



**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The Ordinary Units and the Preferred Units of ProLogis European Properties are listed and traded on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. and admitted to listing on the Official List and trading on the regulated market of the Luxembourg Stock Exchange

Ordinary Units

ISIN: LU0100194785

Common Code: 010019478

Euronext Amsterdam Symbol: PEPR

Preferred Units

ISIN: LU0467842786

Euronext Amsterdam Symbol: PEPRC

www.prologis-ep.com

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PROLOGIS EUROPEAN PROPERTIES INTERIM CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

This management report highlights the financial and operational performance of ProLogis European Properties FCP ('PEPR') during the half year ended 30 June 2010.

Highlights

- 0.3% increase in the portfolio value since 31 December 2009 resulting from a valuation decrease of 1.1% more than offset by an improvement in foreign exchange rates
- EPRA¹ net asset value per ordinary unit up by 2.0% to €6.27 since 31 December 2009, reflecting stabilising portfolio values and a further half year of retained earnings
- IFRS net asset value per ordinary unit up to €5.99 from €5.97 at 31 December 2009
- Maintained high level of portfolio occupancy at 93.7%, comfortably above the market average
- Further progress on refinancing and deleveraging initiatives, with no significant debt maturities until December 2012
- EPRA earnings €0.21 per ordinary unit (HY 2009: €0.32 per ordinary unit)
- IFRS earnings €0.04 per ordinary unit (HY 2009: €1.24 loss per ordinary unit)

Business review

PEPR has delivered solid operating performance and financial results during what continues to be a challenging market environment. These results are testament to the quality of PEPR's pan-European portfolio, established customer relationships and the expertise of its management teams.

The first half of the year was dominated by significant leasing activity as PEPR continues to prioritise portfolio occupancy as a key objective. 62 lease transactions covering 701,800 square metres were completed, resulting in sustained high occupancy levels at 93.7%, well above the industry average, whilst at the same time removing some of the risks surrounding future lease expiries, especially in weaker markets.

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

Despite these challenges, PEPR reported an increase in net asset value per ordinary unit to €6.27 per ordinary unit (31 December 2009: €6.15 per ordinary unit) due to the stabilisation of property values across the majority of markets, combined with the strengthening of sterling in the first half of the year and the continued retention of earnings. Interestingly, property values within all PEPR's markets moved within a tight band of plus or minus 2% since 31 December 2009, potentially signalling the trough of European portfolio values.

IFRS NAV per ordinary unit increased to €5.99 at 30 June 2010, compared to €5.97 at 31 December 2009, driven by continued retention of earnings and the positive impact of sterling's appreciation against the euro on the cumulative currency translation reserve. These are partially offset by the €3.2 million of preferred dividend distributions and increases in hedging provisions of €22.0 million as a flattening yield curve has resulted in PEPR's interest rate hedges being further out-of-the-money.

EPRA earnings of €0.21 per ordinary unit for the half year are broadly in line with expectations. However, the slowdown in the pace of recovery in Europe generally is expected to impact second half portfolio performance more than previously anticipated, accordingly full-year guidance for both EPRA earnings and distributable cash flow has been revised to between €0.40 and €0.44 per ordinary unit from between €0.45 and €0.50 per ordinary unit.

In December 2008, PEPR suspended future dividend payments as part of the business' strategic initiatives to improve liquidity and as a condition for a debt covenant amendment on PEPR's unsecured credit facility. Therefore distributable cash flow for ordinary unitholders for the six months to 30 June 2010 of €43.2 million, or €0.23 per unit, will be retained in the business and used to repay debt.

In October 2010 PEPR received approval from the bank syndicate on its senior unsecured credit facility to partially remove the restrictions on dividend payments. As a result, the decision over when to resume paying ordinary dividends is now in the hands of the business. Whilst PEPR intends to revert to paying ordinary dividends as soon as it is prudent to do so it intends to continue to retain distributable cash flow for the foreseeable future in order to further reduce debt levels to ensure a return to an investment grade credit rating.

On 30 July 2010 PEPR paid a preferred dividend distribution to holders of its Class A(1) convertible preferred units of €0.157392 per unit, relating to the period from 1 April 2010 to 30 June 2010.

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

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INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

Portfolio review

At the end of June 2010, the portfolio comprised 232 distribution facilities, covering 4.9 million square metres across 11 European countries. The portfolio risk profile remains attractive, with high occupancy of 93.7%, a diversified customer base, and on average 3.4 years to next lease break or 5.4 years to lease expiry.

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

Debt review

PEPR's financing structure utilises a mix of secured and unsecured debt sources, with all secured debt pledged against specific pools of assets with no recourse to another debt instrument or assets elsewhere in the business. At the end of June 2010, PEPR was in compliance with all financial covenants contained within its credit facilities.

Total outstanding debt as at 30 June 2010 was €1,594.5 million, a 2.7% decrease from €1,638.9 million at 31 December 2009 primarily due to the retention of €43.2 million of distributable cash flow. During the first half of 2010, PEPR repaid €393.0 million of unsecured debt and €90.6 million of Commercial Mortgage Backed Securities, utilising the receipt of €392.6 million of new secured financings and funds drawn under the €100 million revolving portion of the unsecured credit facility. As a result of this financing activity, PEPR's loan-to-value ratio improved to 53.3% from 55.0% at 31 December 2009.

In August 2010, PEPR finalised a new €50 million, three-year, unsecured revolving credit facility jointly arranged by Deutsche Bank AG, Morgan Stanley Senior Funding Inc. and The Royal Bank of Scotland N.V.. The facility has a €100 million increase possibility, subject to obtaining additional lender commitments. The new facility replaces the existing €100 million revolving credit facility, due to expire December 2010. As a result, subsequent to 30 June 2010, PEPR has no outstanding debt maturities prior to December 2012.

