

## News release

### ProLogis European Properties results for the quarter ended 30 September 2007

#### Solid results underpin quarter of substantial achievement

**Luxembourg – 25 October 2007** – ProLogis European Properties (Euronext: PEPR), Europe's largest owner of modern distribution facilities, today reports results for the quarter ended 30 September 2007.

#### Highlights

- Active recycling of capital with €425m disposal of portfolio of assets in France, at a significant premium to net asset value
- Successful execution of growth plan with initial investment of €82.35 million out of a total agreed investment of €900 million in ProLogis European Properties Fund II
- Continued strong operating performance driving overall occupancy to 97.4%
- Debut unsecured bond issue for €500 million well received, post quarter end

#### *Quarter to 30 September 2007*

- €0.20 distribution per unit, flat on the underlying second quarter distribution<sup>1</sup>
- Adjusted net asset value per unit<sup>3</sup> of €14.21, a €0.20 decrease since 30 June 2007 primarily due to unrealised movement in the sterling exchange rate; IFRS net asset value per unit was €12.08
- Adjusted earnings<sup>4</sup> increased 18.8% to €0.19 per unit for the third quarter (Q3 2006: €0.16 per unit) ; IFRS pre-tax profit was €49.5 million
- 29 lease transactions covering 138,800m<sup>2</sup>

#### *Nine months to 30 September 2007*

- €0.65 distribution per unit, implying an annualised dividend yield of 7.3%<sup>2</sup>
- Adjusted net asset value per unit increased 1.7% to €14.21 over the nine months (2006: €13.97); IFRS net asset value per unit increased to €12.08 (2006: €11.88)
- Adjusted earnings increased 3.4% to €0.61 per unit (2006: €0.59 per unit); IFRS pre-tax profit was €194.6 million
- 101 lease transactions covering 471,100m<sup>2</sup>

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

“We are pleased to report significant progress in our financial and operational results for the third quarter of 2007 as we mark the end of our first year as a listed company. Our adjusted earnings show a healthy increase of 18.8% for the quarter and we are delighted to achieve a €0.65 distribution per unit for the nine months to the end of September, implying an annualised dividend yield of 7.3%.

“We continue to deliver on our strategy of active asset management as set out at the time of the

<sup>1</sup> After taking into the account the sizeable lease termination fee received in Q2

<sup>2</sup> Based on the closing unit price on 28 September 2007 of €11.85

<sup>3</sup> Adjusted net asset value per unit excludes deferred tax arising on revaluation movements and purchasers' costs

<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

IPO, with just under half a million square metres of lease transactions over the course of this year. Our agreed investment of €900 million in ProLogis European Properties Fund II over the next three years is another significant development that will enable us to benefit from ProLogis' unrivalled development pipeline in Europe and increase our critical mass in key markets. We are also excited to have issued our first unsecured bond; this represents a positive step in our financing strategy and, at two times oversubscribed, one that has been very well received by the market.

"Our continued focus on top quality distribution facilities in key logistics markets across Europe, deep customer relationships leading to exceptional occupancy rates and lease lengths, combined with the strength of our balance sheet gives us the competitive edge we need to outperform the industry."

## **ProLogis European Properties Fund II**

PEPR's stated growth strategy is to invest in ProLogis private equity funds, extending the unique relationship with ProLogis through continued, indirect investment in ProLogis' newly developed and fully let facilities. In August 2007, ProLogis established a new private equity fund, ProLogis European Properties Fund II ('PEPF II'), in which PEPR has committed to invest €900 million over the next three years, giving it 30% ownership.

It is anticipated that the open-end, infinite-life fund will have a total equity capitalisation of some €3 billion, comprising €510 million directly from ProLogis and some €2.5 billion from third-party institutional investors, including PEPR's €900 million stake. Targeted leverage of 50 - 60% will take the total capitalisation of the fund to between €6 and €7.5 billion. PEPF II is expected to invest this capital to acquire modern distribution facilities, complementing PEPR's existing state-of-the-art portfolio and expanding PEPR's reach into new markets while growing key customer relationships.

PEPR expects to receive an income return in the range of 6.5% to 7% per annum from PEPF II.

## **Portfolio performance**

Following the disposal of a portfolio of non-core assets in France and the acquisition of a modern distribution facility in Wroclaw, Poland, PEPR's directly owned portfolio at the end of September consists of 247 buildings, covering 5.2 million square metres in 11 European countries. The open market value of the portfolio at the end of September 2007 is estimated at €4.2 billion, as appraised by independent valuers in June 2007 for the acquired building and in December 2006 and June 2007<sup>5</sup> for the remainder of the properties. A breakdown of the directly owned portfolio is shown on page 15.

In July 2007, PEPR disposed of a portfolio of non-core assets, covering some 556,000 square metres in France at a value of €425 million, a significant premium over net book value. The portfolio is situated in three locations in the Paris region and one outside Marseille. It was marketed for sale as it was felt that the average age, size and locally-focused customer base of the buildings were not consistent with the remainder of the PEPR portfolio.

