

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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

Code PEPR

ISIN LU 0100194785

www.prologis-ep.com

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PROLOGIS EUROPEAN PROPERTIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

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Report on review of interim financial information

To the Unitholders of
ProLogis European Properties FCP
34-38, avenue de la Liberté
L-1930 Luxembourg

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of ProLogis European Properties, a *fonds commun de placement* ("PEPR"), which comprise the interim consolidated statement of financial position as at 30 June 2009, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of investment in properties and interim condensed consolidated statement of cash flows for the six months ended 30 June 2009 and the related interim condensed explanatory notes. The interim condensed financial information of PEPR for the six months ended 30 June 2008 has not been subject to review procedures carried out in accordance with the standards described below.

The managers of ProLogis Management S.à r.l. are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim financial reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

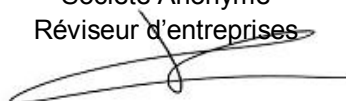
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

Without qualifying our conclusion, we draw attention to Note 1 in the interim condensed consolidated financial statements which indicates that as of 30 June 2009 PEPR has €928.7 million of debt maturing in 2010. This note also details PEPR's exposure to adverse developments in the markets in which it operates which could have an impact on its ability to comply with loan covenants. In 2008 PEPR has developed a plan to meet these obligations through, amongst other things, property sales, maturity extensions and new secured financing. During the first half of 2009 PEPR has successfully implemented some steps of the plan but some other steps still remain to be negotiated and are therefore uncertain. These conditions indicate the existence of material uncertainty about PEPR's ability to continue as a going concern.

Other matters

Supplementary information, including the interim statement of performance measures, has been reviewed in the context of our mandate but has not been subject to specific review procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the interim condensed consolidated financial statements taken as a whole.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises



Bruno DI BARTOLOMEO

Luxembourg, 7 August 2009

PROLOGIS EUROPEAN PROPERTIES
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

		30 June	30 June
		2009	2008
		Unaudited	Unaudited
	Notes	€000	€000
Rental income		136,598	148,422
Other property income		287	164
Total revenue		136,885	148,586
Ground rents paid		(1,289)	(1,328)
Property management fees	9	(7,837)	(9,566)
Other property rental expenses		(3,220)	(6,343)
Cost of rental activities		(12,346)	(17,237)
Gross profit		124,539	131,349
Fund management fees	9	(2,591)	(3,169)
Fund custodian fees		(57)	(81)
Other fund expenses		(2,708)	(2,376)
Fund expenses		(5,356)	(5,626)
Investment and development property disposal proceeds	4	166,910	20,634
Carrying value of investment and development property disposals and currency translation effects	4	(209,432)	(20,049)
Profit on disposal of investment and development property	4	(42,522)	585
Gross valuation gains on property		1,148	37,471
Gross valuation losses on property		(323,719)	(152,994)
Purchasers costs		15,958	4,715
Property fair value movements		(306,613)	(110,808)
Earnings/(losses) before net financial cost and associate		(229,952)	15,500
Finance income		2,244	2,447
Finance expense		(55,166)	(55,201)
Share of loss of an associate		-	(81)
Loss before tax		(282,874)	(37,335)
Charge for taxation	8	45,410	19,287
Loss for the period		(237,464)	(18,048)
Profit/(loss) for the period attributable to:			
Minority interest		(699)	276
Unitholders		(236,765)	(18,324)
		(237,464)	(18,048)
		Euro	Euro
Losses per unit			
Basic		(1.24)	(0.10)
Diluted		(1.24)	(0.10)

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 2009

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

		30 June	30 June
		2009	2008
		Unaudited	Unaudited
	Notes	€000	€000
Loss for the period		(237,464)	(18,048)
Other comprehensive income			
Exchange difference on translating foreign operations		25,595	(50,159)
Disposal of foreign operations	4	23,675	-
Net gain on cash flows hedges		1,397	4,562
Equity items of an associate		-	(5,988)
Other comprehensive income/(loss) for the period		50,667	(51,585)
Total comprehensive income/(loss) for the period		(186,797)	(69,633)
Total comprehensive income/(loss) attributable to:			
Minority interest		(699)	276
Unitholders		(186,098)	(69,909)
		(186,797)	(69,633)