The weighted average interest rate for half-year 2010 increased to 5.4%, compared to 4.5% in half-year 2009, primarily due to the 175 basis point increase in the €500 million Eurobond coupon arising from the credit rating downgrade in June 2009. In addition, the secured financing facilities completed in Q4 2009 and Q1 2010 have higher average fixed interest rates than the debt they replaced and 2010 has a higher proportion of debt at fixed rates of interest. At 30 June 2010, 82.3% of debt was at fixed rates of interest.

Outlook

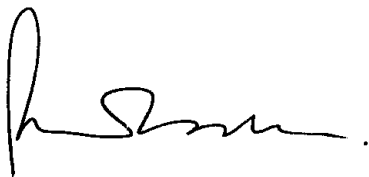
PEPR management has lowered EPRA earnings and distributable cash flow guidance for 2010 to between €0.40 and €0.44 per ordinary unit from between €0.45 and €0.50 per ordinary unit given the slowdown in the pace of improvement in market conditions. In addition, despite the significant strides made in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

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

Statement of responsibility

In accordance with article 4 (2) of the law of 10 January 2008 *relative aux obligations de transparence concernant l'information sur les émetteurs dont les valeurs mobilières sont admises à la négociation sur un marché réglementé* ProLogis Management S.à r.l., the management company of ProLogis European Properties ("PEPR"), hereby confirms that to the best of its knowledge the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of PEPR and the undertakings included in the consolidation as a whole.

Moreover, the undersigned declares that the Management Report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2010, together with a description of the principal risks and uncertainties for the remaining six months of the financial year as well as major related parties' transactions.



Peter Cassells
Chief executive officer
07 October 2010



David Doyle
Chief financial officer
07 October 2010

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

		30 June 2010 Unaudited €000	30 June 2009 Unaudited €000
	Notes		
Rental income		122,111	136,598
Other property income		2,962	287
Total revenue		125,073	136,885
Ground rents paid		(1,149)	(1,289)
Property management fees	7	(6,723)	(7,837)
Other property rental expenses		(6,220)	(3,220)
Cost of rental activities		(14,092)	(12,346)
Gross profit		110,981	124,539
Fund management fees	7	(2,241)	(2,591)
Fund custodian fees		(60)	(57)
Other fund expenses		(3,585)	(2,708)
Fund expenses		(5,886)	(5,356)
Investment and development property disposal proceeds		-	166,910
Carrying value of investment and development property and currency translation effect on disposal		-	(209,432)
Loss on disposal of investment and development property		-	(42,522)
Gross valuation gains on property		29,446	1,148
Gross valuation losses on property		(65,532)	(323,719)
Purchasers costs		(470)	15,958
Property fair value movements		(36,556)	(306,613)
Earnings/(losses) before net financial cost and tax		68,539	(229,952)
Finance income		196	2,244
Finance expense		(50,878)	(55,166)
Net profit/(loss) before tax		17,857	(282,874)
Benefit/(charge) for taxation	6	(5,960)	45,410
Net profit/(loss) for the period		11,897	(237,464)
Profit/(loss) for the period attributable to:			
Non-controlling interest		681	(699)
Unitholders		11,216	(236,765)
		11,897	(237,464)
		Euro	Euro
Profit/(loss) per unit			
Basic		0.04	(1.24)
Diluted		0.04	(1.24)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

	30 June 2010 Unaudited €000	30 June 2009 Unaudited €000
Notes	€000	€000
Net profit/(loss) for the period	11,897	(237,464)
Other comprehensive income/(loss)		
Exchange difference on translating foreign operations	17,083	25,595
Transfer of cumulative exchange difference on disposal of foreign operations	-	23,675
Net gain/(loss) on cash flow hedges	(21,993)	1,397
Non-controlling interest on disposed subsidiaries	(499)	-
Other comprehensive income/(loss) for the period	(5,409)	50,667
Total comprehensive income/(loss) for the period	6,488	(186,797)
Total comprehensive income/(loss) attributable to:		
Non-controlling interest	182	(699)
Unitholders	6,306	(186,098)
	6,488	(186,797)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

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

		30 June 2010	31 December 2009
		Unaudited	Audited
	Notes	€000	€000
Assets			
<i>Non-current assets</i>			
Investment in property as stated in consolidated statement of investment in properties		2,847,164	2,839,247
Property under construction		-	25
Hedging instruments	8	-	-
Deferred tax asset		11,130	10,381
		2,858,294	2,849,653
<i>Current assets</i>			
Accounts receivable, net		46,362	46,898
Other current assets		24,363	21,692
Cash and cash equivalents	4	32,756	64,530
		103,481	133,120
Total assets		2,961,775	2,982,773
Equity			
Ordinary capital		1,911,810	1,911,810
Preferred capital		61,070	61,070
Capital contributions		1,972,880	1,972,880
Costs of raising capital		(44,718)	(44,718)
Net capital contributed		1,928,162	1,928,162
Net retained losses		(584,148)	(592,137)
Cumulative foreign currency translation adjustment		(114,452)	(131,535)
Cash flow hedge valuation reserve		(27,680)	(5,687)
Equity attributable to Unitholders		1,201,882	1,198,803
Non-controlling interest in subsidiaries		2,448	2,266
Total equity		1,204,330	1,201,069
Liabilities			
<i>Non-current liabilities</i>			
Interest bearing notes and bank loans, net of current portion	5	1,534,586	1,157,847
Hedging instruments	8	27,680	4,826
Deferred tax liability	6	26,302	28,400
		1,588,568	1,191,073
<i>Current liabilities</i>			
Interest bearing notes and bank loans, current portion	5	28,775	460,853
Hedging instruments	8	-	1,487
Accounts payable		7,502	3,799
Due to related parties		528	6,095
Income and other taxes payable	6	19,000	22,845
Accrued expenses and other current liabilities		66,818	49,861
Deferred income		46,254	45,691
		168,877	590,631
Total liabilities		1,757,445	1,781,704
Total equity and liabilities		2,961,775	2,982,773