In September 2007, PEPR acquired Wroclaw DC8, a 19,300 square metre building, located in ProLogis Park Wroclaw in southwest Poland. This building, newly developed by ProLogis, is let on a 10 year contract to Hi-P, a Singaporean contract manufacturer and is adjacent to an existing, fully-let, 18,600 square metre building owned by PEPR. ProLogis own an additional six buildings, totalling 127,600 square metres, in various stages of development in the Park. Once completed and leased these additional buildings are expected to be contributed to PEPF II, in which PEPR has a 30% equity interest.

At the end of September 2007, ProLogis contributed a €613.5 million portfolio covering over 630,000 square metres of modern distribution space to PEPF II. The 26 buildings are located in eight countries, including Slovakia, a new country for PEPR. A number of the buildings are within

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<sup>5</sup> Historically, an independent valuation of approximately half of the portfolio was conducted every six months, with 49% by value of the 30 June 2007 portfolio revalued at that date. In future, the entire portfolio will be independently valued every six months, with the first full portfolio revaluation due as at 31 December 2007. In accordance with IFRS fair value accounting, valuations are reported net i.e. after deduction of purchasers' costs

existing ProLogis parks, adjacent to properties owned by PEPR and expands relationships with major customers, such as DHL, Keuhne & Nagel and Wincanton. A summary of the PEPF II portfolio is shown on page 16.

As a result of these transactions the combined portfolio of PEPR and PEPF II at the end of September comprised 273 distribution facilities, covering 5.9 million square metres across 12 European countries with an estimated open market value of €4.8 billion, as appraised by independent valuers. The risk profile of both portfolios is highly attractive, producing a combined occupancy level of 97.4%, a diversified customer base, and on average 5.2 years to next lease break or 7.0 years to lease expiry. A summary of the combined portfolio is shown on page 17.

Market demand over the quarter remained strong, enabling ProLogis, PEPR's external manager, to continue to deliver strong leasing results on the directly owned portfolio, with a total of 29 lease transactions, covering over 138,000 square metres. These included 8 new leases, covering 51,500 square metres, with global customers such as Deutsche Post and DHL and the introduction of two new customers. In addition, seven customers expanded their relationship with PEPR, taking some additional 14,200 square metres of space. Finally, 14 leases were renewed, covering 73,100 square metres.

The gross yield<sup>6</sup> of the direct portfolio at 30 September 2007 decreased marginally to 7.0% (6.7% net yield<sup>7</sup>) from 7.2% at the end of June 2007 (net yield 6.9%).

## **Market outlook**

Occupier demand remains robust in most European markets, with employment growth and improved economic activity leading to increased demand for warehousing space in the majority of European markets. Average rental levels remain fairly flat, as a result of further yield compression on the Continent, but we continue to see strong occupier demand and are receiving high levels of enquiries in most locations. We expect to see rental rate growth over the next 12 to 18 months. In the UK, we anticipate some softening of yields for secondary properties, but investor demand for prime assets remains strong. Opinion remains divided over the potential impact on yields of recent turmoil in the global capital markets given there are still large amounts of capital eager to acquire prime assets.

## **Financial results**

### *Adjusted earnings*

Adjusted earnings, PEPR's preferred measure of underlying profitability, increased 18.8% to €0.19 per unit for the three months to 30 September 2007 (2006: €0.16 per unit) 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 nine months to 30 September 2007 grew by 10.7% to €240.0 million compared to the same period last year, driven primarily by the addition of 17 properties in the 12 month period to September 2007 the settlement of rent reviews, particularly in the UK, new leases and the ending of rent incentives, offset by the loss of rental income on the properties disposed of in France in August 2007.

### *Operating expenses*

Total operating expenses decreased 44.6% to €35.3 million in the nine months to 30 September 2007 (2006: €63.7 million). However underlying operating expenses, excluding one-off IPO costs in 2006 and the incentive fee provision in 2007, increased 2.3% to €30.0 million in the nine months to 30 September 2007 (2006: €29.3 million) as a result of the change in fee structure on IPO and the increased portfolio during the year. The majority of operating expenses relate to asset management

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

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

fees paid to ProLogis and as such have a direct correlation to the value of the portfolio.

	Nine months to 30 Sept.		Change
	2007	2006	
	€'000	€'000	%
Fund expenses, including fund management expenses	13,440	42,125	-69.2%
One-off IPO costs	-	(34,353)	n/a
Provision for incentive fee	(5,241)	-	n/a
	<u>8,199</u>	<u>7,772</u>	+5.5%
Cost of rental activities, including property management expenses	21,821	21,563	+1.2%
<b>Underlying operating expenses</b>	<b><u>30,020</u></b>	<b><u>29,335</u></b>	<b>+2.3%</b>

The incentive fee, if earned, is payable to ProLogis in quarter one 2009 and every year thereafter. To date, this fee is estimated at €5.2 million and is provided for in the results for the nine months. 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. The 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 rate.

#### *Profit on disposal of investment properties*

*PEPR's profit on the sale of properties in France of €14.1m in the third quarter. This, combined with the €4.9m escrowed proceeds received earlier in the year, gives a nine month total of €19.0m.*

#### *Property fair value movements*

Year to date, PEPR has recorded €45.8m of fair value gains on its portfolio primarily from the revaluation of half that portfolio in June 2007. A complete revaluation of its entire portfolio is scheduled to take place in December 2007.