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 2009

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

		30 June 2009 Unaudited €000	31 December 2008 Audited €000
	Notes		
Assets			
<i>Non Current Assets</i>			
Investment in property as stated in statement of investment in properties		2,994,123	3,441,722
Property under construction		23	132
Hedging instruments	10	13,297	90,259
Deferred tax asset		11,454	5,625
		3,018,897	3,537,738
<i>Current Assets</i>			
Due from related parties		-	6,168
Accounts receivable, net		65,394	60,097
Other current assets		34,477	30,841
Other financial assets, available for sale		-	48,496
Cash and cash equivalents	5	133,559	77,101
		233,430	222,703
Investment properties held for sale	4	22,319	-
		255,749	222,703
Total Assets		3,274,646	3,760,441
Equity			
Capital contributions		1,911,810	1,911,810
Costs of raising capital		(37,721)	(37,721)
Net capital contributed		1,874,089	1,874,089
Net retained losses		(519,351)	(282,586)
Cumulative foreign currency translation		(127,018)	(176,288)
Cash flow hedge valuation reserve		(8,562)	(9,959)
Equity attributable to Unitholders		1,219,158	1,405,256
Minority interest in subsidiaries		4,890	5,589
Total Equity		1,224,048	1,410,845
Liabilities			
<i>Non-current liabilities</i>			
Interest bearing secured notes	6	-	543,626
Interest bearing unsecured notes		492,586	492,005
Interest bearing bank loans, net of current portion	7	647,401	700,216
Hedging instruments	10	7,220	6,509
Deferred taxation	8	57,172	112,421
		1,204,379	1,854,777
<i>Current liabilities</i>			
Interest bearing bank loans and secured notes, current portion	6, 7	696,370	335,288
Accounts payable		7,531	1,371
Due to related parties		9,796	40,387
Income and other taxes payable	8	26,108	16,449
Accrued expenses and other current liabilities		53,535	53,998
Deferred income		52,879	47,326
		846,219	494,819
Total Liabilities		2,050,598	2,349,596
Total Equity and Liabilities		3,274,646	3,760,441

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 2009

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

<u>Changes in equity</u>	Capital contributions	Costs of raising capital	Net retained earnings/(losses)	Cumulative foreign currency translation adjustment	Cash flow hedge valuation reserve	Equity items of an associate	Total equity attributable to Unitholders	Minority Interest	Total equity
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Balance as at 31 December 2007 (Audited)	1,911,810	(37,721)	401,958	(55,994)	15,250	-	2,235,303	6,612	2,241,915
Profit/(loss) for the period	-	-	(18,324)	-	-	-	(18,324)	276	(18,048)
Other comprehensive income/(loss)	-	-	-	(50,159)	4,562	(5,988)	(51,585)	-	(51,585)
Total comprehensive income/(loss)	-	-	(18,324)	(50,159)	4,562	(5,988)	(69,909)	276	(69,633)
Distributions for the period	-	-	(72,754)	-	-	-	(72,754)	-	(72,754)
Balance as at 30 June 2008 (Unaudited)	1,911,810	(37,721)	310,880	(106,153)	19,812	(5,988)	2,092,640	6,888	2,099,528
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
Loss for the period	-	-	(236,765)	-	-	-	(236,765)	(699)	(237,464)
Other comprehensive income	-	-	-	49,270	1,397	-	50,667	-	50,667
Total comprehensive income/(loss)	-	-	(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

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 2009

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

	30 June	31 December
	2009	2008
	Unaudited	Audited
	€000	€000
Historic cost		
Cost at the beginning of the period	3,244,724	3,435,805
Capital expenditure	389	8,095
Leasing commission	(108)	10,959
Rent levelling	-	8,635
Transfer of completed development from property under construction	110	2,439
Disposals	(199,893)	(8,531)
Transfer to investment properties held for sale	(23,647)	-
Effect of unrealised currency movements	67,669	(212,678)
Cost at the end of the period	3,089,244	3,244,724
Net unrealised gains related to property		
Net unrealised gains at the beginning of the period	196,998	707,304
Gross valuation gains on investment in real estate during the period	1,148	39,022
Gross valuation losses on investment in property during the period	(323,719)	(539,382)
Adjustment for purchasers costs	15,958	16,642
Reversal of accumulated revaluation (gain)/loss and purchasers cost on disposal	14,136	(2,067)
Reversal of accumulated revaluation loss and purchaser cost on investment properties held for sale	1,328	-
Effect of unrealised currency movements	(970)	(24,521)
Net unrealised gains/(losses) at the end of the period	(95,121)	196,998
Fair value at the end of the period	2,994,123	3,441,722
Fair Value of investment property		
Appraised gross property value at the end of the period	3,144,616	3,617,279
Purchasers costs	(150,493)	(175,557)
Fair value at the end of the period	2,994,123	3,441,722
Appraised market value as a percentage of net assets	245%	244%
Appraised gross property value subject to security		
Secured Notes	852,919	1,516,413
Bank Loans	253,725	281,400
Finance Leases	-	-
	1,106,644	1,797,813

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 2009

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

	Notes	30 June 2009 Unaudited €000	30 June 2008 Unaudited €000
Net cash flow from operating activities		57,009	65,948
Cash flow from investing activities			
Investment in an associate		(38,000)	(161,881)
Distribution from an associate		6,168	3,050
Distribution from other financial assets, available for sale		1,270	-
Capital expenditure and other expenditure on investment property		(389)	(2,369)
Property under construction		-	(3,918)
Payments from insurance company in regard of building losses net of rebuilding costs		937	-
Proceeds from disposal of shares of an associate		48,496	-
Proceeds from property under construction		-	16,166
Proceeds from disposal of investment in property	4	168,639	-
Net cash (used)/provided in investing activities		187,121	(148,952)
Cash flow from financing activities			
Proceeds from secured notes:			
- Gross settlements	6	(335,872)	-
- Hedges proceed	10	50,755	-
Proceeds from unsecured loans:			
- Transaction costs		-	(278)
Proceeds from bank loans:			
- Gross proceeds	7	80,467	217,000
- Transaction costs		(36)	(32)
Restricted proceeds from swap contracts	10	16,470	-
Distributions to Unitholders		-	(79,319)
Net cash (used)/provided from financing activities		(188,216)	137,371
Effects of exchange rate changes		544	(1,607)
Net increase in cash and cash equivalents		56,458	52,760
Cash and cash equivalents at the beginning of the period		77,101	78,680
Cash and cash equivalents at the end of the period	5	133,559	131,440

