

## News release

### ProLogis European Properties results for the second quarter and half year ended 30 June 2007

#### Strong operating performance produces an 11% increase in adjusted earnings and drives growth in distributions

**Luxembourg – 26 July 2007** – ProLogis European Properties (Euronext: PEPR), Europe's largest owner of modern distribution facilities, today reports results for the quarter and half year ended 30 June 2007.

#### Highlights

- €220m acquisition of 15 distribution centres, including the second quarter purchase of a 36,100m<sup>2</sup> distribution centre in Evry, France
- Assigned an A3 investment grade credit rating by Moody's Investors Service
- Strong operating performance, with 72 lease transactions covering 332,400m<sup>2</sup>
- €425m disposal of portfolio of French assets, at a significant premium to net asset value, post quarter end
- Redeemed €344m of long-term secured debt, post quarter end

#### *Quarter to 30 June 2007*

- €0.232293 distribution per unit, a 4.8% increase over quarter one
- Adjusted net asset value per unit<sup>2</sup> increased 3.4% to €14.41, from €13.94 at 31 March 2007; IFRS net asset value per unit increased 2.4% to €12.17
- 3.9% valuation increase on half the portfolio<sup>3</sup> since 31 December 2006
- Adjusted earnings<sup>4</sup> were €40.8 million for the second quarter; IFRS pre-tax profit was €110.2 million, including revaluation surpluses
- 39 lease transactions covering 196,700m<sup>2</sup>

#### *Half year to 30 June 2007*

- €0.454059 distribution per unit, implying an annualised dividend yield of 7.0%<sup>1</sup>
- Adjusted net asset value per unit increased 3.2% to €14.41 for the half year (2006: €13.97); IFRS net asset value per unit increased to €12.17 (2006: €11.88)
- Same-store portfolio valuation increased 2.2% to €3.9 billion
- Adjusted earnings increased 11.1% to €81.6 million (HY2006: €73.4 million); IFRS pre-tax profit was €145.1 million
- 72 lease transactions covering 332,300m<sup>2</sup>

<sup>1</sup> Based on the closing unit price on 29 June 2007 of €12.95

<sup>2</sup> Adjusted net asset value per unit excludes deferred tax arising on revaluation movements and purchasers' costs

<sup>3</sup> An independent revaluation of approximately half the portfolio is conducted every six months. The balance of the portfolio will be revalued at 31 December 2007

<sup>4</sup> PEPR's measure of underlying earnings is calculated as IFRS post-tax profit excluding revaluation movements, result on disposal of properties and non-recurring events

Commenting on the results, Robert Watson, chief executive office of PEPR, said:

“We are delighted to announce strong financial and operating results for the first six months of 2007. Our adjusted NAV increased 3.2% to €14.41 per unit, reflecting the 3.9% uplift in the valuation of half our portfolio and demonstrating the strength of our high quality platform. The double-digit increase in adjusted earnings, our preferred measure of underlying performance, to €81.6 million for the half year enabled us to continue to deliver increasing quarterly distributions. Our distribution for the second quarter is €0.23 per unit, a 4.8% increase over the first quarter, and together with the first quarter distribution implies an annualised dividend yield of 7.0%.

“We continue to deliver on our strategy to actively manage the portfolio, with the acquisition of 15 properties in the first six months of the year and completion of leasing transactions on over 332,000 square metres. In addition, since the end of June we have exchanged contracts for the sale of a portfolio of French buildings for €425 million, providing a significant premium over current book value. These transactions not only ensure we continue to drive returns from our portfolio but also enable us to recycle capital into more accretive investments.

“The first half of the year has seen us continue to build momentum across the business and we remain encouraged by current market conditions, as demand continues to be strong in our core markets. In addition, we are confident in our ability to grow the business through investment in a new ProLogis sponsored private equity fund by the end of the year.”

## **Total portfolio**

During the second quarter PEPR acquired a 36,100 square metre distribution centre in Evry, south of Paris, from a major European customer for €18.5 million. The facility, built in 1992, is immediately adjacent to ProLogis Park Evry, where PEPR owns four existing centres, totalling 129,000 square metres and provides PEPR with critical mass in this prime logistics location. The building is fully leased under a six-year agreement. The transaction was the final part of a contract commitment made at the end of 2005.

This acquisition, together with the acquisition of 14 distribution centres in the first quarter from ProLogis, takes PEPR's total portfolio at the end of June to 293 assets, covering 5.8 million square metres in 11 European countries. An independent appraisal of 134 properties, or 49% of current portfolio value, as at 30 June 2007, resulted in a €82 million, or 3.9%, valuation uplift since 31 December 2006. This includes €23 million of capital expenditure. A breakdown of the revalued portfolio is shown on page 16.

During the half year, the open market value of the total portfolio increased by €299 million, or 7.0%, to €4.5 billion. This increase is a result of the €220 million of acquisitions, €50 million net revaluation gain, €32 million of capital expenditure and €3 million unrealised loss on currency exposure, primarily on Swedish assets, and other adjustments.

The gross yield<sup>5</sup> of the portfolio at 30 June 2007 decreased marginally to 7.2% (6.9% net yield<sup>6</sup>) from 7.3% at the end of 2006 (net yield 6.9%). The reversionary gross yield<sup>7</sup> of the portfolio is 6.8% (6.5% net yield) compared to 7.0% (6.7%) at the end of 2006.

Market demand over the six months was good, enabling ProLogis, PEPR's external manager, to continue to deliver strong leasing results, with the conclusion of some 72 lease transactions, covering over 332,400 square metres. These included 29 new leases, covering 191,300 square metres, with global customers such as Christian Salvesen, DHL, Geodis and Schneider Electric. In addition, 12 of our customers expanded their relationship with PEPR, taking over 60,000 square metres of additional space. Finally 31 leases were renewed, covering 80,400 square metres of space.