#### *Financing and debt*

The net financing cost for the nine month period was €75.0 million, a €7.3 million increase over same period in 2006 due to a €0.2 million increase in financial income and an overall €7.5 million increase in interest expense, the impact of currency movements and the amortisation of borrowing costs.

PEPR incurred interest expense of approximately €73.5 million for the nine month period of 2007, up 19.9% compared to €61.3 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 €229 million of properties since September 2006. PEPR's initial investment in PEPF II of €82.3 million was funded entirely from its existing revolving debt facility. The increase in euro and sterling interest rates over the last twelve months has also impacted the cost of servicing debt. In July 2007, PEPR redeemed €344.6 million of CMBS debt, costing on average 5.7%, financed by the proceeds of a €400.0 million short term facility costing on average 5.0%. This action helped maintain PEPR's weighted average interest rate for the nine month period 30 September 2007 at 4.9% as it was for the first half of the year. The comparable weighted average interest rate for the same period in 2006 was 4.5%.

In October 2007, PEPR debuted on the European bond market when it listed €500 million of seven year notes on the Luxembourg stock exchange. This issue, due 2014, represents its first issuance of unsecured notes. The annual coupon is set at 5.875% and net proceeds of the issue of €495.4 million will repay an equivalent amount of short term debt. The addition of this source of financing is expected to result in a weighted average interest rate of 5.1%, up 20 basis points, and extends the debt maturity profile of PEPR from three years to just under five years. The notes, rated A3 by Moody's, enabled PEPR to reduce its reliance on secured debt which now accounts for 62% of total outstanding debt compared to 100% at the end of June 2007.

Foreign exchange gains and losses consist of realised and unrealised gains and losses on monetary assets and liabilities and fair value hedges. In nine months of 2007, PEPR recorded net foreign exchange gains of €1.5 million, compared to losses of €0.4 million for the same period in 2006.

Net debt at the end of September 2007 was €1.9 billion, a reduction of €0.3 billion since the end of June 2006. PEPR's gross indebtedness as a percentage of its gross property value was 43.0% at the end of September 2007 compared to 45.0% at the end of June. PEPR retains significant capacity to borrow additional debt of approximately €600 million based on its balance sheet strength. An overview of PEPR's outstanding debt is on page 14.

### *Tax*

Tax charges for the nine month period of 2007 decreased substantially to €26.0 million from €115.2 million for the same period last year, primarily as a result of the reduction in the size of the deferred tax provision resulting from 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 has been estimated at 10.7% for the nine months to September 2007 compared to 9.7% for 2006.

### *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 third quarter distribution per unit is €0.200659, flat relative to the underlying distribution for the second quarter after taking into the account the large lease termination fee received. Distribution for the nine months to end September equalled €0.65 per unit, implying an annualised dividend yield of 7.3% based on the 29 September 2007 closing price of €11.85.

The third quarter distribution will have an ex-dividend date of 29 October 2007, a record date of 31 October 2007 and a payment date of 6 November 2007.

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

We invite you to access the live presentation webcast and conference call, held today, 25 October 2007, at 4pm BST / 5pm CET, by clicking on the link entitled "Third Quarter 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	Standard rate
France	0800 911 462	+33 1 70 99 42 78
Luxembourg	800 21140	+352 342 080 8570
The Netherlands	0800 022 5992	+31 20 713 2790
United Kingdom	0800 559 3272	+44 20 7138 0814
United States	+1 866 239 0753	+1 718 354 1157

A replay of the presentation 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 Friday 26 October 2007 until Thursday 8 November 2007. To access the conference call replay, please dial one of the following numbers, using passcode 6469145#:

	Toll free	Standard rate
France	0800 911 479	+33 1 71 23 02 48
The Netherlands	0800 027 0028	+31 20 713 2791
United Kingdom	0800 559 3271	+44 20 7806 170
United States	+1 866 883 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 SEPTEMBER 2007**

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

	<b>30 September 2007</b> <i>Unaudited</i>	<b>31 December 2006</b> <i>Audited</i>
<b>Assets</b>		
<i>Non Current Assets</i>		
Investment in property	4,187,946	4,242,418
Property under construction	6,508	7,157
Investment in funds	82,350	-
Hedging instruments	32,936	38,087
Deferred tax asset	7,117	7,326
	<u>4,316,857</u>	<u>4,294,988</u>
<i>Current Assets</i>		
Accounts receivable, net	43,595	33,913
Other current assets	62,288	94,241
Cash and cash equivalents	123,822	138,049
	<u>229,705</u>	<u>266,203</u>
<b>Total assets</b>	<b><u>4,546,562</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	43,145	436,731
Net retained earnings	398,328	(38,403)
Cumulative foreign currency translation	(14,746)	(5,682)
Cash flow hedge valuation reserve	1,343	3,993
Equity attributable to unitholders	<u>2,302,159</u>	<u>2,242,489</u>
Minority interest in subsidiaries	7,778	5,625
<b>Total equity</b>	<b><u>2,309,937</u></b>	<b><u>2,248,114</u></b>
<b>Liabilities</b>		
<i>Non-current liabilities</i>		
Interest bearing secured notes	911,105	1,269,331
Fund incentive fee	5,241	-
Hedging instruments	6,875	10,311
Interest bearing long-term bank loans, net of current portion	156,148	159,056
Deferred taxation	201,309	192,774
	<u>1,280,678</u>	<u>1,631,472</u>
<i>Current liabilities</i>		
Interest bearing bank loans, current portion	806,416	534,231
Accounts payable	10,728	12,243
Due to related parties	8,731	5,062
Income and other taxes payable	18,098	14,811
Accrued expenses and other current liabilities	86,491	92,984
Deferred income	25,483	22,274
	<u>955,947</u>	<u>681,605</u>
<b>Total liabilities</b>	<b><u>2,236,625</u></b>	<b><u>2,313,077</u></b>
<b>Total equity and liabilities</b>	<b><u>4,546,562</u></b>	<b><u>4,561,191</u></b>
<b>IFRS Net Asset Value per ordinary unit</b>	<b>€12.08</b>	<b>€11.88</b>
<b>Adjusted Net Asset Value per ordinary unit</b>	<b>€14.21</b>	<b>€13.97</b>