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 2009

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

	Notes	30 June 2009 Unaudited €000	30 June 2008 Unaudited €000
EPRA earnings per share			
Losses attributable to unitholders		(236,765)	(18,324)
Adjustments for:			
Revaluation movements on investment properties and development properties		306,613	110,808
Movements in share of net assets of an associate		-	81
Distribution from an associate		-	5,305
Profit/(loss) on disposal of investment properties, net of tax		42,605	(1,101)
Deferred tax effects arising on revaluation of investment properties		(51,080)	(28,462)
Minority interest in respect of the above		(978)	102
EPRA earnings for the period		60,395	68,409
Weighted average number of units		190,522,441	190,522,441
EPRA earnings per unit for the period		€0.32	€0.36

	Notes	30 June 2009 Unaudited €000	31 December 2008 Unaudited €000
EPRA net asset value			
Net asset value attributable to Unitholders per IFRS financial statements		1,219,158	1,405,256
Adjustments for:			
Cash flow hedge valuation reserve		8,562	9,959
Deferred tax	8	57,172	112,421
EPRA net asset value		1,284,892	1,527,636
Number of units outstanding		190,522,441	190,522,441
EPRA net asset value per unit		€6.74	€8.02

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

**PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

(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 dated 10 September 1999 which appear in Appendix E to the Private Placement Memorandum of 10 September 1999 (the "**Management Regulations**") as amended on 29 June 2001, 13 May 2003, 7 July 2003, 17 November 2005 and on 11 September 2006.

PEPR is an externally managed real estate investment fund organised as a Luxembourg closed-ended FCP and regulated in Luxembourg by the CSSF. PEPR owns a portfolio of high quality Distribution Facilities located in twenty-five submarkets within eleven 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.

Going concern assessment

Management has updated its assessment of PEPR's future developments, financial position, performance and cash flows and has concluded that the continued application going concern assumption is appropriate, even though an element of uncertainty exists.

Since 2008 PEPR has an active focus on debt management and has initiated a range of measures designed to address some of the adverse effects of difficult current economic conditions on PEPR's business. These measures include the development of a viable plan to refinance € 548.2 million of CMBS debt maturing in May 2010 and two tranches amounting to € 600 million under PEPR's senior unsecured credit facility maturing in December 2010 (drawn as of 30 June 2009 for € 380.5 million) as well as to ensure PEPR remains in compliance with its debt covenants. These measures include:

- The renegotiation, at the end of 2008, of certain financial covenants of PEPR's unsecured lending facility;
- The suspension of dividend distributions by PEPR, starting with the dividend for the fourth quarter of 2008 and for the foreseeable future;
- The sale of PEPR's entire interest in ProLogis European Properties Fund II in two transactions in December 2008 and February 2009, realising net proceeds of € 54.2 million and relieving PEPR of the obligation to fund a further € 522 million of investments in PEPR II before August 2010;
- The prepayment, in April 2009, of an aggregate € 335.9 million of CMBS debt, funded through a combination of asset disposals and other cash from operations, cash inflows from the unwinding of related derivatives and a drawdown under PEPR's € 900 million unsecured credit facility. The repayment of CMBS debt released security on € 550.9 million worth of properties;
- The agreement, in May 2009, to dispose of nine Distribution Facilities in the Netherlands and Germany generating net proceeds of € 114.5 million (of which € 92.3 million in proceeds were received prior to 30 June 2009);
- The sale, in June 2009, of five Distribution Facilities in the UK for net proceeds of £ 63.1 million (€ 72.8 million) all of which were received prior to 30 June 2009;
- The agreement, in July 2009, with EuroHypo AG, for a new £ 86.1 million (€ 99.6 million) secured bank loan facility, secured on 15 Distribution Facilities in the UK, maturing in July 2013 and currently primarily expected to be used to pay down existing debt; and
- The agreement as of July 2009, with Deutsche Pfandbriefbank AG, to a three-year extension for € 126.0 million of the € 151.1 million secured bank loan facility that matures in March 2010.

Furthermore, PEPR continues to consider additional means to strengthen PEPR's financial position, including new secured bank loan facilities, further asset sales and the possibility of conducting an equity raising. Despite the element of uncertainty in the implementation of the plan, Management is highly focused on achieving it deleveraging and refinancing objectives.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2009 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 2008.

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been authorised for issuance on 7 August 2009 by the Management Company.

PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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 2008, except for the adoption of new Standards and Interpretations below which are applicable to PEPR.

IAS 1 — Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owners changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. PEPR elected to present two statements.