The total portfolio risk profile remains attractive, given its enviable occupancy level of 96.4%, essentially flat since the end of March 2007 and a diversified customer base, with the largest

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<sup>5</sup> Annualised rental income expressed as a percentage of net open market value i.e. after deduction of purchasers' costs

<sup>6</sup> Annualised rental income expressed as a percentage of gross open market value i.e. before deduction of purchasers' costs

<sup>7</sup> Estimated rental value expressed as a percentage of gross open market value i.e. before deduction of purchasers' costs

customer accounting for only 6.9% of annualised rental income. In addition, the portfolio has on average 4.7 years to next lease break or 6.9 years to lease expiry.

At the end of June, total gross annualised rental income was €328.2 million, a €20.3 million or 6.6% increase since the end of December, primarily driven by €14.1 million rental income related to the 15 properties acquired during the first six months of the year. Estimated rental value ('ERV') for the total portfolio was €308.6 million at the end of June, with Central Europe and France accounting for the majority of over-renting. The sale of the French portfolio will reduce the over-renting in the French portfolio by approximately a third.

### Same store portfolio

The same store portfolio includes all properties owned by PEPR as at 1 January 2006 less subsequent disposals. At the end of June, this portfolio consisted of 256 properties, accounting for 86% of current total portfolio open market value, or 74% by area.

### SAME STORE PORTFOLIO OVERVIEW

#### AS AT 30 JUNE 2007

	% of portfolio	30 June			30 June			30 June		
		2007	2006	change	2007	2006	change	2007	2006	change
		Annualised rent in € per leasable m <sup>2</sup>			Open Market Value in € per m <sup>2</sup>			Occupancy %		
Southern <sup>8</sup>	53.1	49.74	48.42	+2.7%	659	644	+2.3%	94.8%	96.0%	-1.2%
Northern <sup>9</sup>	20.2	58.16	57.67	+0.9%	739	729	+1.4%	97.1%	98.0%	-0.9%
Central <sup>10</sup>	11.8	54.48	54.96	-0.9%	688	681	+1.0%	94.8%	96.1%	-1.3%
UK <sup>11</sup>	14.9	90.45	88.58	+2.1%	1,478	1,425	+3.7%	100.0%	100.0%	-
<b>Total / Averages</b>	<b>100.0</b>	<b>57.54</b>	<b>56.60</b>	<b>+1.7%</b>	<b>790</b>	<b>773</b>	<b>+2.2%</b>	<b>96.0%</b>	<b>97.0%</b>	<b>-1.0%</b>

On a same store basis, average annualised rent per leasable area increased by 1.7% over the year to 30 June 2007 notwithstanding the slight drop in occupancy level.

Over the year, the value of the same store portfolio has increased by 2.2% evidencing the expected slow down of yield compression in PEPR's core markets. As anticipated, yields in Central Europe continued to tighten slightly.

### Market outlook

The favourable economic climate in continental Europe combined with strong global trade growth has continued to drive occupier demand for warehouse space in Europe. Overall PEPR's markets continue to show yield compression, although at a slower rate, and the return of rental growth is anticipated given the increase in land prices and rising construction costs over the last two years.

### Financial results

As PEPR was not a publicly listed entity until September 2006, there are no published figures for Q2 2006 and therefore Q1 2007 figures are used to compare Q2 2007 performance. There are published figures for half year 2006 and these are used to compare performance for the six months to 30 June 2007.

<sup>8</sup> Southern Europe comprises France, Italy and Spain

<sup>9</sup> Northern Europe comprises Belgium, Germany, The Netherlands and Sweden

<sup>10</sup> Central Europe comprises the Czech Republic, Hungary and Poland

<sup>11</sup> Sterling comparative figures have been re-translated using the 30 June 2007 exchange rate for open market values and an average exchange rate for the six months to 30 June 2007 for rental income.

## Adjusted earnings

Adjusted earnings, PEPR's preferred measure of underlying profitability, increased 11.1% to €81.6 million for half year 2007 (HY2006: €73.4 million) primarily as a result of increased rental income. A reconciliation between IFRS net earnings for the period and adjusted earnings is shown on page 11

## Total revenue

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, driven by the net addition of 12 properties in the 12 month period to end June 2007, the settlement of rent reviews, particularly in the UK, new leases and the ending of rent incentives.

## Operating expenses

Total operating expenses decreased 6.5% to €24.7 million in half year 2007 (HY2006: 26.3 million). However underlying operating expenses, excluding one-off IPO costs in 2006 and the incentive fee provision in 2007, increased 4.7% to €20.2 million in half year 2007 (HY2006: 19.3 million). The main reason for this increase is the rise in PEPR's portfolio value. The majority of operating expenses relate to asset management fees paid to ProLogis and as such have a direct correlation to the value of the portfolio.

	<i>HY 2007</i> €'000	<i>HY2006</i> €'000	<b>Change</b> %
Fund expenses, including fund management expenses	9,934	12,226	(23.1)%
One-off IPO costs		(7,030)	n/a
Provision for incentive fee	(4,544)		n/a
	<u>5,390</u>	<u>5,196</u>	3.7%
Cost of rental activities, including property management expenses	14,788	14,078	5.0%
<b>Underlying operating expenses</b>	<b><u>20,178</u></b>	<b><u>19,274</u></b>	<b>4.7%</b>

The incentive fee, payable to ProLogis, is potentially payable in quarter one 2009 and every year thereafter. The fee is calculated on a rolling three year basis, with the first computation period from IPO date to 31 December 2008 and annually thereafter. It 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. If this were the case, the incentive fee payable would be 20% of the excess over the hurdle rate.