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007**

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

	Three months ended		Nine months ended	
	30 Sept. 2007	30 Sept. 2006	30 Sept. 2007	30 Sept. 2006
Rental income	72,790	71,037	231,313	213,479
Other property income	738	1,147	8,741	3,334
<b>Total revenue</b>	<b>73,528</b>	<b>72,184</b>	<b>240,054</b>	<b>216,813</b>
Ground rents paid	(573)	(560)	(1,695)	(1,629)
Property management fees	(5,179)	(4,581)	(15,321)	(13,370)
Other property rental expenses	(1,280)	(2,344)	(4,805)	(6,564)
<b>Cost of rental activities</b>	<b>(7,032)</b>	<b>(7,485)</b>	<b>(21,821)</b>	<b>(21,563)</b>
<b>Gross profit</b>	<b>66,496</b>	<b>64,699</b>	<b>218,233</b>	<b>195,250</b>
Fund management fees	(1,702)	(1,640)	(5,080)	(4,711)
Custodian fees	(59)	(95)	(164)	(192)
Other operating expenses	(1,049)	(28,164)	(2,955)	(37,222)
Provision for incentive fee	(697)	-	(5,241)	-
<b>Fund expenses</b>	<b>(3,507)</b>	<b>(29,899)</b>	<b>(13,440)</b>	<b>(42,125)</b>
Investment property disposal proceeds	373,461	18,038	378,348	19,231
Carrying value of investment property disposals	(359,334)	-	(359,334)	-
<b>Profit/(loss) on disposal of investment properties</b>	<b>14,127</b>	<b>18,038</b>	<b>19,014</b>	<b>19,231</b>
Gross valuation gains on property, less disposals	(6,150)	(21,480)	86,831	417,476
Gross valuation losses on property, less disposals	160	-	(18,877)	-
Purchasers costs, less disposals	1,886	2,709	(22,153)	(26,268)
<b>Property fair value movements</b>	<b>(4,104)</b>	<b>(18,771)</b>	<b>45,801</b>	<b>391,208</b>
<b>Earnings before interest and tax</b>	<b>73,012</b>	<b>34,067</b>	<b>269,608</b>	<b>563,564</b>
Finance income	1,537	1,108	3,477	3,278
Finance expense	(25,022)	(30,036)	(78,497)	(70,991)
<b>Net financing cost</b>	<b>(23,485)</b>	<b>(28,928)</b>	<b>(75,020)</b>	<b>(67,713)</b>
<b>Earnings before tax</b>	<b>49,527</b>	<b>5,139</b>	<b>194,588</b>	<b>495,851</b>
Income tax expense	(4,250)	(2,889)	(17,217)	(8,930)
Deferred tax (expense)/credit	1,427	4,546	(8,744)	(106,247)
<b>Charge for taxation</b>	<b>(2,823)</b>	<b>1,657</b>	<b>(25,961)</b>	<b>(115,177)</b>
<b>Net earnings for the period</b>	<b>46,704</b>	<b>6,796</b>	<b>168,627</b>	<b>380,674</b>
<b>Attributable to:</b>				
Unitholders of PEPR	46,211	6,549	167,884	380,427
Minority interest	493	247	743	247
<b>Net earnings for the period</b>	<b>46,704</b>	<b>6,796</b>	<b>168,627</b>	<b>380,674</b>
<b>IFRS earnings per ordinary unit</b>	<b>€0.24</b>	<b>€0.03</b>	<b>€0.88</b>	<b>€2.02</b>
<b>Adjusted earnings per ordinary unit</b>	<b>€0.19</b>	<b>€0.16</b>	<b>€0.61</b>	<b>€0.59</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)  
AS AT 30 SEPTEMBER 2007**

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

	<b>30 September 2007</b> <i>Unaudited</i>	<b>31 December 2006</b> <i>Audited</i>
<b>Total equity attributable to unitholders brought forward</b>	<b>2,242,489</b>	<b>1,821,350</b>
Foreign currency translation	(9,064)	15,164
Net gains/(losses) on cashflow hedges fair valuation	(2,650)	43,293
<b>Total income and expense for the period recognised directly in equity</b>	<b>(11,714)</b>	<b>58,457</b>
Net earnings for the period	167,884	436,731
Distributions for the period	(124,739)	(165,199)
<b>Total net income and expense for the period</b>	<b>43,145</b>	<b>271,532</b>
Capital contributions by way of cash payment	-	200,750
Capital contributions by way of contribution in kind	28,239	43,599
Capital redemptions	-	(153,199)
<b>Net movement in capital for the period</b>	<b>28,239</b>	<b>91,150</b>
<b>Changes in Equity</b>	<b>59,670</b>	<b>421,139</b>
<b>Total equity attributable to unitholders carried forward</b>	<b>2,302,159</b>	<b>2,242,489</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007**