Amendments to IAS 32 and IAS 1 — Puttable Financial Instruments

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The adoption of these amendments did not have any effect on the financial position or performance of PEPR.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments did not have any effect on the financial position or performance of PEPR:

- *IFRS 7 — Financial Instruments: Disclosures:* Removal of the reference to 'total interest income' as a component of finance costs.
- *IAS 1 — Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39*
Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position.
- *IAS 8 — Accounting Policies, Change in Accounting Estimates and Errors:* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *IAS 10 — Events after the Reporting Period:* Clarification that dividends declared after the end of the reporting period are not obligations.
- *IAS 16 — Property, Plant and Equipment:* Replace the term "net selling price" with "fair value less costs to sell".
- *IAS 16 — Property, Plant and Equipment:* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.
- *IAS 18 — Revenue:* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- *IAS 23 — Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- *IAS 28 — Investment in Associates:* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. This amendment has no impact on the Group as it does not account for its associates at fair value in accordance with IAS 39. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.
- *IAS 34 — Interim Financial Reporting:* Earnings per share are disclosed in interim financial reports if an entity is within the scope of IAS 33.
- *IAS 36 — Impairment of Assets:* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment has no immediate impact on the consolidated financial statements of PEPR because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
- *IAS 39 — Financial Instruments: Recognition and Measurement:* Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- *IAS 40 — Investment Property:* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.

PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Significant accounting policies (Continued)

IFRIC 15 — Agreements for the Construction of Real Estate

The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised. The adoption of the interpretation did not impact the financial performance or the accounting policies of PEPR.

IFRIC 16 — Hedges of a Net Investment in a Foreign Operation

The Interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. The adoption of the interpretation did not impact the financial performance or the accounting policies of PEPR.

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 2008.

Investment in properties

The property assets within PEPR have been revalued as of 30 June 2009 by the Independent Appraisers. The volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be difficult to achieve a successful sale of property assets in the short-term. This inevitably results in a greater uncertainty of the property values.

3 SEASONALITY OF OPERATIONS

With regards to the seasonal nature of the business, 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 PROFIT ON DISPOSAL OF INVESTMENT PROPERTY

On 12 May 2009, PEPR sold nine stand alone assets in Germany and in The Netherlands to Curzon Capital Partners II, managed by AEW Europe. The portfolio comprises some 229,000 square metre of distribution warehouse space at four locations in Germany (Neumarkt, Peine, Soest and Straubing) and three locations in The Netherlands (Bergen op Zoom, Haaften and Rotterdam), with a remaining lease length of over 6 years. As at 30 June 2009, PEPR had completed on five of these assets worth €94.1 million (€92.3 million received and €1.8 million anticipated to be received from an escrow account) and expect to complete on the remaining four assets in the third quarter 2009. Investment properties amounting € 22.3 million have been classified as investment properties held for sales in the consolidated statement of financial position.

On 30 June 2009, PEPR sold five distribution facilities for a net consideration of GBP 63.1 million (€ 72.8 million) to an affiliate of Harbert European Real Estate Fund II L.P. The 79,700 square metre portfolios is situated in various locations throughout the UK, with a remaining average lease length of approximately 10 years.

The table below summarizes those transactions:

	UK properties	German properties	Netherland properties	Other	Total 30 June 2009	Total 30 June 2008
Disposal proceeds	72,757	39,646	54,465	42	166,910	20,634
Carrying value of properties and currency translation effects	(110,157)	(44,327)	(54,895)	(53)	(209,432)	(20,049)
(Loss)/profit on disposal of investment and development property	(37,400)	(4,681)	(430)	(11)	(42,522)	585

Recycling of the currency translation effects on disposal from the other comprehensive loss to the loss on disposal of UK investment properties amounted €23.8 million (2008: nil).

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5 CASH AND CASH EQUIVALENTS

	30 June	31 December
	2009	2008
	Unaudited	Audited
	€000	€000
Restricted cash	54,970	23,973
Unrestricted cash	78,589	53,128
	133,559	77,101

Restricted cash typically comprises cash which, under the terms of the secured notes, is received under rental agreements and is subject to certain restrictions in any one quarter until interest payments under the notes for that applicable quarter are made. In addition, PEPR received restricted proceeds from swap contracts (Note 10) for an amount of € 16.470 million. Finally PEPR has transferred € 23.559 million to a restricted account of Pan European Industrial Properties Series IV S.A., a consolidated CMBS vehicle, in anticipation of the partial redemption of the secured notes.

Under the terms of the secured notes, cash received in respect of the sale of assets which are part of the security for those loan notes, is held as collateral until either a new property is substituted for it, or the notes are partially repaid.

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6 INTEREST BEARING SECURED NOTES

The notes are secured on the assets of the respective borrower and its direct and indirect subsidiaries. The notes must be redeemed in full, on or before the repayment date. However, the notes may be repaid earlier, in full or in part, at the option of certain finance subsidiaries of PEPR, subject to certain conditions. Details of the notes and the application of the proceeds are shown below.