## Financing

The net financing cost for the half year was €51.5 million, a €12.7 million increase over half year 2006 due to a €0.2 decrease in financial income and an overall €12.5 million increase in interest expense, the impact of currency movements and the amortisation of borrowing costs.

PEPR incurred interest expense of approximately €49.4 million for the half year 2007, up 23.5% compared to €40.0 million for the corresponding period last year. This increase is primarily due to the increased use of PEPR's debt facilities to finance the €153.2 million preferred equity redemption in Q3 2006 and the acquisition of €215 million of properties since June 2006. In addition, the increase in euro and sterling interest rates over the last twelve months has also impacted the cost of servicing debt. PEPR's weighted average interest rate for the six months ended 30 June 2007 was 4.9% compared to 4.8% for quarter one 2007 and 4.6% for the half year 2006.

Foreign exchange gains and losses consist of realised and unrealised gains and losses on monetary assets and liabilities and fair value hedges. In half year 2007 PEPR's net foreign exchange gain was €0.6 million, compared to a gain of €4.0 million for the half year 2006.

Net debt at the end of June 2007 was €2.1 billion, a €0.1 billion increase since the end of December 2006. PEPR's gross indebtedness as a percentage of its gross property value was 45.0% at the

end of June 2007 compared to 44.7% at the end of 2006. PEPR had €1.3 billion of commercial mortgage-backed securities ('CMBS') debt in place, with the capacity to borrow a further €700 million based on balance sheet strength. Since the end of June, PEPR agreed to dispose of a portfolio of assets in France. These assets are financed almost entirely by CMBS debt raised in 2001 and 2002. In anticipation of the sale, €344.6 million of CMBS debt<sup>12</sup> was redeemed on 16 July 2007 using proceeds from a €400 million short term bridge facility. Fixed interest rates on the redeemed CMBS debt ranged from 5.4% to 6.1% for the euro element and 6.0% for the sterling element. The short term bridge facility has a cost of Euribor/Libor plus 0.55% and is expected to remain available until June 2008. An overview of PEPR's outstanding debt is on page 14.

PEPR's financing strategy has predominately been to utilise CMBS transactions to raise debt and to hedge interest rate exposure by swapping floating rate interest payments to fixed rate obligations. During the second quarter 2007 PEPR was assigned an A3 investment grade rating with stable outlook by Moody's Investors Service. This rating has enabled PEPR to review its debt strategy and explore the flexibility offered through the unsecured debt market. Following this review, PEPR considered issuing a debut Eurobond benchmark offering although timing of this offering has been postponed due to recent volatility in the debt market.

### **Taxation**

Tax charges for HY 2007 decreased substantially to €22.7 million (HY2006: €116.8 million), primarily as a result of the size of the deferred tax provision made on the property fair value adjustment in June 2006, when the entire portfolio was revalued prior to IPO.

The effective tax rate on the operating activities of PEPR was 14% for the six months to 30 June 2007 (HY2006: 5.5%). The reduced rate in for half year 2006 was primarily due to a reversal of a tax provision in The Netherlands.

### **Distributable cash flow and distributions**

PEPR distributes substantially all of its distributable cash flow on a quarterly basis, whilst making provision for anticipated capital expenditure and retaining discretion to reinvest disposal proceeds.

The second quarter distribution per unit was €0.232293, a 4.8% increase over the first quarter. Distribution for the half year equalled €0.45 distribution per unit, implying a dividend yield of 7.0% based on the 29 June 2007 closing price of €12.95.

The second quarter distribution will have an ex-dividend date of 30 July 2007, a record date of 1 August 2007 and a payment date of 7 August 2007.

### **Subsequent events**

On 26 July 2007, PEPR agreed to dispose of a portfolio of non-core assets in France for €425 million, a significant premium over current net book value. The transaction, with Foncière Europe Logistique, is expected to complete on or before 31 July 2007. The portfolio covers some 556,000 square metres and is situated in three locations in the Paris region (ProLogis Parks Garonor, Senart and Cergy Pontoise) and one at Vitrolles, outside Marseille. The sale of these assets will have an approximately €10 million impact on rental income for the remainder of the year.

The majority of the disposed portfolio was acquired from ProLogis in 2000 and since that time PEPR has successfully created value through asset additions, refurbishment and letting activities. The respective sites are now fully developed and the portfolio was marketed for sale as the average age, size and locally-focused customer base of the buildings are not consistent with the remainder of the PEPR portfolio. Following the completion of this transaction, PEPR's French platform will consist of 61 distribution facilities, covering 1.6 million square metres, and yielding 7.5%. The average size of PEPR's French properties will increase from 19,600 square metres to 25,700 square metres and occupancy levels will improve from 94.3% to 97.4%. Overall PEPR's occupancy is expected to increase to 97.1%.

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<sup>12</sup> €200.6 million of Pan European Industrial Properties Series I S.A. 2011 and €144.0 million of France Industrial Properties No I S.A. 2012

Net proceeds of the transaction will be used to repay debt in the short term.

### **Earnings webcast and conference call details:**

We invite you to access the live webcast and conference call, held today, 26 July 2007, at 4pm BST / 5pm CET, by clicking on the link entitled "Second Quarter and Half Year 2007 Financial Results Webcast" located on the homepage of our website, [www.prologis-ep.com](http://www.prologis-ep.com).