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 Sept. 2007</b>	<b>30 Sept. 2006</b>	<b>30 Sept. 2007</b>	<b>30 Sept. 2006</b>
<b>Earnings before tax</b>	49,527	5,139	194,588	495,851
Adjustment for non-cash items and changes in operating assets	(11,169)	16,312	(60,007)	(396,313)
<b>Net cash flow from operating activities</b>	<b>38,358</b>	<b>21,451</b>	<b>134,581</b>	<b>99,538</b>
<b>Cash flow from investing activities</b>				
Acquisitions of property	(8,546)	-	(200,432)	(298,897)
Acquisitions of a business net of cash	-	-	-	-
Acquisition in private equity funds	(82,350)	-	(82,350)	-
Capital expenditure on investment property	(11,302)	(8,187)	(43,055)	(26,328)
Property under construction	(112)	(7,285)	(2,338)	(11,397)
Proceeds from disposal of investment in property	373,461	65,690	378,349	74,002
Proceeds from insurance claim	5,510	-	18,340	-
<b>Net cash provided from / (used in) investing activities</b>	<b>276,661</b>	<b>50,218</b>	<b>68,514</b>	<b>(262,620)</b>
<b>Cash flow from financing activities</b>				
Proceeds from secured notes:				
Gross proceeds / (repayments)	(340,823)	-	(362,187)	-
Transaction costs	-	-	-	-
Proceeds from bank loans:				
Gross proceeds / (repayments)	78,278	150,023	262,201	283,026
Transaction costs	-	-	-	(220)
Proceeds from capital contributions	-	(1)	-	200,749
Distributions to unitholders	(38,240)	(42,235)	(118,624)	(122,495)
Redemption of units	-	(153,200)	-	(153,200)
<b>Net cash from financing activities</b>	<b>(300,785)</b>	<b>(45,413)</b>	<b>(218,610)</b>	<b>207,860</b>
<b>Effects of changes in exchange rates</b>	<b>16,520</b>	<b>(181)</b>	<b>1,288</b>	<b>(3,326)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>30,754</b>	<b>26,075</b>	<b>(14,227)</b>	<b>41,452</b>
Cash and cash equivalents at the beginning of the period	93,068	112,162	138,049	96,785
<b>Cash and cash equivalents at the end of the period</b>	<b>123,822</b>	<b>138,237</b>	<b>123,822</b>	<b>138,237</b>

**CALCULATION OF ADJUSTED EARNINGS  
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007**

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

	Three months ended		Nine months ended	
	30 Sept. 2007	30 Sept. 2006	30 Sept. 2007	30 Sept. 2006
<b>Earnings attributable to unitholders of PEPR</b>	<b>46,211</b>	<b>6,549</b>	<b>167,884</b>	<b>380,427</b>
Adjustments for:				
Net valuation movements	4,104	18,771	(45,801)	(391,208)
Result on disposal of investment properties	(14,127)	(18,038)	(19,014)	(19,231)
Costs relating to non-recurring events <sup>8</sup>	-	27,323	-	34,353
Provision for incentive fee	697	-	5,241	-
Tax associated with the above adjustments	(1,427)	(4,546)	8,744	106,247
<b>Adjusted earnings for the period</b>	<b>35,458</b>	<b>30,059</b>	<b>117,054</b>	<b>110,588</b>
Weighted average number of equivalent ordinary units	190.5m	188.7m	190.5m	188.7m
<b>Adjusted earnings per unit for the period</b>	<b>€0.19</b>	<b>€0.16</b>	<b>€0.61</b>	<b>€0.59</b>

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

	30 September 2007		31 December 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>2,302.1</b>	<b>12.08</b>	<b>2,242.5</b>	<b>11.88</b>
Adjustments for:				
Deferred tax	201.3	1.06	192.8	1.02
<b>EPRA net asset value<sup>9</sup></b>	<b>2,503.4</b>	<b>13.14</b>	<b>2,435.3</b>	<b>12.90</b>
Purchasers' costs	204.7	1.07	201.6	1.07
<b>Adjusted net asset value</b>	<b>2,708.1</b>	<b>14.21</b>	<b>2,636.9</b>	<b>13.97</b>

**FINANCIAL RATIOS  
AS AT**

	30 September 2007	31 December 2006
Gross value of real estate portfolio	€4,392.7 million	€4,444.0 million
Debt	€1,886.8 million	€1,984.8 million
Leverage (debt as percentage of gross value of real estate portfolio)	43.0%	44.7%
Average maturity, based on earliest repayment date	1.5 years	2.3 years
Average maturity, based on latest repayment date	3.0 years	4.2 years
	<b>Nine months to 30 September 2007</b>	<b>Six month to 30 June 2007</b>
Average interest rate	4.9%	4.9%

