unitholders.

The outlook for European logistics real estate

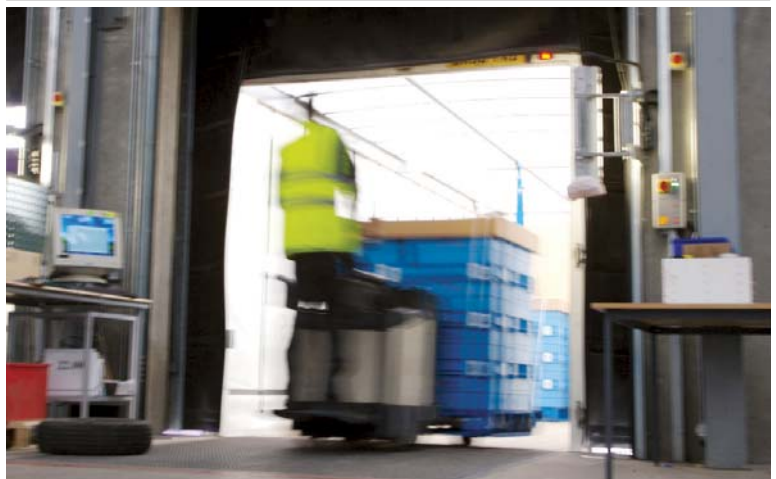
We remain encouraged by current market conditions, as the favourable economic climate in continental Europe, the enlargement of the EU, strong global trade growth, along with continuing efforts by our customers to build more efficient and cost effective supply chains, has led to continued demand for warehouse space in Europe.

As anticipated, our core markets have shown a slower rate of yield compression, with the exception of some Central European countries. As such, rental growth is expected to return, particularly in prime assets, as a result of the increase in land prices and construction costs over the past couple of years.

The first half of the year has seen us continue to build momentum across the business. Given the high quality of our portfolio, the experience of the ProLogis operations team and solid market dynamics, we are confident we can maintain a high level of portfolio occupancy and thereby grow portfolio income. In addition, we are confident in our ability to grow the business through our investment in *ProLogis European Properties Fund II*.

Communicating with investors

We are committed to maintaining a two-way dialogue with existing and potential investors and have a proactive approach to our relationships with them. Our management liaises with investors via one-to-one meetings, industry conferences, written communications and our website.



ProLogis, our external manager, has delivered exemplary leasing results during the first half of the year, utilising strong customer relationships, local market expertise and our pan-European platform to produce an overall portfolio occupancy level of 96.4%.

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