To participate in the conference call please dial:

	Toll free	Toll
France	0800 911 462	+33 (0)1 70 99 42 74
Luxembourg	800 21439	+352 342 080 8570
The Netherlands	0800 022 5992	+31 (0)20 713 2790
UK	0800 559 3272	+44 (0)20 7138 0815
US	+1 866 239 0753	+1 718 354 1157

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

A replay of the conference call will be available from 7pm GMT / 8pm CET on Thursday 26 July 2007 until Thursday 9 August 2007. To access the conference call replay, please dial one of the following numbers, using passcode 5091438#:

	Toll free	Standard rate
France	0800 911 479	+33 (0)1 71 23 02 48
The Netherlands	0800 027 0028	+31 (0)20 713 2791
UK	0800 559 3271	+44 (0)20 7806 1970
US	+1866 883 4489	+1 718 354 1112

### **Financial statements and portfolio information**

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

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**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2007**

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

	<b>30 June 2007</b> <i>Unaudited</i>	<b>31 Dec 2006</b> <i>Audited</i>
<b>Assets</b>		
<i>Non Current Assets</i>		
Investment in property	4,541,053	4,242,418
Property under construction	9,383	7,157
Hedging instruments	47,665	38,087
Deferred tax asset	7,117	7,326
	<u>4,605,218</u>	<u>4,294,988</u>
<i>Current Assets</i>		
Due from related parties	9,238	-
Accounts receivable, net	53,408	33,913
Other current assets	74,885	94,241
Cash and cash equivalents	93,068	138,049
	<u>230,599</u>	<u>266,203</u>
<b>Total assets</b>	<b><u>4,835,817</u></b>	<b><u>4,561,191</u></b>
<b>Equity</b>		
Capital contributions	1,911,810	1,883,571
Costs of raising capital	(37,721)	(37,721)
Net capital contributed	<u>1,874,089</u>	<u>1,845,850</u>
Net earnings for the period	121,922	436,731
Net retained earnings	305,345	(38,403)
Cumulative foreign currency translation	(671)	(5,682)
Cash flow hedge valuation reserve	17,147	3,993
Equity attributable to unitholders	<u>2,317,833</u>	<u>2,242,489</u>
Minority interest in subsidiaries	7,115	5,625
<b>Total equity</b>	<b><u>2,324,947</u></b>	<b><u>2,248,114</u></b>
<b>Liabilities</b>		
<i>Non-current liabilities</i>		
Interest bearing secured notes	1,251,755	1,269,331
Fund incentive fee	4,544	-
Hedging instruments	6,543	10,311
Interest bearing long-term bank loans, net of current portion	156,150	159,056
Deferred taxation	202,736	192,774
	<u>1,621,728</u>	<u>1,631,472</u>
<i>Current liabilities</i>		
Interest bearing bank loans, current portion	722,345	534,231
Accounts payable	6,511	12,243
Due to related parties	6,418	5,062
Income and other taxes payable	17,130	14,811
Accrued expenses and other current liabilities	106,411	92,984
Deferred income	30,327	22,274
	<u>889,142</u>	<u>681,605</u>
<b>Total liabilities</b>	<b><u>2,510,870</u></b>	<b><u>2,313,077</u></b>
<b>Total equity and liabilities</b>	<b><u>4,835,817</u></b>	<b><u>4,561,191</u></b>
<b>IFRS Net Asset Value per ordinary unit</b>	<b>€12.17</b>	<b>€11.88</b>
<b>Adjusted Net Asset Value per ordinary unit</b>	<b>€14.41</b>	<b>€13.97</b>