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

Changes in equity

	Capital contributions	Costs of raising capital	Net retained earnings/(losses)	Cumulative foreign currency translation adjustment	Cash flow hedge valuation reserve	Total equity attributable to Unitholders	Non-controlling interest	Total equity
	€000	€000	€000	€000	€000	€000	€000	€000
Balance as at 31 December 2008 (Audited)	1,911,810	(37,721)	(282,586)	(176,288)	(9,959)	1,405,256	5,589	1,410,845
Other comprehensive income	-	-	-	49,270	1,397	50,667	-	50,667
Loss for the period	-	-	(236,765)	-	-	(236,765)	(699)	(237,464)
Total comprehensive (loss) / income	-	-	(236,765)	49,270	1,397	(186,098)	(699)	(186,797)
Distributions for the period	-	-	-	-	-	-	-	-
Balance as at 30 June 2009 (Unaudited)	1,911,810	(37,721)	(519,351)	(127,018)	(8,562)	1,219,158	4,890	1,224,048
Balance as at 31 December 2009 (Audited)	1,972,880	(44,718)	(592,137)	(131,535)	(5,687)	1,198,803	2,266	1,201,069
Other comprehensive income/(loss)	-	-	-	17,083	(21,993)	(4,910)	(499)	(5,409)
Profit for the period	-	-	11,216	-	-	11,216	681	11,897
Total comprehensive income/(loss)	-	-	11,216	17,083	(21,993)	6,306	182	6,488
Distributions for the period	-	-	(3,227)	-	-	(3,227)	-	(3,227)
Balance as at 30 June 2010 (Unaudited)	1,972,880	(44,718)	(584,148)	(114,452)	(27,680)	1,201,882	2,448	1,204,330

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONSOLIDATED STATEMENT OF INVESTMENT IN PROPERTIES
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

	30 June 2010	31 December 2009
	Unaudited	Audited
	€000	€000
Historic cost		
Cost at the beginning of the period	3,058,985	3,244,724
Capital expenditure	1,909	2,951
Leasing commission	1,333	(160)
Rent levelling	912	(387)
Transfer of completed development from property under construction	-	109
Disposals	-	(222,407)
Effect of unrealised currency movements	53,854	34,155
Cost at the end of the period	3,116,993	3,058,985
Net unrealised gains related to property		
Net unrealised (losses) / gains at the beginning of the period	(219,738)	196,998
Gross valuation gains on investment in property during the period	29,446	6,949
Gross valuation losses on investment in property during the period	(65,532)	(476,344)
Adjustment for purchasers costs	(470)	23,618
Reversal of accumulated revaluation loss and purchasers cost on disposal	-	14,331
Effect of unrealised currency movements	(13,535)	14,710
Net unrealised losses at the end of the period	(269,829)	(219,738)
Fair value at the end of the period	2,847,164	2,839,247
Fair value of investment property		
Appraised gross property value at the end of the period	2,991,196	2,980,594
Purchasers costs	(144,032)	(141,347)
Fair value at the end of the period	2,847,164	2,839,247
Appraised market value as a percentage of net assets	236%	236%
Appraised net property value subject to security		
Secured Notes	-	208,085
Secured bank Loans	1,600,154	872,277
	1,600,154	1,080,362

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

	Notes	30 June 2010 Unaudited €000	30 June 2009 Unaudited €000
Net cash flow from operating activities		59,250	57,009
Cash flow from investing activities			
Investment in an associate		-	(38,000)
Distribution from an associate		-	6,168
Distribution from other financial assets available for sale		-	1,270
Capital expenditure and other expenditure on investment property		(3,242)	(389)
Payments from insurance company in regard of building losses net of rebuilding costs		2,573	937
Proceeds from disposal of shares of an associate		-	48,496
Proceeds from disposal of investment in property		-	168,639
Net cash (used in) / provided from investing activities		(669)	187,121
Cash flow from financing activities			
Repayment of secured notes	5	(90,590)	(335,872)
Proceeds from hedges related to secured notes	8	-	50,755
Repayments of bank loans	5	(395,564)	-
Proceeds from bank loans	5	397,656	80,431
Restricted proceeds from swap contracts	8	-	16,470
Distributions to preferred unitholders		(1,761)	-
Net cash used for financing activities		(90,259)	(188,216)
Effects of exchange rate changes		(96)	544
Net increase in cash and cash equivalents		(31,774)	56,458
Cash and cash equivalents at the beginning of the period		64,530	77,101
Cash and cash equivalents at the end of the period		32,756	133,559

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
INTERIM STATEMENT OF PERFORMANCE MEASURES
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

	Notes	30 June 2010 Unaudited €000	30 June 2009 Unaudited €000
EPRA earnings per unit			
Earnings/(losses) attributable to unitholders		11,216	(236,765)
Adjustments for:			
Revaluation movements on investment properties and development properties		36,556	306,613
Loss on disposal of investment properties, net of tax		-	42,605
Deferred tax effects arising on revaluation of investment properties		(2,098)	(51,080)
Expenses incurred not in the ordinary course of business		500	-
Income received not in the ordinary course of business		(2,573)	-
Non-controlling interest in respect of the above		21	(978)
EPRA earnings for the period		43,622	60,395
Preferred dividend		(3,226)	-
EPRA earnings attributable to ordinary unitholders		40,396	60,395
Weighted average number of ordinary units		190,522,441	190,522,441
EPRA earnings per ordinary unit for the period		€0.21	€0.32