	30 June 2009 Unaudited €000	31 December 2008 Audited €000
Cumulative proceeds		
<i>Proceeds from secured floating rate notes:</i>		
Loan Notes listed on the London Stock Exchange	548,263	884,135
	548,263	884,135
Transaction costs		
<i>Cost</i>		
Balance at the beginning of the period	44,111	44,111
Retirements and amounts written off	(18,217)	-
Balance at the end of the period	25,894	44,111
<i>Amortisation</i>		
Balance at the beginning of the period	38,890	34,550
Retirements and amounts written off	(18,217)	-
Amortisation shown in interest expense	2,269	4,340
Balance at the end of the period	22,942	38,890
Net book value of transaction costs	2,952	5,221
Net book value of proceeds from secured notes	545,311	878,914
Less current portion	545,311	335,288
Net book value of secured loans net of current portion	-	543,626
Value of pledged assets	852,918	1,516,413
Proceeds from Notes listed on the London Stock Exchange	Redemption date	
Pan European Industrial Properties Series II S.A.Class A - 2012	July 2009	-
Pan European Industrial Properties Series II S.A.Class B - 2012	July 2009	-
Pan European Industrial Properties Series II S.A.Class C - 2012	July 2009	-
Pan European Industrial Properties Series III S.A.Class A - 2013	May 2010	134,668
Pan European Industrial Properties Series III S.A.Class B - 2013	May 2010	17,250
Pan European Industrial Properties Series III S.A. Class C - 2013	May 2010	22,500
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class A - 2013	May 2010	321,845
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class B - 2013	May 2010	32,000
Pan European Industrial Properties Series IV S.A. (Compartment 1) Class C - 2013	May 2010	20,000
		548,263
Net Property Value of pledged assets		
Pan European Industrial Properties Series II S.A.		-
Pan European Industrial Properties Series III S.A.		303,328
Pan European Industrial Properties Series IV S.A.		549,590
		852,918
		1,516,413

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7 INTEREST BEARING BANK LOANS

Loan Financing

The majority of PEPR's funding for general corporate purposes is financed by a €900 million senior unsecured credit facility arranged through a syndicate of 19 banks led by Banc of America Securities LLC and ABN Amro Bank, N.A. The facility may be expanded up to €1.15 billion, through additional commitments, in accordance with the terms and conditions set forth in the credit agreement. Connected to PEPR downgrade as at 30 December 2008 (Baa1 to Baa2, refer to "summary of facilities in this Note) an increase of the applicable margin has been applied from 30 December to 6 April 2009 (Baa2 to Baa3). As at 19 June 2009, a further downgrade (Baa3 to Ba1) was announced and applied.

A secured credit facility of €151 million is provided by Hypo Real Estate Bank International, now Deutsche Pfandbriefbank AG, and secured on the assets of certain subsidiaries located in Central Europe. In July 2009, PEPR extended the maturity of €126.0 million of this facility by three-years (see note 12).

	30 June 2009 Unaudited	31 December 2008 Audited
	€000	€000
Proceeds:		
Bank loans maturing between two to five years	655,250	709,936
Bank loans maturing within one year	151,059	-
Total proceeds from long term bank loans	806,309	709,936
Transaction costs		
<i>Cost</i>		
Balance at the beginning of the period	10,744	7,564
Retirements and amounts written off	(573)	-
Additions during the period	36	3,180
Balance at the end of the period	10,207	10,744
<i>Amortisation</i>		
Balance at the beginning of the period	1,024	76
Retirements and amounts written off	(573)	-
Amortisation shown in interest expense	1,907	948
Balance at the end of the period	2,358	1,024
Net book value of transaction costs	7,849	9,720
Net book value of proceeds from bank loans	798,460	700,216
Less current portion of bank loans	151,059	-
Net book value of bank loans net of current portion	647,401	700,216

Used and unused portions of these facilities are analysed as follows:

	30 June 2009 Unaudited	31 December 2008 Audited
	€000	€000
Available facilities		
Loans secured by guarantee and on shares and intercompany receivables of certain subsidiaries	151,059	151,059
Loans unsecured	900,000	900,000
	1,051,059	1,051,059
Amounts drawn		
Loans secured by guarantee and on shares and intercompany receivables of certain subsidiaries	151,059	151,059
Loans unsecured	655,250	558,877
	806,309	709,936
Unutilised loan facilities (loans unsecured)	219,533	341,123
Value of pledged assets	253,725	281,400

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7 INTEREST BEARING BANK LOANS (Continued)

Summary of facilities

Lender: Hypo Real Estate Bank International AG

Principal Borrower:	ProLogis Central European Finance S.L.		
First drawdown	February 2004		
Repayment date	March, 2010		
Pricing three month Euribor	+ 137 bps		
Interest payment	Quarterly		
Effective interest rate	3.61%		
Amount	€151,059		

Lender: Banc of America Securities L.L.C. and ABN Amro Bank N.V.
Senior credit agreement with a maximum capacity of Euro 900 million

Principal Borrowers:	ProLogis European Properties FCP		
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Revolver facility first drawdown