**CONSOLIDATED INCOME STATEMENT  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2007**

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

	Three months ended		Six months ended	
	30 June 2007 <i>Unaudited</i>	31 March 2007 <i>Unaudited</i>	30 June 2007 <i>Unaudited</i>	30 June 2006 <i>Audited</i>
Rental income	81,456	77,067	158,523	142,442
Other property income	6,717	1,286	8,003	2,187
<b>Total revenue</b>	<b>88,173</b>	<b>78,353</b>	<b>166,526</b>	<b>144,629</b>
Ground rents paid	(583)	(538)	(1,121)	(1,069)
Property management fees	(5,203)	(4,940)	(10,143)	(8,789)
Other property rental expenses	(1,779)	(1,745)	(3,524)	(4,220)
<b>Cost of rental activities</b>	<b>(7,565)</b>	<b>(7,223)</b>	<b>(14,788)</b>	<b>(14,078)</b>
<b>Gross profit</b>	<b>80,608</b>	<b>71,130</b>	<b>151,738</b>	<b>130,551</b>
Fund management fees	(1,735)	(1,643)	(3,378)	(3,071)
Custodian fees	(66)	(39)	(105)	(97)
Other operating expenses	(853)	(1,054)	(1,907)	(9,058)
Provision for incentive fee	(4,544)	-	(4,544)	-
<b>Fund expenses</b>	<b>(7,198)</b>	<b>(2,736)</b>	<b>(9,934)</b>	<b>(12,226)</b>
Investment property disposal proceeds	-	4,887	4,887	8,312
Carrying value of investment property disposals	-	-	-	(7,119)
<b>Profit/(loss) on disposal of investment properties</b>	<b>-</b>	<b>4,887</b>	<b>4,887</b>	<b>1,193</b>
Gross valuation gains on property, less disposals	80,762	12,218	92,980	448,736
Gross valuation losses on property, less disposals	(261)	(18,776)	(19,037)	(9,780)
Purchasers costs, less disposals	(13,846)	(10,193)	(24,039)	(28,977)
<b>Property fair value movements</b>	<b>66,655</b>	<b>(16,751)</b>	<b>49,904</b>	<b>409,979</b>
<b>Earnings before interest and tax</b>	<b>140,065</b>	<b>56,530</b>	<b>196,595</b>	<b>529,497</b>
Finance income	944	996	1,940	2,170
Finance expense	(30,780)	(22,694)	(53,474)	(40,955)
<b>Net financing cost</b>	<b>(29,836)</b>	<b>(21,698)</b>	<b>(51,534)</b>	<b>(38,785)</b>
<b>Earnings before tax</b>	<b>110,229</b>	<b>34,832</b>	<b>145,061</b>	<b>490,712</b>
Income tax expense	(7,160)	(5,807)	(12,967)	(6,041)
Deferred tax (expense)/credit	(22,514)	12,343	(10,171)	(110,793)
<b>Charge for taxation</b>	<b>(29,674)</b>	<b>6,536</b>	<b>(23,138)</b>	<b>(116,834)</b>
<b>Net earnings for the period</b>	<b>80,555</b>	<b>41,368</b>	<b>121,922</b>	<b>373,878</b>
<b>Attributable to:</b>				
PEPR unitholders	80,425	41,248	121,673	373,631
Minority interest	130	120	250	247
<b>Net earnings for the period</b>	<b>80,555</b>	<b>41,368</b>	<b>121,922</b>	<b>373,878</b>
<b>IFRS earnings per ordinary unit</b>	<b>€0.42</b>	<b>€0.22</b>	<b>€0.64</b>	<b>€2.20</b>
<b>Earnings per preferred unit</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>€0.34</b>
<b>Adjusted earnings per ordinary unit</b>	<b>€0.21</b>	<b>€0.21</b>	<b>€0.42</b>	<b>€0.44</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2007**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>	<b>31 March</b>	<b>30 June</b>	<b>30 June</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>Earnings before tax</b>	110,229	34,832	145,061	490,712
Adjustment for non-cash items and changes in operating assets	(79,628)	19,925	(59,703)	(412,616)
<b>Net cash flow from operating activities</b>	<b>30,601</b>	<b>54,757</b>	<b>85,358</b>	<b>78,096</b>
<b>Cash flow from investing activities</b>				
Acquisitions of property	(3,087)	(188,799)	(191,886)	(298,897)
Acquisitions of a business net of cash	-	-	-	-
Capital expenditure on investment property	(31,753)	-	(31,753)	(18,141)
Property under construction	(388)	(1,838)	(2,225)	(4,112)
Proceeds from disposal of investment in property	-	4,887	4,887	8,312
Proceeds from insurance claim	12,830	-	12,830	-
<b>Net cash used in investing activities</b>	<b>(22,397)</b>	<b>(185,750)</b>	<b>(208,147)</b>	<b>(312,838)</b>
<b>Cash flow from financing activities</b>				
Proceeds from secured notes:				
Gross proceeds / (repayment)	-	(21,363)	(21,363)	-
Transaction costs	-	-	-	-
Proceeds from bank loans:				
Gross proceeds / (repayment)	26,457	157,465	183,922	133,003
Transaction costs	-	-	-	(220)
Proceeds from capital contributions	-	-	-	200,750
Distributions to unitholders	(42,252)	(38,132)	(80,384)	(80,260)
<b>Net cash provided from / (used in) financing activities</b>	<b>(15,795)</b>	<b>97,970</b>	<b>82,175</b>	<b>253,273</b>
<b>Effects of changes in exchange rates</b>	<b>(13,614)</b>	<b>9,248</b>	<b>(4,366)</b>	<b>(3,154)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(21,206)</b>	<b>(23,775)</b>	<b>(44,981)</b>	<b>15,377</b>
Cash and cash equivalents at the beginning of the period	114,274	138,049	138,049	96,785
<b>Cash and cash equivalents at the end of the period</b>	<b>93,068</b>	<b>114,274</b>	<b>93,068</b>	<b>112,162</b>

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**CALCULATION OF ADJUSTED EARNINGS  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2007**


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

	Three months ended		Six months ended	
	30 June 2007	31 March 2007	30 June 2007	30 June 2006
<b>Earnings attributable to unitholders of PEPR</b>	<b>80,425</b>	<b>41,248</b>	<b>121,673</b>	<b>373,631</b>
Adjustments for:				
Distributions to preferred unitholders	-	-	-	(6,858)
Net valuation movements	(66,655)	16,751	(49,904)	(409,979)
Result on disposal of investment properties	-	(4,887)	(4,887)	(1,193)
Costs relating to non-recurring events <sup>13</sup>	-	-	-	7,030
Provision for incentive fee	4,544	-	4,544	-
Tax associated with the above adjustments	22,514	(12,343)	10,171	110,793
<b>Adjusted earnings for the period</b>	<b>40,828</b>	<b>40,769</b>	<b>81,597</b>	<b>73,424</b>
Weighted average number of equivalent ordinary units	190.5m	190.5m	190.5m	166.7m
<b>Adjusted earnings per unit for the period</b>	<b>€0.21</b>	<b>€0.21</b>	<b>€0.42</b>	<b>€0.44</b>

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**CALCULATION OF ADJUSTED NET ASSET VALUE  
AS AT**


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	30 June 2007		31 Dec 2006	
	€ million	€ per unit	€ million	€ per unit
Number of ordinary units outstanding		190,522,441		188,687,510
<b>Net asset value per IFRS financial statements</b>	<b>2,317.8</b>	<b>12.17</b>	<b>2,242.5</b>	<b>11.88</b>
Adjustments for:				
Deferred tax	202.7	1.06	192.8	1.02
<b>EPRA net asset value<sup>14</sup></b>	<b>2,520.5</b>	<b>13.23</b>	<b>2,435.3</b>	<b>12.90</b>
Purchaser's costs	225.7	1.18	201.6	1.07
<b>Adjusted net asset value</b>	<b>2,746.2</b>	<b>14.41</b>	<b>2,636.9</b>	<b>13.97</b>