<sup>8</sup> Non-recurring events in 2006 relate to the IPO which closed in Q3

<sup>9</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 NINE MONTHS ENDED 30 SEPTEMBER 2007**

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

	<b>Three months ended 30 September 2007</b>	<b>Nine months ended 30 September 2007</b>
<b>Net earnings for the period</b>	<b>46,704</b>	<b>168,627</b>
Adjustments for items per the Management		
Regulations:		
Rent levelling adjustment	2,961	3,000
Net valuation gains / (losses) on property, net of disposals	5,990	(67,953)
Purchaser's costs, net of disposals	(1,886)	22,153
Unrealised currency (gains) / losses	(676)	(742)
Amortisation of debt expenses	2,588	7,223
Movements on deferred tax balances	(3,164)	8,744
Profit on disposal	(14,127)	(14,127)
Provision for incentive fee	697	5,241
Minority interest	(493)	(743)
Less an allowance for capital and re-letting expenses	(359)	(6,679)
Total adjustments	(8,469)	(43,883)
<b>Distributable cash flow for ordinary unitholders</b>	<b>38,235</b>	<b>124,744</b>
Weighted average number of equivalent ordinary units	190.5m	190.5m
<b>Distributable cash flow per ordinary unit for the period</b>	<b>€0.20</b>	<b>€0.65</b>

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**CONSOLIDATED STATEMENT OF INVESTMENT IN PROPERTY (UNAUDITED)  
AS AT 30 SEPTEMBER 2007**

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

	<b>30 September 2007</b> <i>Unaudited</i>	<b>31 December 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	215,873	333,640
Asset additions, by way of corporate acquisition	18,475	-
Other asset additions	6,156	22,863
Capital expenditure	36,899	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	(375,032)	(54,682)
Effect of unrealised currency movements	(44,647)	18,779
	<u>3,433,034</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	86,830	471,587
Gross valuations losses on investment in real estate during the period, less disposals	(18,877)	(21,455)
Valuation adjustment upon disposal	42,004	-
Deduction for purchaser's costs, less disposals	(22,153)	(34,894)
	<u>754,912</u>	<u>667,108</u>
<b>Fair value at the end of the period</b>	<u><b>4,187,946</b></u>	<u><b>4,242,418</b></u>
<b>Fair value of investment property</b>		
Appraised gross property value at the end of the period <sup>10</sup>	4,392,662	4,444,046
Purchaser's costs	(204,716)	(201,628)
<b>Fair value at the end of the period</b>	<u><b>4,187,946</b></u>	<u><b>4,242,418</b></u>
Appraised market value as a percentage of net assets	181%	189%

<sup>10</sup> An independent revaluation of approximately half the portfolio is conducted every six months. The portfolio value is therefore a blend of 31 December 2006 and 30 June 2007 figures. The entire portfolio will be revalued at 31 December 2007 and every 30 June and 31 December thereafter.

**OUTSTANDING DEBT  
AS AT 30 SEPTEMBER 2007**

Description	Rating	Issue date	Issue size	Coupon <sup>11</sup>	Maturity date <sup>12</sup>	Drawn amount		Swapped rate	Comments
						Local currency	Euros		
<i>Listed on the London Stock Exchange</i>									
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	€348.3m	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>Other</i>									
Revolving credit facility	-	Dec 2003	€800.0m	+ 35 to 47.5bps <sup>13</sup>	Dec 2007	€345.4m £58.0m	€428.6m	n/a	
Bank loan	-	Feb 2004	€151.1m	+ 137bps	Mar 2010	€151.1m	€151.1m	n/a	
Bridge facility	-	July 2007	€400.0m	+ 55bps	Jun 2008	€281.9m £65.4m	€375.6m	n/a	
Mortgage (Italy)	-		€0.9m	various	Dec 2010	€0.9m	€0.9m	n/a	
Finance lease	-		€7.6m	various	Dec 2014	€7.6m	€7.6m	n/a	
<b>Total</b>			<b>€2,295.1m</b>				<b>€1,886.8m<sup>14</sup></b>		

<sup>11</sup> All coupons are three month Euribor +

<sup>12</sup> Maturity dates relate to Legal Maturity Date, rather than the repayable date which are typically three years earlier

<sup>13</sup> Depending on collateral

<sup>14</sup> On 15 October 2007, PEPR issued a €500m unsecured bond with coupon of 5.875%. Net proceeds of €495.4m will be used to reduce the amount drawn under the revolving credit facility, due December 2007 by €345.4m and with €150.0m used to reduce the bridge facility, due June 2007