Final date	December, 2010		
Downgrade date	From 30 December 2008 to 6 April 2009	From 6 April 2009 to 25 June 2009	After 25 June 2009
Pricing one month Euribor	+ 185 bps	+ 200 bps	+ 215 bps
Facility fee	+ 35 bps	+ 40 bps	+ 50 bps
Interest payment	Monthly		
Effective interest rate	5.20%		
Available facilities	€300,000		
Amount drawn in Euro	€60,400		
Amount drawn in Sterling	£17,000		

Facility tranche I

Final date	December, 2010		
Downgrade date	From 30 December 2008 to 6 April 2009	From 6 April 2009 to 25 June 2009	After 25 June 2009
Pricing one month Euribor	+ 220 bps	+ 240 bps	+ 265 bps
Interest payment	Monthly		
Effective interest rate	5.62%		
Available facilities	€300,000		
Amount drawn	€300,000		

Facility tranche II first drawdown

Final date	December, 2012		
Downgrade date	From 30 December 2008 to 6 April 2009	From 6 April 2009 to 25 June 2009	After 25 June 2009
Euro tranche pricing one month Euribor	+ 225 bps	+ 245 bps	+ 270 bps
Sterling tranche pricing one month Libor	+ 225 bps	+ 245 bps	+ 270 bps
Interest payment	Monthly		
Euro tranche effective interest rate	6.18%		
Sterling tranche effective interest rate	7.22%		
Available facilities	€ 300,000		
Amount drawn in Euro	€129,000		
Amount drawn in Sterling	£123,500		

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8 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 Ordinary units in issue. This tax is 0.01% per annum on the net assets attributable to Class A(2), Class A(3), Class B1, Class B2, Class C(1) and Class C(2) Units. The equivalent rate on the net assets attributable to Class A(1) units and Ordinary Units is 0.05%. 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 2009 Unaudited €000	31 December 2008 Audited €000
Deferred tax liability		
Opening balance	112,421	190,362
Effect of revaluations of properties to fair value post acquisition	(51,080)	(74,629)
Deferred tax on properties disposed of	(4,441)	42
Other deferred tax effects	272	(3,354)
Movements on deferred tax liability	(55,249)	(77,941)
Closing balance	57,172	112,421
Made up of:		
Deferred tax liabilities acquired as part of business combinations related to the difference in the tax base on carrying value of investment properties acquired	3,170	3,170
Revaluation of investment properties to fair value	54,002	109,251
Total deferred tax liabilities	57,172	112,421

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8 TAXATION (continued)

	30 June 2009 Unaudited €000	31 December 2008 Audited €000
Long term tax asset mainly relating to losses carried forward (opening balance)	5,625	7,740
Relating to tax losses carried forward	5,829	(2,115)
Total deferred tax assets	11,454	5,625
Income and other current taxes payable		
Balance brought forward	16,449	17,570
Tax expense	15,940	23,606
Tax paid	(6,281)	(24,727)
Closing balance	26,108	16,449
Tax expense		
Income taxes	14,947	20,830
Other taxes	672	2,060
Subscription taxes	321	716
Income taxes expensed	15,940	23,606
Deferred tax (benefit)/expense		
Arising from liabilities	(51,080)	(74,629)
Arising from properties disposed of	(4,441)	42
Arising from assets	(5,829)	2,115
Deferred income tax benefit	(61,350)	(72,472)
Benefit for taxation reported in the consolidated income statement	(45,410)	(48,866)

As of 30 June 2009 the unrecognised portion of deferred tax assets related to property fair value movements was € 58.3 million (2008: € 34.5 million).

	30 June 2009 Unaudited €000	31 December 2008 Audited €000
Accounting losses before income tax	(282,874)	(626,784)
Tax exempt income/expense:		
Property fair value movement	306,613	483,718
Result on disposal of investment properties	59,900	-
Share of loss of an associate, loss on disposal of an associate and impairment loss of an investment available for sale	-	282,405
Fund expenses	10,595	12,314
	377,108	778,437
Tax deductible expenses:		
Tax depreciation	(25,650)	(67,637)
Interest and others	(2,857)	(13,771)
	(28,507)	(81,408)
Taxable profit before tax	65,627	70,245
Charge for taxation at effective rate of 23.80% (2008: 26.10%)	15,617	18,332
Adjustment to the income tax charge of previous years	(669)	2,498
Others taxes	671	2,060
Subscription tax	321	716
Current income tax expense	15,940	23,606

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9 TRANSACTIONS WITH RELATED PARTIES

9a 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 balances of cash and cash equivalents; and
- (iii) from 31 December 2008, 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 9c).

The management fee is invoiced in four parts, fund management fee equal to 15 basis points, fund fee equal to 45 basis points less property management fees and accounting fees already invoiced by each business units. Amounts unpaid as 30 June 2009 are €2.3 millions (2008: €2.2 million). The total cost recognised in the consolidated income statement for the period is €10.4 millions (HY2008: €12.7 millions).

9b Property management fees

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

9c Fund incentive fee

As per the Management Regulations, PEPR is obliged to pay a fund incentive fee to the Investment Manager based on the performance of PEPR over a certain benchmark. The Fund incentive fee is calculated on a rolling three year basis, with the first computation period from IPO to 31 December 2008 and annually thereafter. 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 2009 no incentive fee was accrued or due.