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**FINANCIAL RATIOS  
AS AT**


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	30 June 2007	31 Dec 2006
Gross value of real estate portfolio	€4,766.7 million	€4,444.0 million
Debt	€2,147.2 million	€1,984.8 million
Leverage (debt as percentage of gross value of real estate portfolio)	45.0%	44.7%
Average maturity, based on earliest repayment date	1.7 years	2.3 years
Average maturity, based on latest repayment date	3.4 years	4.2 years
	<b>30 June 2007</b>	<b>30 June 2006</b>
Average interest rate (six months)	4.9%	4.6%

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<sup>13</sup> Non-recurring events in 2006 relate to the IPO which closed in Q3

<sup>14</sup> Based on "Best Practices Policy Recommendations" as published by EPRA in November 2006

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**RECONCILIATION OF PROFIT TO DISTRIBUTABLE CASH FLOW  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2007**

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

	Three months ended		Six months ended	
	30 June 2007	31 March 2007	30 June 2007	30 June 2006
<b>Net earnings for the period</b>	<b>80,554</b>	<b>41,368</b>	<b>121,922</b>	<b>373,878</b>
Adjustments for items per the Management				
Regulations:				
Rent levelling adjustment	(1,061)	1,100	39	3,900
Net valuation gains / (losses) on property, net of disposals	(80,502)	6,558	(73,944)	(438,956)
Purchaser's costs, net of disposals	13,846	10,193	24,039	28,977
Unrealised currency (gains) / losses	4,052	(4,118)	(66)	(2,042)
Amortisation of debt expenses	1,608	3,028	4,636	4,929
Movements on deferred tax balances	24,251	(12,343)	11,908	110,793
Costs relating to non-recurring events	-	-	-	7,030
Provision for incentive fee	4,544	-	4,544	-
Minority interest	(250)	-	(250)	-
Less an allowance for capital and re-letting expenses	(2,785)	(3,535)	(6,320)	(5,100)
Total adjustments	(36,297)	883	(35,414)	(290,468)
<b>Distributable cash flow</b>	<b>44,257</b>	<b>42,251</b>	<b>86,508</b>	<b>83,409</b>
Distributions made to preferred unitholders	-	-	-	(6,858)
<b>Distributable cash flow for ordinary unitholders</b>	<b>44,257</b>	<b>42,251</b>	<b>86,508</b>	<b>76,551</b>
Weighted average number of equivalent ordinary units	190.5m	190.5m	190.5m	166.7m
<b>Distributable cash flow per ordinary unit for the period</b>	<b>€0.23</b>	<b>€0.22</b>	<b>€0.45</b>	<b>€0.46</b>

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**CONSOLIDATED STATEMENT OF INVESTMENT IN PROPERTY  
AS AT 30 JUNE 2007**

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

	<b>30 June 2007</b> <i>Unaudited</i>	<b>30 Dec 2006</b> <i>Audited</i>
<b>Historic cost</b>		
Cost at the beginning of the period	3,575,310	3,221,938
Asset additions, by way of agreement with ProLogis	201,651	333,640
Asset additions, by way of corporate acquisition	18,474	-
Other asset additions	6,156	22,863
Capital expenditure	25,596	37,043
Write down of property subject to insurance claim	-	(17,742)
Transfer from property under construction	-	13,471
Disposals, by way of direct disposals	-	(54,682)
Effect of unrealised currency movements	(3,147)	18,779
	<u>3,824,041</u>	<u>3,575,310</u>
Cost at the end of the period	<u>3,824,041</u>	<u>3,575,310</u>
<b>Net unrealised gains related to property</b>		
Net unrealised gains / (losses) at the beginning of the period	667,108	251,870
Gross valuations gains on investment in real estate during the period, less disposals	92,981	471,587
Gross valuations losses on investment in real estate during the period, less disposals	(19,037)	(21,455)
Deduction for purchaser's costs, less disposals	(24,039)	(34,894)
	<u>717,013</u>	<u>667,108</u>
Net unrealised gains at the end of the period	<u>717,013</u>	<u>667,108</u>
<b>Fair value at the end of the period</b>	<b><u>4,541,053</u></b>	<b><u>4,242,418</u></b>
<b>Fair value of investment property</b>		
Appraised gross property value at the end of the period <sup>15</sup>	4,766,719	4,444,046
Purchaser's costs	(225,666)	(201,628)
	<u>4,541,053</u>	<u>4,242,418</u>
<b>Fair value at the end of the period</b>	<b><u>4,541,053</u></b>	<b><u>4,242,418</u></b>
Appraised market value as a percentage of net assets	196%	189%

<sup>15</sup> An independent revaluation of approximately half the portfolio is conducted every six months. The portfolio value is therefore a blend of 31 December and 30 June figures.