**PORTFOLIO OVERVIEW – DIRECTLY OWNED PORTFOLIO  
AS AT 30 SEPTEMBER 2007**

	Number of distribution facilities	Open market value ('OMV') <sup>15</sup> € million	% of total OMV	Leasable area 000m <sup>2</sup>	% of total leasable area	Annualised rental income <sup>16</sup> € million	ERV <sup>17</sup> € million	Yield on OMV <sup>18</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	61	1,013	24%	1,590.6	30%	75.6	70.8	7.5%	6.1	96.8%	73	3.6	6.8
Italy	19	327	8%	533.8	10%	25.7	24.3	7.9%	7.3	100.0%	20	6.6	6.6
Spain	13	311	7%	309.4	6%	19.9	21.4	6.4%	4.8	99.8%	21	4.0	6.5
<i>Southern</i>	<i>93</i>	<i>1,651</i>	<i>39%</i>	<i>2,433.8</i>	<i>47%</i>	<i>121.2</i>	<i>116.5</i>	<i>7.3%</i>	<i>6.1</i>	<i>97.9%</i>	<i>114</i>	<i>4.3</i>	<i>6.7</i>
Belgium	5	56	1%	98.3	2%	3.6	3.6	6.5%	3.3	86.7%	5	3.6	11.4
Germany	26	338	8%	422.0	8%	24.7	23.7	7.3%	3.4	97.2%	41	4.1	5.7
Netherlands	23	367	9%	512.2	10%	27.7	28.8	7.5%	6.8	96.0%	38	3.9	4.0
Sweden	4	99	2%	130.3	2%	7.6	6.9	7.7%	14.5	100.0%	4	10.1	11.4
<i>Northern</i>	<i>58</i>	<i>860</i>	<i>22%</i>	<i>1,162.8</i>	<i>22%</i>	<i>63.6</i>	<i>63.0</i>	<i>7.4%</i>	<i>6.1</i>	<i>96.1%</i>	<i>88</i>	<i>4.7</i>	<i>6.0</i>
Czech Republic	12	135	3%	180.3	3%	10.0	8.9	7.5%	4.9	95.9%	37	2.4	2.8
Hungary	14	133	3%	181.9	3%	8.8	8.6	6.6%	4.2	89.3%	39	3.9	5.2
Poland	26	307	7%	483.2	9%	22.2	19.4	7.2%	5.0	94.1%	71	2.8	3.1
Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Central</i>	<i>52</i>	<i>575</i>	<i>13%</i>	<i>845.4</i>	<i>16%</i>	<i>41.0</i>	<i>36.9</i>	<i>7.1%</i>	<i>4.8</i>	<i>93.4%</i>	<i>147</i>	<i>2.9</i>	<i>3.5</i>
<i>UK</i>	<i>44</i>	<i>1,102</i>	<i>26%</i>	<i>783.5</i>	<i>15%</i>	<i>67.8</i>	<i>66.3</i>	<i>6.2%</i>	<i>6.2</i>	<i>100.0%</i>	<i>44</i>	<i>7.1</i>	<i>9.8</i>
<b>TOTAL</b>	<b>247</b>	<b>4,188</b>	<b>100%</b>	<b>5,225.5</b>	<b>100%</b>	<b>293.6</b>	<b>282.7</b>	<b>7.0%</b>	<b>5.9</b>	<b>97.1%</b>	<b>393</b>	<b>4.8</b>	<b>6.8</b>

Vacant space (at ERV per m<sup>2</sup>)

7.6  
**290.3**

<sup>15</sup> An independent revaluation of half the portfolio is conducted every six months, therefore the total portfolio valuation at 30 September 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>16</sup> Annualised rental income means the estimate of annual income based on the gross rental income for leases in place as at 30 September 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>17</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>18</sup> Annualised rental income expressed as a percentage of open market value

**PORTFOLIO OVERVIEW – PROLOGIS EUROPEAN PROPERTIES FUND II PORTFOLIO (PEPR HAS A 30% EQUITY STAKE IN PEPF II)  
AS AT 30 SEPTEMBER 2007**

	Number of distribution facilities	Open market value ('OMV') <sup>19</sup> € million	% of total OMV	Leasable area 000m <sup>2</sup>	% of total leasable area	Annualised rental income <sup>20</sup> € million	ERV <sup>21</sup> € million	Yield on OMV <sup>22</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	1	22	4%	38.3	6%	1.4	1.5	6.4%	0.5	100.0%	1	8.7	11.8
Italy	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Southern</i>	<i>1</i>	<i>22</i>	<i>4%</i>	<i>38.3</i>	<i>6%</i>	<i>1.4</i>	<i>1.5</i>	<i>6.4%</i>	<i>0.5</i>	<i>100.0%</i>	<i>1</i>	<i>8.7</i>	<i>11.8</i>
Belgium	-	-	-	-	-	-	-	-	-	-	-	-	-
Germany	5	60	10%	69.3	11%	4.2	4.1	7.1%	1.4	100.0%	10	6.7	7.0
Netherlands	3	48	8%	65.0	10%	3.4	3.4	7.1%	0.3	100.0%	3	3.5	4.8
Sweden	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Northern</i>	<i>8</i>	<i>108</i>	<i>18%</i>	<i>134.3</i>	<i>21%</i>	<i>7.6</i>	<i>7.5</i>	<i>7.1%</i>	<i>0.9</i>	<i>100.0%</i>	<i>13</i>	<i>5.3</i>	<i>6.1</i>
Czech Republic	4	80	14%	103.0	16%	5.2	5.1	6.5%	1.4	100.0%	12	4.9	5.0
Hungary	2	26	4%	40.3	6%	1.9	1.9	7.5%	1.3	100.0%	3	4.3	6.9
Poland	4	58	10%	79.7	13%	3.5	3.4	6.1%	1.6	100.0%	12	2.3	2.8
Slovakia	3	72	12%	93.5	15%	4.6	4.6	6.4%	1.2	100.0%	7	2.7	3.2
<i>Central</i>	<i>13</i>	<i>236</i>	<i>40%</i>	<i>316.5</i>	<i>50%</i>	<i>15.2</i>	<i>15.0</i>	<i>6.5%</i>	<i>1.4</i>	<i>100.0%</i>	<i>34</i>	<i>3.5</i>	<i>4.2</i>
<i>UK</i>	<i>4</i>	<i>226</i>	<i>38%</i>	<i>144.7</i>	<i>23%</i>	<i>14.0</i>	<i>13.3</i>	<i>6.2%</i>	<i>1.1</i>	<i>100.0%</i>	<i>4</i>	<i>13.9</i>	<i>14.2</i>
<b>TOTAL</b>	<b>26</b>	<b>592</b>	<b>100%</b>	<b>633.8</b>	<b>100%</b>	<b>38.2</b>	<b>37.3</b>	<b>6.5%</b>	<b>1.2</b>	<b>100.0%</b>	<b>52</b>	<b>7.9</b>	<b>8.5</b>