	Notes	30 June 2010 Unaudited €000	31 December 2009 Unaudited €000
EPRA net asset value			
Net asset value attributable to Unitholders per IFRS financial statements		1,201,882	1,198,803
Adjustments for:			
Cash flow hedge valuation reserve		27,680	5,687
Deferred tax	6	26,302	28,400
EPRA net asset value		1,255,864	1,232,890
Attributable to:			
Ordinary unitholders		1,194,794	1,171,820
Preferred unitholders		61,070	61,070
EPRA net asset value		1,255,864	1,232,890
Number of ordinary units outstanding		190,522,441	190,522,441
Number of preferred units outstanding		10,298,510	10,298,510
EPRA net asset value per ordinary unit		€6.27	€6.15
EPRA net asset value per preferred unit		€5.93	€5.93

This statement is supplemental to these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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

1 CORPORATE INFORMATION

ProLogis European Properties ("PEPR") a *fonds commun de placement* ("FCP"), 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 which originally appear in Appendix E to the Private Placement Memorandum of 10 September 1999 (the "Management Regulations"), and have since been amended and restated on various occasions up to and including 20 May 2010. Full details of the Management Regulations are available on the PEPR website: www.prologis-ep.com

PEPR is an externally managed real estate investment fund organised as a Luxembourg closed-ended FCP and regulated in Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). PEPR owns a portfolio of high quality Distribution Facilities located in 32 submarkets within 11 European countries. 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 34-38 Avenue de la Liberté, L-1930, 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 the rules and regulations set out in the Management Regulations.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the PEPR's annual consolidated financial statements for the year ended 31 December 2009.

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been authorised for issuance on 07 October 2010 by the Management Company.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the PEPR's annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of new Standards and Interpretations below which are applicable to PEPR.

IFRS 3R — Business Combinations and IAS 27R — Consolidated and Separate Financial Statements

IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21. The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R affect the accounting for future acquisitions or loss of control and transactions with minority interests. The adoption of the revised standard did not have any effect on the financial position or performance of PEPR, but had an impact on accounting policies of PEPR.

IAS 39 — Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The adoption of the amendment did not have any effect on the financial position or performance of PEPR.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The adoption of the interpretation did not have impact on PEPR consolidated financial statements as PEPR did not make non-cash distributions to unitholders in the past.

Improvements to IFRSs

In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. PEPR has adopted the following amendments to standards which are applicable to PEPR from 1 January 2010:

- IFRIC 9 Reassessment of Embedded Derivatives: clarifies the scope of IFRIC 9 and revised IFRS 3
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation: allows entities to designate as a hedging instrument in a net investment in a foreign operation an instrument that is held by the foreign operation that is being hedged.

The adoption of these amendments did not have material effect on PEPR's consolidated financial statements.

PROLOGIS EUROPEAN PROPERTIES
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgments

The significant accounting estimates and judgments applied in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the PEPR's annual consolidated financial statements for the year ended 31 December 2009.

Investment in properties - The property assets within PEPR have been revalued as of 30 June 2010 by the Independent Valuers. Independent Valuers are remunerated on a fixed fee basis per property.

3 SEASONALITY OF OPERATIONS

Rental income, other revenues and costs are received and incurred smoothly over the accounting period. No additional disclosure, therefore, needs to be made in the interim condensed consolidated financial statements as a result of seasonality.

4 CASH AND CASH EQUIVALENTS

	30 June 2010 Unaudited €000	31 December 2009 Audited €000
Restricted cash	-	30,520
Unrestricted cash	32,756	34,010
	32,756	64,530

Restricted cash is nil (31 December 2009: €30.5 million) due to restrictions being lifted after the repayment of the secured notes in May 2010. In the comparative period restricted cash was mainly derived from certain restrictions applied over rental income until interest payments for the applicable quarter were made. PEPR had also received restricted proceeds from swap contracts of which an amount of €5.8 million was held at 31 December 2009 (note 8).

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5 INTEREST BEARING NOTES AND BORROWINGS

	Maturity	Currency	Interest rate	30 June 2010	31 December 2009
				€000	€000
Unsecured notes					
Eurobonds	Oct 2014	EUR	fixed according to rating, 5.875% to 7.625%	495,750	495,750
				495,750	495,750
Secured notes					
Pan European Industrial Properties Series III S.A.	May 2010	EUR	three month Euribor + 35bps to 85bps	-	24,240
Pan European Industrial Properties Series IV S.A.	May 2010	EUR	three month Euribor + 14bps to 30bps	-	66,350
				-	90,590
Unsecured credit facility					
Revolving loans	Dec 2010	EUR	one month Euribor + 265bps (incl. facility fee)	24,222	73,000
Tranche I loans	Dec 2010	EUR	one month Euribor + 265bps	-	300,000
Tranche II loans	Dec 2012	EUR	one month Euribor + 270bps	129,000	129,000
Tranche II loans	Dec 2012	GBP	one month Euribor + 270bps	128,642	138,772
				281,864	640,772
Secured bank loans					
Deutsche Pfandbriefbank AG	Mar 2013	EUR	three month Euribor + 250bps	126,000	126,000
Eurohypo AG	Jul 2013	GBP	three month Libor + 250bps	103,683	96,798
Landesbank Hessen-Thüringen Girozentrale	Oct 2014	EUR	three month Euribor + 244bps	15,423	15,500
Landesbank Hessen-Thüringen Girozentrale	Oct 2014	SEK	three month Stibor + 288bps	33,954	31,616
Crédit Agricole CIB	Mar 2013	GBP	three month Libor + 250bps	51,755	48,317
Landesbank Hessen-Thüringen Girozentrale	Jan 2013	EUR	three month Euribor + 210bps	45,300	45,300
Berlin-Hannoversche Hypothekenbank AG	Jan 2014	EUR	three month Euribor + 167bps	73,815	48,300
Goldman Sachs Syndicated Loan	Jan 2014	EUR	three month Euribor + 277bps	299,250	-
Deutsche Pfandbriefbank	Dec 2013	EUR	three month Euribor + 250bps	67,680	-
				816,860	411,831
Total proceeds from notes and borrowings				1,594,474	1,638,943
Less transaction costs				(31,113)	(20,243)
Total notes and borrowings				1,563,361	1,618,700
Less current portion				(28,775)	(460,853)
Total long term notes and borrowings				1,534,586	1,157,847