9d 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 2009 amounted to €0.1 million (2008: €0.3 million).

9e 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 rates based upon evidence in the respective local markets.

9f 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.

9g 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.

9h 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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9 TRANSACTIONS WITH RELATED PARTIES (continued)

9i ProLogis European Properties Fund II ("PEPF II")

PEPR received a dividend from PEPF II for the first quarter 2009 amounted of €1.3 million (2008: €5.3 million). The unpaid distributions from PEPFII as at 30 June 2008 was nil (2008: €6.2 million).

An outstanding capital commitment of €38 million to PEPF II was settled during the period. As this commitment was not paid until February 2009, the fund incurred a €0.4 million interest penalty due to the late payment.

On 12 February 2009, PEPR completed the disposal of the remaining one third investment and associated future funding obligations in PEPF II to six institutional investors for gross proceeds of €14.4 million (net proceeds of € 10.5 million). An impairment on the carrying value of this investment was made in the consolidated financial statements for the year ended 31 December 2008 which resulted in the carrying value as at that date being equal to the sales price for which the remaining investment was disposed of on February 12, 2009. As a result of the prior impairment the net result of the sale recorded in the consolidated income statement for the six months ended 30 June 2009 is equal to zero.

9j Board members compensation

Board members include independent directors who are members of the Board and/or Audit committee. There are four members appointed to the Board and three to the Audit committee. PEPR pays a 'one time fee' upon their appointment and compensations based on each member's meeting attendance. For the period ended In 2009, PEPR paid €0.1 million to Board members (2008: €0.1 million).

An annual complementary compensation is paid by PEPR to independent board members. The amount paid is not settled in cash but by an equivalent number of PEPR's Ordinary Units. Amount paid by PEPR for the period ended in 2009 has been established at €0.1 million (2008: €0.1 million).

9k Legal and tax compliance fees

As part of the management regulation, 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 2009 amounted to €0.4 million (2008: €0.4 million).

9l Disposals to ProLogis

In 2005, PEPR purchased Harbor Park in Budapest, including 5.7 hectares of surplus land. At that time, ProLogis entered into an agreement with PEPR to purchase the land once legal ownership could be separated from the properties acquired. This separation and subsequent transfer to ProLogis was finalised in 2008. The total value of the transfer was €16.2 million resulting in a gain of €0.7 million.

In December 2008, PEPR sold a 20% share of its investment and future capital commitments in PEPF II to ProLogis for €43.7 million.

10 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 2009 (Unaudited)

	<1 year	1-5 years	>5 years	Total
Fixed rate	€000	€000	€000	€000
Obligations under Eurobonds loans				
Carrying value	-	-	(500,000)	(500,000)
Fair value	-	-	(312,500)	(312,500)
Floating rate				
Cash and cash equivalent	133,559	-	-	133,559
Secured bank loans	(151,059)	-	-	(151,059)
Unsecured bank loans	-	(655,250)	-	(655,250)
Loan notes	(548,263)	-	-	(548,263)
Interest rate swap	(8,562)	-	-	(8,562)
Cross currency swap	31,110	-	-	31,110

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10 FINANCIAL INSTRUMENTS (continued)

Year end 31 December 2008 (Audited)

Fixed rate	<1 year €000	1-5 years €000	>5 years €000	Total €000
Obligations under Eurobonds loans				
Carrying value		-	(500,000)	(500,000)
Fair value		-	(197,400)	(197,400)
Cash and cash equivalent	77,101	-	-	77,101
Secured bank loans	-	(151,059)	-	(151,059)
Unsecured bank loans		(558,877)	-	(558,877)
Loan notes	(335,872)	(548,263)	-	(884,135)
Interest rate swap	(3,132)	(6,803)	-	(9,935)
Cross currency swap	50,754	45,931	-	96,685

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.

Swaps agreements

Issuer:	Pan European Industrial Properties Series III S.A.			
Starting date				February 2003
Maturity date				May 2013
Settlement date				May 2010
Interest payment				Quarterly
Swap counter-party:	ABN AMRO	Class A	Class B	Class C
Cash flows hedged		€31,538	€4,901	€6,392
Pays floating interest	three-month Euribor	0.35%	0.48%	0.85%
Receives fixed interest		4.23%	4.36%	4.73%
Fair value hedge (£'000)		£17,532	£2,352	£3,068
Pays floating interest	three-month Euribor +	0.35%	0.48%	0.85%
Receives fixed interest		4.95%	5.08%	5.45%
Exchange rate		0.6317	0.6317	0.6317
Swap counter-party:	JP Morgan Chase	Class A	Class B	Class C
Cash flows hedged		€42,830	€4,901	€6,393
Pays floating interest	three-month Euribor	0.35%	0.48%	0.85%
Receives fixed interest		4.23%	4.36%	4.73%
Fair value hedge (£'000)		£20,559	£2,353	£3,068
Pays floating interest	three-month Euribor +	0.35%	0.48%	0.85%
Receives fixed interest		4.95%	5.08%	5.45%
Exchange rate		0.6317	0.6317	0.6317

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10 FINANCIAL INSTRUMENTS (continued)