**OUTSTANDING DEBT  
AS AT 30 JUNE 2007**

Description	Rating	Issue date	Issue size	Coupon <sup>16</sup>	Maturity date <sup>17</sup>	Drawn amount		Swapped rate	Comments
						Local currency	Euros		
<i>Listed on the London Stock Exchange</i>									
Pan European Industrial Properties Series I S.A	AAA	May 2001	€213.8m	+35bps	Apr 2011	€95.5m £65.4m	€200.6m <sup>18</sup>	5.75%	100% swapped
Pan European Industrial Properties Series II S.A	AAA AAA AA	May 2002	€356.0m	€285m: + 32bps €31m: + 48bps €40m: + 90bps	Jul 2012	€202.6m £89.2m	€347.8m	5.72%	100% swapped
Pan European Industrial Properties Series III S.A	AAA AAA AA	Feb 2003	€190.5m	€151m: + 35bps €17m: + 48bps €23m: + 85bps	May 2013	€108.2m £48.9m	€185.7m	4.61%	100% swapped
Pan European Industrial Properties Series IV S.A	AAA AA AAA	Mar 2005	€389.0m	€337m: + 14bps €32m: + 18bps €20m: + 30bps	May 2013	€327.0m £42.8m	€389.0m	3.58%	100% swapped
<i>Listed on the Irish Stock Exchange</i>									
France Industrial Properties No I S.A.	AAA A	Apr 2002	€144.0m	€115m: + 38bps €29m: + 90bps	Apr 2012	€144.0m	€144.0m <sup>18</sup>	5.69%	100% swapped
<i>Other</i>									
Revolving credit facility	-	Dec 2003	€800.0m	+ 35 to 47.5bps <sup>19</sup>	Dec 2007	€615.5m £70.4m	€720.2m	n/a	
Bank loan	-	Feb 2004	€151.1m	+ 137bps	Mar 2010	€151.1m	€151.1m	n/a	
Mortgage (Italy)	-		€1.0m	various	Dec 2010	€1.0m	€1.0m	n/a	
Finance lease	-		€7.9m	various	Dec 2014	€7.9m	€7.9m	n/a	
<b>Total</b>			<b>€2,253.2m</b>				<b>€2,147.2m</b>		

<sup>16</sup> All coupons are three month Euribor +

<sup>17</sup> Maturity dates relate to Legal Maturity Date, rather than the repayable date which are typically three years earlier

<sup>18</sup> Repaid on 16 July 2007

<sup>19</sup> Depending on collateral

**PORTFOLIO OVERVIEW  
AS AT 30 JUNE 2007**

	Number of distribution facilities	Open market value ('OMV') <sup>20</sup> €million	% of total OMV	Leasable area 000m <sup>2</sup>	% of total leasable area	Annualised rental income <sup>21</sup> €million	ERV <sup>22</sup> €million	Yield on OMV <sup>23</sup>	Average age of distribution facilities years	Occupancy level	Number of leases	Average number of years to next lease break	Average number of years to lease expiry
France	108	1,346	30%	2,146.7	37%	103.6	95.7	7.7%	10.6	94.3%	325	3.2	6.8
Italy	19	327	7%	533.8	9%	25.0	23.7	7.6%	6.9	97.6%	19	6.8	6.8
Spain	13	312	7%	309.5	6%	19.9	21.4	6.4%	4.6	99.8%	21	4.2	6.8
<i>Southern</i>	<i>140</i>	<i>1,985</i>	<i>44%</i>	<i>2,990.0</i>	<i>52%</i>	<i>148.5</i>	<i>140.8</i>	<i>7.5%</i>	<i>9.1</i>	<i>95.4%</i>	<i>365</i>	<i>4.0</i>	<i>6.8</i>
Belgium	5	56	1%	98.3	2%	3.7	3.6	6.6%	3.0	86.7%	5	3.8	11.6
Germany	26	338	8%	423.4	7%	25.3	24.1	7.5%	3.2	98.5%	42	4.5	6.1
Netherlands	23	368	8%	512.3	9%	29.8	29.4	8.1%	6.5	98.2%	38	3.9	4.0
Sweden	4	98	2%	124.8	2%	7.3	6.8	7.5%	14.3	100.0%	4	9.6	11.8
<i>Northern</i>	<i>58</i>	<i>860</i>	<i>19%</i>	<i>1,158.8</i>	<i>20%</i>	<i>66.1</i>	<i>63.9</i>	<i>7.7%</i>	<i>5.9</i>	<i>97.5%</i>	<i>89</i>	<i>4.8</i>	<i>6.1</i>
Czech Republic	12	135	3%	180.9	3%	10.7	8.6	7.9%	4.7	92.4%	35	2.1	2.9
Hungary	14	133	3%	181.9	3%	10.4	9.2	7.8%	3.9	95.2%	43	3.4	4.4
Poland	25	292	6%	463.9	8%	22.3	19.1	7.6%	4.9	95.3%	72	2.6	3.0
<i>Central</i>	<i>51</i>	<i>560</i>	<i>12%</i>	<i>826.7</i>	<i>14%</i>	<i>43.4</i>	<i>36.9</i>	<i>7.7%</i>	<i>4.6</i>	<i>94.6%</i>	<i>150</i>	<i>2.7</i>	<i>3.3</i>
<i>UK</i>	<i>44</i>	<i>1,136</i>	<i>25%</i>	<i>783.5</i>	<i>14%</i>	<i>70.2</i>	<i>67.0</i>	<i>6.2%</i>	<i>6.0</i>	<i>100.0%</i>	<i>44</i>	<i>7.3</i>	<i>10.0</i>
<b>TOTAL</b>	<b>293</b>	<b>4,541</b>	<b>100%</b>	<b>5,759.0</b>	<b>100%</b>	<b>328.2</b>	<b>308.6</b>	<b>7.2%</b>	<b>7.0</b>	<b>96.4%</b>	<b>648</b>	<b>4.7</b>	<b>6.9</b>
Vacant space (at ERV per m <sup>2</sup> )							9.7						
Rent incentives and redevelopments							-						
							<b>318.3</b>						

<sup>20</sup> An independent revaluation of half the portfolio is conducted every six months, therefore the total portfolio valuation at 30 June 2007 is a blend of 31 December 2006 and 30 June 2007 figures. In accordance with IFRS fair value accounting, valuations are reported net i.e. after deduction of purchasers' costs