Unsecured notes

On 23 October 2007, ProLogis International Funding S.A., a finance subsidiary of PEPR issued €500.0 million 5.875% Eurobonds maturing on 23 October 2014 which are guaranteed by PEPR. The interest payable on the Eurobonds increases, or decreases if previously increased, based on a rating change of the unsecured debt. Following the downgrade of PEPR's rating by Moody's to below Baa3 in June 2009, the interest rate has increased by 1.75% to 7.625% per annum as of 23 October 2009. If there is a subsequent rating increase to Baa3 or above, the interest rate will revert to 5.875% at the subsequent annual reset date (23 October). The interest rate is set annually.

The Eurobonds are listed on the Luxembourg Stock Exchange.

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5 INTEREST BEARING NOTES AND BORROWINGS (continued)

Secured notes

In 2003 and 2005, Euro secured floating rate notes have been issued by certain SPEs, all obligations under these notes were fulfilled prior to maturity in May 2010 and no amounts were outstanding at the period end.

Unsecured credit facility

On 11 December 2007, PEPR entered into an unsecured senior credit facility with a syndicate of 19 banks led by Banc of America Securities LLC and ABN Amro Bank, N.A. providing for loans of up to €900.0 million. As at 31 December 2009, €640.8 million had been advanced and the balance of €227.0 million was available to be drawn down subject to such additional drawing not resulting in any breaches of, amongst other things, the financial covenants.

Amounts drawn down under the facility are identified as Tranche I, Tranche II or revolving loans. Tranche I loans (€300.0 million) were term loans, with a final maturity of 13 December 2010 which were fully repaid on 29 January 2010. With effect from 12 February 2010, PEPR reduced the principal of the revolving loan, with a final maturity of 13 December 2010, from €300.0 million to €100.0 million and subsequently fully repaid the outstanding balance on 11 August 2010 with a new unsecured revolving credit facility (see subsequent events note). Tranche II loans of €129.0 million and £123.5 million are in the form of term loans with a final maturity date of 11 December 2012.

The current rate on the remaining Tranche II facility is Euribor + 270bps. Prior to 02 November 2008, the rate was Euribor + 70bps. Due to a downgrade of PEPR's credit rating the rate changed to Euribor + 80bps on 03 November 2008. The Management Company renegotiated some of the terms to the agreement on 30 December 2008, and as part of this renegotiation the rate changed to Euribor + 225 bps. In April 2009 the rates changed to + 245bps due to PEPR's credit rating being downgraded to Baa3. On 19 June 2009, PEPR's credit rating was further downgraded to Ba1 which resulted in a further increase in rates to Euribor + 270bps.

Secured bank loans

Deutsche Pfandbriefbank AG (formerly, Hypo Real Estate Bank International)

On 20 February 2004 a secured bank loan of €151.1 million was provided by Hypo Real Estate Bank International (now Deutsche Pfandbriefbank AG) and secured on the assets of certain subsidiaries located in Poland, Hungary and Czech Republic. On 02 July 2009, PEPR extended the original loan agreement with Deutsche Pfandbriefbank AG reducing the loan amount to €126.0 million, and extending expiry from the original expiry of 15 March 2010 to 15 March 2013.

On 22 December 2009 a secured bank loan of €74.5 million was provided by Deutsche Pfandbriefbank AG, and secured on the assets of certain subsidiaries located in France and United Kingdom. The €66.9 million tranche, funded as €39.6 million and £24.3 million was received on 20 January 2010, then on 06 May 2010 the remaining commitment of €7.6 million was cancelled. The loan will mature in December 2013.

EuroHypo AG

On 24 July 2009 a secured bank loan of £86.1 million was provided by EuroHypo AG, and secured on the assets of certain subsidiaries located in the United Kingdom. The loan will mature on 17 July 2013.

Landesbank Hessen-Thüringen Girozentrale

On 12 October 2009 a secured bank loan of €47.4 million, funded as €15.5 million and SEK 332.5 million, was provided by Landesbank Hessen-Thüringen Girozentrale, and secured on the assets of certain subsidiaries located in Sweden. The loan will mature on 06 October 2014.

On 02 December 2009 a secured bank loan of €45.3 million was provided by Landesbank Hessen-Thüringen Girozentrale, and secured on the assets of certain subsidiaries located in the Netherlands. The loan matures on 31 January 2013 and under certain conditions extendable up to 31 January 2015.

Crédit Agricole CIB

On 04 December 2009 a secured bank loan of £43.0 million was provided by a syndicate of banks headed by Crédit Agricole CIB as arranger, and secured on the assets of certain subsidiaries located in the United Kingdom. The loan matures on 28 March 2013.

Berlin-Hannoversche Hypothekenbank AG

On 17 December 2009 a secured bank loan of €74.0 million was provided by Berlin-Hannoversche Hypothekenbank AG, and secured on the assets of certain subsidiaries located in Germany and Poland. The loan matures on 15 January 2014.

Goldman Sachs Syndicated Loan

On 22 December 2009 a secured bank loan of €300.0 million was provided by a syndicate of six European lenders arranged by Goldman Sachs as sole arranger. The syndicate includes Deutsche Pfandbriefbank AG (as facility and security agent), AXA, BAWAG P.S.K., Credit Foncier de France, M&G Investments and ING Real Estate Finance. The loan is secured on the assets of certain subsidiaries located in France, Spain, Italy and Belgium. The loan matures on 20 January 2014.