Swaps agreements (continued)

Issuer:		Pan European Industrial Properties Series IV S.A.		
Starting date		March 2005		
Maturity date		May 2013		
Settlement date		May 2010		
Interest payment		Quarterly		
Swap counter-party:	ABN AMRO	Class A	Class B	Class C
Cash flows hedged		€126,498	€13,451	€8,407
Pays floating interest	three-month Euribor	0.14%	0.18%	0.30%
Receives fixed interest		3.29%	3.33%	3.45%
Fair value hedge (£'000)		£18,557	£1,762	£1,101
Pays floating interest	three-month Euribor +	0.14%	0.18%	0.30%
Receives fixed interest		5.09%	5.13%	5.26%
Exchange rate		0.6912	0.6912	0.6912
Swap counter-party:	JP Morgan Chase	Class A	Class B	Class C
Cash flows hedged		€141,653	€13,451	€8,407
Pays floating interest	three-month Euribor	0.14%	0.18%	0.30%
Receives fixed interest		3.29%	3.33%	3.45%
Fair value hedge (£'000)		£18,557	£1,762	£1,101
Pays floating interest	three-month Euribor +	0.14%	0.18%	0.30%
Receives fixed interest		5.09%	5.13%	5.26%
Exchange rate		0.6912	0.6912	0.6912

Movements in hedges values are:

	30 June 2009 Unaudited €000	31 December 2008 Audited €000
Net balance at the beginning of the period	83,750	46,692
Movement in fair value of interest rate swaps	(1,760)	(25,209)
Movement in fair value of cross currency swaps	(11,820)	62,267
Fair value of hedges acquired during the year	3,132	-
Fair value of hedges repaid during the year	(50,755)	-
Restricted proceed from swap contracts	(16,470)	-
Net variation during the period	(77,673)	37,058
Net balance at the end of the period	6,077	83,750
Positive hedge values	13,297	90,259
Negative hedge values	(7,220)	(6,509)
	6,077	83,750

Related to the earlier repayment of € 335.9 million of secured debt (CMBS II) in April 2009, PEPR has obtained first, from its counterpart the a repayment of € 54.8 million of the current receivable recognised in December 2008 and secondly, was required to pay a complementary cost of € 3.1 million.

**PROLOGIS EUROPEAN PROPERTIES FUND
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

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

11 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 2009 (2008: €nil).

Following the sale of the remaining investment in PEPF II, as at 30 June 2009 PEPR had no commitments to invest equity into PEPF II (31 December 2008: €174 million).

12 SUBSEQUENT EVENTS

Subsequent credit extension from Deutsche Pfandbrief AG (previously: Hypo Real Estate Bank International AG)

On 2 July 2009, PEPR extended the loan agreement with Deutsche Pfandbrief AG, from original expiry of March 2010 to March 2013. The loan amount has been reduced to € 126.0 million (was € 151.1 million). The loan reduction was paid on 5 August 2009.

Subsequent new secured bank loan from Eurohypo A.G.

On 17 July 2009, PEPR signed a loan agreement with Eurohypo AG. The loan has been funded on 24 July 2009 for in total GBP 86.145 million maturing in 2013.

Subsequent early repayment of € 79.1 million of unsecured bank loans

In July 2009, PEPR repaid all amounts borrowed under the revolver of € 900 million credit line. PEPR used the proceeds from the disposals (see note 4) and a combination of cash from operations and above mentioned Eurohypo loan to finance the repayment.

Subsequent early repayment of € 98.6 million of secured notes relating to ProLogis European Industrial Properties Series IV ('CMBS IV')

On 5 August 2009, PEPR completed a partial repayment of CMBS IV notes (€ 98.6 million). PEPR used the proceeds from the disposals (see note 4) and a combination of cash from operations and above mentioned Eurohypo loan to finance the repayment.

Subsequent sale of properties (see note 4)

Three of the 4 properties mentioned in note 4 have been successfully sold on 31 July 2009, proceeds amounting to € 11.3 million. The fourth property is scheduled for second half of August 2009.

Subsequent credit ratings downgrade from Moody's Investors Service

On 19 June 2009, Moody's Investors Service ("Moody's") downgraded PEPR's corporate credit rating to Baa3 from Ba1 and affirmed its negative outlook. The downgrade reflects Moody's concern about the continued economic situation and also heightened liquidity risk profile, given (i) the large refinancing requirement of €0.9 billion over the course of 2010, and (ii) the limited headroom under its banking covenants. Management has taken several positive steps to manage its overall liquidity and funding profile, but progress has been slower than Moody's expected. Moody's indicated that a possible conversion from FCP to SICAF, enabling raising additional equity, combined with assets sales and new secured bank loans would significantly enhance PEPR to obtain an upgrade.

The impact of this one-notch ratings downgrade on PEPR's debt is a 25 basis points increase in the borrowing margin of the €900 million unsecured Credit Facility and an increase of the Eurobond coupon by 1.75% to 7.625% effective from 23 October 2009. The margin on the three year tranches of the EUR 900 million loan will increase to 265 basis points over Euribor/LIBOR and the margin on the five year tranche to 270 basis points.