<sup>21</sup> Annualised rental income means the estimate of annual income based on the rental income for leases in place as at 30 June 2007 based on rates effective at that date and on the assumption that rental income from such leases will continue to be received for the whole of the financial year. It does not take into account lease terminations, renewals, replacement of customers or other changes in rent levels in existing leases

<sup>22</sup> ERV refers to the Estimated Rental Value calculated by the independent third-party appraisers at 31 December 2006 and 30 June 2007. As such it is a combination of market rents evident at both measurement dates

<sup>23</sup> Annualised rental income expressed as a percentage of open market value

**REVALUED PORTFOLIO OVERVIEW**  
**AS AT 30 JUNE 2007**

	Number of distribution facilities	Open market value ('OMV') €million	% of total portfolio OMV	Valuation surplus / (deficit) €million	Valuation surplus / (deficit) %	Leasable area 000m <sup>2</sup>	% of total portfolio leasable area	Yield on OMV
France	43	671	50%	43 <sup>24</sup>	6.8	1,029.2	48%	7.7%
Italy	9	160	49%	4	2.6	236.4	44%	7.4%
Spain	5	139	45%	10	7.8	113.7	37%	6.3%
<i>Southern</i>	<i>57</i>	<i>970</i>	<i>49%</i>	<i>57</i>	<i>6.2</i>	<i>1,379.3</i>	<i>46%</i>	<i>7.4%</i>
Belgium	2	23	41%	2	9.5	43.6	44%	5.7%
Germany	11	149	44%	0	-	180.0	43%	7.7%
Netherlands	14	205	56%	(3)	(1.4)	309.4	60%	8.2%
Sweden	-	-	-	-	-	-	-	-
<i>Northern</i>	<i>27</i>	<i>377</i>	<i>44%</i>	<i>(1)</i>	<i>(0.3)</i>	<i>533.0</i>	<i>46%</i>	<i>7.9%</i>
Czech Republic	3	30	22%	1	3.4	41.4	23%	8.2%
Hungary	11	99	75%	1	1.0	132.3	73%	7.8%
Poland	13	146	50%	5	3.5	208.2	45%	7.9%
<i>Central</i>	<i>27</i>	<i>275</i>	<i>49%</i>	<i>7</i>	<i>2.6</i>	<i>381.9</i>	<i>46%</i>	<i>7.9%</i>
<i>UK</i>	<i>23</i>	<i>582</i>	<i>51%</i>	<i>19<sup>25</sup></i>	<i>3.4</i>	<i>380.5</i>	<i>49%</i>	<i>6.0%</i>
<b>TOTAL</b>	<b>134</b>	<b>2,204</b>	<b>49%</b>	<b>82</b>	<b>3.9</b>	<b>2,674.7</b>	<b>46%</b>	<b>7.2%</b>

<sup>24</sup> Includes Blois 12,000m<sup>2</sup> extension, which had €6.1 million of capital expenditure during the half year

<sup>25</sup> Includes Hemel Hempstead redevelopment, which had €16.8 million of capital expenditure during the half year

**LEASE BREAK AND MATURITY DATES  
AS AT JUNE 2007**

	Number of leases with next break option in year	Leased m <sup>2</sup> subject to next break option 000m <sup>2</sup>	Annualised rental income of leases subject to first break option		Number of leases with expiry date in year	Leased m <sup>2</sup> subject to lease expiry 000m <sup>2</sup>	Annualised rental income of expiring leases	
			€m	%			€m	%
2007	125	406	23.1	7.1	79	347	19.5	5.9
2008	140	766	40.3	12.3	83	320	17.2	5.2
2009	119	766	47.1	14.3	59	271	20.5	6.2
2010	88	799	46.3	14.1	51	425	26.7	8.1
2011	42	545	28.5	8.7	49	360	19.8	6.0
2012	31	473	29.6	9.0	32	378	25.1	7.7
2013	18	293	16.0	4.9	46	468	26.2	8.0
2014	25	468	30.1	9.2	50	715	40.6	12.4
2015	29	493	30.6	9.3	58	792	41.6	12.7
2016	10	202	12.6	3.8	47	619	32.7	10.0
2017+	21	339	24.0	7.3	94	855	58.3	17.8
<b>Total</b>	<b>648</b>	<b>5,550</b>	<b>328.2</b>	<b>100.0</b>	<b>648</b>	<b>5,550</b>	<b>328.2</b>	<b>100.0</b>

**TOP 20 CUSTOMERS  
AS AT JUNE 2007**

	Customer name	Share of annualised rental income	Number of leases
1	Deutsche Post AG (DHL)	6.9%	27
2	Ceva	5.6%	14
3	NYK Holdings	3.9%	10
4	Geodis	3.6%	14
5	ID Logistics France	2.5%	8
6	Gefco (PSA Peugeot)	2.1%	8
7	FM Logistic	2.1%	5
8	GoodYear/Dunlop	1.7%	2
9	Wincanton Logistics	1.6%	10
10	Kuehne & Nagel	1.6%	7
11	Brandt Appliances	1.6%	3
12	ND Logistics	1.4%	4
13	Deutsche Bahn	1.3%	6
14	DSV A/S	1.3%	6
15	Fiege Logistik gruppe	1.3%	7
16	Gillette	1.3%	2
17	Amazon.Com Inc	1.2%	1
18	Carrefour	1.2%	2
19	J. Sainsbury	1.1%	2
20	Lear Corporation	0.9%	2
	Subtotal of 20 largest customers	44.2%	140
	Leases with 394 other customers	55.8%	508
	<b>Total</b>	<b>100.0%</b>	<b>648</b>