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5 INTEREST BEARING NOTES AND BORROWINGS (continued)

Summary of maturities of notes and borrowings (excluding transaction costs):

	30 June 2010			31 December 2009		
	<1 year	1-5 years	>5 years	<1 year	1-5 years	>5 years
	€000	€000	€000	€000	€000	€000
Unsecured notes	-	495,750	-	-	495,750	-
Secured notes	-	-	-	90,590	-	-
Unsecured credit facility	24,222	257,642	-	373,000	267,772	-
Secured bank loans	4,553	812,307	-	1,425	410,406	-
	28,775	1,565,699	-	465,015	1,173,928	-

Summary of drawn and available debt facilities (excluding transaction costs):

	30 June 2010			31 December 2009		
	Total	Drawn	Available	Total	Drawn	Available
	€000	€000	€000	€000	€000	€000
Unsecured notes	495,750	495,750	-	495,750	495,750	-
Secured notes	-	-	-	90,590	90,590	-
Unsecured credit facility	400,000	281,864	75,778	900,000	640,772	227,000
Secured bank loans	816,860	816,860	-	437,531	411,831	25,700
	1,712,610	1,594,474	75,778	1,923,871	1,638,943	259,228

Summary of the pledged assets and their values for the secured notes and loans:

	30 June 2010	31 December 2009
	€000	€000
Secured notes: investment properties	-	208,085
Secured bank loans: investment properties	1,600,154	872,277
	1,600,154	1,080,362

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6 TAXATION

PEPR is an unincorporated contractual co-ownership scheme governed by Part II of 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 net asset value of the fund. This tax is 0.05% per annum on the net assets attributable to unitholders. 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.

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.

No deferred tax liabilities have 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.

	30 June 2010 Unaudited €000	31 December 2009 Audited €000
Deferred tax liability		
Opening balance	28,400	112,421
Effect of revaluations of properties to fair value post acquisition	(2,098)	(78,313)
Deferred tax on properties disposed of	-	(5,708)
Movements on deferred tax liability	(2,098)	(84,021)
Closing balance	26,302	28,400
Made up of:		
Revaluation of investment properties to fair value	26,302	28,400
Total deferred tax liabilities	26,302	28,400

As of 30 June 2010 the unrecognised portion of deferred tax assets related to property fair value movements was €82.2 million (31 December 2009: €70.4 million).

PROLOGIS EUROPEAN PROPERTIES
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6 TAXATION (continued)

	30 June 2010	31 December 2009
	Unaudited	Audited
	€000	€000
Long term tax asset mainly relating to losses carried forward (opening balance)	10,381	5,625
Relating to tax losses carried forward	749	4,756
Total deferred tax assets	11,130	10,381
Income and other current taxes payable		
Balance brought forward	22,845	16,449
Tax expense	8,790	30,804
Tax paid	(12,635)	(24,408)
Closing balance	19,000	22,845
Tax expense		
Income taxes	7,858	29,428
Other taxes	632	735
Subscription taxes	300	641
Income taxes expensed	8,790	30,804
Deferred tax (benefit)/expense		
Arising from liabilities	(2,161)	(78,313)
Arising from properties disposed of	-	(5,708)
Arising from assets	(669)	(4,756)
Deferred income tax benefit	(2,830)	(88,777)
Charge/(benefit) for taxation reported in the consolidated income statement	5,960	(57,973)

Reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rates for the period ended 30 June 2010 and the year ended 31 December 2009 is as follows:

	30 June 2010	31 December 2009
	Unaudited	Audited
	€000	€000
Accounting profit/(loss) before income tax	17,857	(368,592)
<i>Tax exempt income/expense:</i>		
Property fair value movement	36,556	445,778
Result on disposal of investment properties	-	59,640
Gain or loss from investments	-	(1,270)
Fund expenses	5,886	14,084
Additional losses	42,690	92,616
	85,132	610,848
<i>Tax deductible expenses:</i>		
Tax depreciation	(33,598)	(66,433)
Interest and others	(35,631)	(54,712)
Taxable profit before tax	33,760	121,111
Charge for taxation at effective rate of 25.52% (2009: 24.29%)	8,615	29,428
Adjustment to the income tax charge of previous years	(757)	(457)
Others taxes	632	1,192
Subscription tax	300	641
Current income tax expense	8,790	30,804

This statement is supplemental to these interim condensed consolidated financial statements.

**PROLOGIS EUROPEAN PROPERTIES
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7 TRANSACTIONS WITH RELATED PARTIES

7.1 Fund management fees

Since the initial public offering of PEPR, 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 the real estate of any ProLogis Private Equity Funds or ProLogis Joint Ventures;
- (ii) a cash management fee equal to 0.10% per annum of unrestricted amounts held on deposit accounts, money market instruments or debt securities; and
- (iii) an incentive fee of 20% of IFRS net income per Unit above a hurdle rate of an annual return of 9% of net assets over an average of three years (see Note 7.3).

Amounts unpaid as 30 June 2010 are €0.5 million (2009: €2.3 million). The total cost recognised in the consolidated income statement for the period is €9.0 million (HY2009: €10.4 million).

7.2 Property management fees

The Management Company has entered into investment management agreements with ProLogis Belgium Management BVBA, ProLogis Czech Republic Management II Sro, ProLogis Management Services II SAS, ProLogis Germany Management II GmbH, ProLogis Hungary Management II Kft, ProLogis Italy Management II S.r.l., ProLogis Management B.V., ProLogis Poland Management II Sp zoo, ProLogis Spain Management II SL, ProLogis Sweden Management AB and ProLogis Developments Limited respectively incorporated under the laws of Belgium, Czech Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom (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.