<sup>19</sup> An independent revaluation of half the portfolio is conducted every six months, therefore the total portfolio valuation at 30 September 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>20</sup> Annualised rental income means the estimate of annual income based on the gross rental income for leases in place as at 30 September 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>21</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>22</sup> Annualised rental income expressed as a percentage of open market value

**COMBINED PORTFOLIO OVERVIEW  
AS AT 30 SEPTEMBER 2007**

	Number of distribution facilities	Open market value ('OMV') <sup>23</sup> € million	% of total OMV	Leasable area 000m <sup>2</sup>	% of total leasable area	Annualised rental income <sup>24</sup> € million	ERV <sup>25</sup> € million	Yield on OMV <sup>26</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	62	1,035	22%	1,628.9	28%	77.0	72.3	7.4%	6.0	96.8%	74	3.7	6.9
Italy	19	327	7%	533.8	9%	25.7	24.3	7.9%	7.3	100.0%	20	6.6	6.6
Spain	13	311	7%	309.5	5%	19.9	21.4	6.4%	4.8	99.8%	21	4.0	6.5
<i>Southern</i>	<i>94</i>	<i>1,673</i>	<i>35%</i>	<i>2,472.1</i>	<i>42%</i>	<i>122.6</i>	<i>118.0</i>	<i>7.3%</i>	<i>6.0</i>	<i>97.9%</i>	<i>115</i>	<i>4.3</i>	<i>6.8</i>
Belgium	5	56	1%	98.3	2%	3.6	3.6	6.5%	3.3	86.7%	5	3.6	11.4
Germany	31	398	8%	491.2	8%	28.9	27.8	7.3%	3.1	97.6%	51	4.5	5.9
Netherlands	26	415	9%	577.2	10%	31.1	32.3	7.4%	6.0	96.4%	41	3.9	4.1
Sweden	4	99	2%	130.3	2%	7.6	6.8	7.7%	14.5	100.0%	4	10.1	11.4
<i>Northern</i>	<i>66</i>	<i>968</i>	<i>20%</i>	<i>1,297.1</i>	<i>22%</i>	<i>71.2</i>	<i>70.5</i>	<i>7.3%</i>	<i>5.5</i>	<i>96.5%</i>	<i>101</i>	<i>4.8</i>	<i>6.0</i>
Czech Republic	16	215	5%	283.3	5%	15.2	14.0	7.1%	3.6	97.4%	49	3.2	3.6
Hungary	16	159	3%	222.3	4%	10.7	10.5	6.7%	3.7	91.3%	42	4.0	5.5
Poland	30	365	8%	562.9	10%	25.7	22.8	7.1%	4.4	94.9%	83	2.7	3.0
Slovakia	3	72	1%	93.5	2%	4.6	4.6	6.5%	1.2	100.0%	7	2.7	3.2
<i>Central</i>	<i>65</i>	<i>811</i>	<i>17%</i>	<i>1,161.9</i>	<i>20%</i>	<i>56.2</i>	<i>51.9</i>	<i>6.9%</i>	<i>3.8</i>	<i>95.2%</i>	<i>181</i>	<i>3.1</i>	<i>3.6</i>
<i>UK</i>	<i>48</i>	<i>1,328</i>	<i>28%</i>	<i>928.2</i>	<i>16%</i>	<i>81.8</i>	<i>79.6</i>	<i>6.2%</i>	<i>5.3</i>	<i>100.0%</i>	<i>48</i>	<i>8.3</i>	<i>10.5</i>
<b>TOTAL</b>	<b>273</b>	<b>4,780</b>	<b>100%</b>	<b>5,859.3</b>	<b>100%</b>	<b>331.8</b>	<b>320.0</b>	<b>6.9%</b>	<b>5.4</b>	<b>97.4%</b>	<b>445</b>	<b>5.2</b>	<b>7.0</b>

Vacant space (at ERV per m<sup>2</sup>)  
Rent incentives and redevelopments

7.6

**327.6**

<sup>23</sup> An independent revaluation of half the portfolio is conducted every six months, therefore the total portfolio valuation at 30 September 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>24</sup> Annualised rental income means the estimate of annual income based on the gross rental income for leases in place as at 30 September 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>25</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>26</sup> Annualised rental income expressed as a percentage of open market value