7.3 Incentive fee

As per the Management Regulations, PEPR shall pay the Management Company an incentive fee on 31 December 2008 and every year thereafter calculated on a rolling three years basis. The incentive fee becomes payable if PEPR's IFRS earnings per unit for the year exceeds a hurdle rate of 9% of the opening IFRS NAV per unit for that year. Where this is the case, the incentive fee payable would be 20% of the excess over the hurdle. The incentive fee, if any, is due for payment in the following year. As of 30 June 2010 no incentive fee was accrued or due.

7.4 Leasehold agreements

PEPR has leased real estate to some of the Investment Managers on an arm's length basis. Rent charged for the period ending 30 June 2010 amounted to €0.1 million (2009: €0.1 million).

7.5 Development fee

ProLogis 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 received a development fee of 3.25% to 12% of the construction cost of the project, dependant on project size. 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 fee rates based upon evidence in the respective local markets.

7.6 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.

7.7 Leasing commissions

Under the terms of the revised Management Regulations, the Board of PEPR must approve annually the leasing commission rates to be charged by ProLogis based upon evidence in the respective local markets. These commissions can only be charged by ProLogis in situations where no outside broker is involved in the lease negotiations.

7.8 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 in Europe, on the condition that these investments fulfil certain criteria.

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7 TRANSACTIONS WITH RELATED PARTIES (continued)

7.9 Board members compensation

The Board includes independent members who are also members of the Audit committee. PEPR pays a 'one time fee' of €75,000 upon the appointment of each independent member which is in the form of PEPR units. Each year, compensation based on each member's meeting attendance is also made to independent Board members. In addition, a pro-rata annual allocation of €25,000 of PEPR units is made to each independent Board member.

	Six months to 30 June 2010	Twelve months to 31 December 2009
	€000	€000
One-time allocation of PEPR units upon appointment	-	75
Annual fee based on meetings attended	100	237
Annual allocation of PEPR units	50	100
	150	412

Each allocation of units to the independent Board members has a two year vesting period, after which they vest in full.

The PEPR Board also contains two members appointed by ProLogis. No compensation is paid to ProLogis or to either ProLogis-appointed Board member in connection with their Board activities.

7.10 Legal and tax compliance fees

Under the terms of the management regulations, ProLogis is entitled to receive legal and tax compliance fees in return for legal and tax services provided to PEPR. These fees are calculated on an hourly basis, with the rate approved by the Board annually. Legal and tax compliance fees paid for the period ended 30 June 2010 amounted to €0.5 million (2009: €0.4 million).

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8 FINANCIAL INSTRUMENTS

Interest rate and fair value

The following table sets out the carrying value (before deduction of unamortised transaction costs) and fair value by maturity of PEPR's financial instruments which 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.

Period end 30 June 2010 (Unaudited)				
	<1 year	1-5 years	>5 years	Total
Fixed rate	€000	€000	€000	€000
Obligations under Eurobonds loans				
Carrying value	-	(495,750)	-	(495,750)
Fair value	-	(493,420)	-	(493,420)
Floating rate				
Cash and cash equivalent	32,756	-	-	32,756
Secured bank loans	(4,553)	(812,307)	-	(816,860)
Unsecured bank loans	(24,222)	(257,642)	-	(281,864)
Interest rate swap	-	(27,680)	-	(27,680)
Year end 31 December 2009 (Audited)				
	<1 year	1-5 years	>5 years	Total
Fixed rate	€000	€000	€000	€000
Obligations under Eurobonds loans				
Carrying value	-	(495,750)	-	(495,750)
Fair value	-	(463,526)	-	(463,526)
Cash and cash equivalent	64,530	-	-	64,530
Secured bank loans	(1,425)	(410,406)	-	(411,831)
Unsecured bank loans	(373,000)	(267,772)	-	(640,772)
Secured notes	(90,590)	-	-	(90,590)
Interest rate swap	(1,152)	(4,826)	-	(5,978)
Cross currency swap	(335)	-	-	(335)

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.

Hedging instruments – interest rate swaps

PEPR entered into interest rate swap contracts whereby it pays a fixed rate of interest of between 3.89% and 5.93% and receives a variable rate based on Euribor, Sterling Libor, or Stibor as applicable. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate secured loans (Note 5). Set out below is a summary of the terms and fair value of the interest rate swap agreements.

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8 FINANCIAL INSTRUMENTS (continued)

Hedging instruments – interest rate swaps (continued)

Facility	Maturity	Notional amount (000)	Fixed rate percentage	30 June 2010 €000	31 December 2009 €000
Deutsche Pfandbriefbank AG	Mar 2013	€ 126,000	4.99 %	(3,975)	(1,590)
Eurohypo AG	Jul 2013	£ 86,145	5.93 %	(5,773)	(2,322)
Landesbank Hessen-Thüringen Girozentrale	Oct 2014	SEK 332,543	5.93 %	(1,160)	(542)
Landesbank Hessen-Thüringen Girozentrale	Oct 2014	€ 15,417	5.19 %	(678)	(173)
Crédit Agricole CIB	Mar 2013	£ 43,000	5.05%	(1,528)	63
Landesbank Hessen-Thüringen Girozentrale	Jan 2013	€ 45,300	4.34 %	(1,109)	(262)
Berlin-Hannoversche Hypothekenbank AG – Tranche 1	Jan 2014	€ 48,300	3.95 %	(1,299)	-
Berlin-Hannoversche Hypothekenbank AG – Tranche 2	Jan 2014	€ 25,700	3.89 %	(643)	-
Goldman Sachs syndicated loan – Tranche 1	Jan 2014	€ 140,000	5.18 %	(4,426)	-
Goldman Sachs syndicated loan – Tranche 2	Jan 2014	€ 100,000	5.12 %	(2,959)	-
Goldman Sachs syndicated loan – Tranche 3	Jan 2014	€ 60,000	5.16 %	(1,862)	-
Deutsche Pfandbriefbank	Dec 2013	£ 24,255	5.42 %	(1,193)	-
Deutsche Pfandbriefbank	Dec 2013	€ 38,487	4.80 %	(1,075)	-
Pan European Industrial Properties Series III S.A. ABN Amro – Class A	May 2010	€ 1,652	4.23 %	-	(18)
Pan European Industrial Properties Series III S.A. ABN Amro – Class B	May 2010	€ 4,901	4.36 %	-	(53)
Pan European Industrial Properties Series III S.A. ABN Amro – Class C	May 2010	€ 6,393	4.73 %	-	(68)
Pan European Industrial Properties Series III S.A. JP Morgan Chase – Class B	May 2010	€ 4,901	4.36 %	-	(53)
Pan European Industrial Properties Series III S.A. JP Morgan Chase – Class C	May 2010	€ 6,393	4.73 %	-	(68)
Pan European Industrial Properties Series IV S.A. ABN Amro – Class B - Euro	May 2010	€ 10,607	3.33 %	-	(87)
Pan European Industrial Properties Series IV S.A. ABN Amro – Class C - Euro	May 2010	€ 8,407	3.45 %	-	(69)
Pan European Industrial Properties Series IV S.A. ABN Amro – Class A - GBP	May 2010	£ 5,942	5.09 %	-	(115)
Pan European Industrial Properties Series IV S.A. ABN Amro – Class B - GBP	May 2010	£ 1,762	5.13 %	-	(11)
Pan European Industrial Properties Series IV S.A. ABN Amro – Class C – GBP	May 2010	£ 1,101	5.26 %	-	(7)
Pan European Industrial Properties Series IV S.A. Bank of America – Class B - Euro	May 2010	€ 13,451	3.33 %	-	(110)
Pan European Industrial Properties Series IV S.A. Bank of America – Class C - Euro	May 2010	€ 8,407	3.45 %	-	(69)
Pan European Industrial Properties Series IV S.A. Bank of America – Class A – GBP	May 2010	£ 5,942	5.09 %	-	(115)
Pan European Industrial Properties Series IV S.A. Bank of America – Class B – GBP	May 2010	£ 1,762	5.13 %	-	(11)
Pan European Industrial Properties Series IV S.A. Bank of America – Class C - GBP	May 2010	£ 1,101	5.26 %	-	(7)
Interest rate swap fair value				(27,680)	(5,687)

The loans and interest rate swaps have the same critical terms and are fully effective.

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8 FINANCIAL INSTRUMENTS (continued)

Hedging instruments – cross currency swaps

PEPR had also entered into cross currency swaps over the sterling notional amount of the Pan European Industrial Properties Series IV S.A.

Facility	Maturity	Notional amount (000)	Fixed exchange rate	30 June 2010 €000	31 December 2009 €000
Pan European Industrial Properties Series IV S.A. ABN Amro – Class A – GBP	May 2010	£ 5,942	0.6912	-	1,920
Pan European Industrial Properties Series IV S.A. ABN Amro – Class B – GBP	May 2010	£ 1,762	0.6912	-	569
Pan European Industrial Properties Series IV S.A. ABN Amro – Class C – GBP	May 2010	£ 1,101	0.6912	-	356
Pan European Industrial Properties Series IV S.A. Bank of America – Class A – GBP	May 2010	£ 5,942	0.6912	-	1,920
Pan European Industrial Properties Series IV S.A. Bank of America – Class B – GBP	May 2010	£ 1,762	0.6912	-	569
Pan European Industrial Properties Series IV S.A. Bank of America – Class C – GBP	May 2010	£ 1,101	0.6912	-	356
Citibank N.A – Reverse hedge to lock in gain	May 2010	£ 17,610	0.8622	-	(556)
Cross currency swap fair value				-	5,134

Movements in hedge values are as follows:

	30 June 2010 Unaudited €000	31 December 2010 Audited €000
Net balance at the beginning of the period	(553)	83,750
Movement in fair value of interest rate swaps	(27,127)	1,139
Movement in fair value of cross currency swaps	-	(10,140)
Fair value of hedges terminated during the period	-	(75,302)
Net variation during the period	(27,127)	(84,303)
Net balance at the end of the period	(27,680)	(553)
Restricted cash – positive hedge values	-	5,760
Hedging instruments, long-term – negative hedge values	(27,680)	(4,826)
Hedging instruments, short-term – negative hedge values	-	(1,487)
	(27,680)	(553)

As at 31 December 2009 PEPR had restricted proceeds related to the swaps of the secured notes of €5.8 million, these swaps matured in the period and the restricted proceeds were released.

9 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

There are no material commitments for capital improvements and construction contracts as at 30 June 2010 (2009: €nil).

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FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

10 SUBSEQUENT EVENTS

€50 million revolving credit facility

In August 2010 PEPR signed a new €50m revolving credit facility jointly arranged by Deutsche Bank AG, Morgan Stanley Senior Funding Inc. and The Royal Bank of Scotland N.V.. The facility has a €100 million accordion increase feature, subject to obtaining additional lender commitments. The new facility has an ultimate maturity of 06 August 2013 and an interest rate of between Euribor + 225bps and 300bps based on the credit rating of PEPR. At the PEPR's current rating, the interest rate is + 240bps over applicable Euribor or Libor.

The new facility resulted in the cancellation of the current revolving tranche of the Senior Credit Facility on 11 August 2010.

Amendment to covenants under Unsecured Credit Facility

In October, PEPR received approval from the bank syndicate on its senior unsecured credit facility to partially remove restrictions on dividend payments. Under the agreed terms, PEPR may pay out up to 50% of distributable cash flow in dividends regardless of its credit rating. Once an investment grade credit rating has been attained, PEPR will then be in a position to distribute up to 90% of its cash flow as dividends.

In addition, the Tangible Net Worth covenant has been reduced to a minimum of €900 million from €1.0 billion. The margin on the credit facility remains unchanged, currently at 270 basis points over Euribor or Libor.