# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

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# FORM 8-K

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## CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the**
**Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): July 26, 2012**

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# PROLOGIS, INC.
# PROLOGIS, L.P.
**(Exact name of registrant as specified in charter)**

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|---|---|---|
| **Maryland (Prologis, Inc.)**<br>**Delaware (Prologis, L.P.)** | **001-13545 (Prologis, Inc.)**<br>**001-14245 (Prologis, L.P.)** | **94-3281941 (Prologis, Inc.)**<br>**94-3285362 (Prologis, L.P.)** |
| **(State or other jurisdiction of Incorporation)** | **(Commission File Number)** | **(I.R.S. Employer Identification No.)** |

| | |
|---|---|
| **Pier 1, Bay 1, San Francisco, California** | **94111** |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**Registrants' Telephone Number, including Area Code: (415) 394-9000**

**N/A**
**(Former name or former address, if changed since last report.)**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition (Prologis, Inc.) and**

**Item 7.01. Regulation FD Disclosure (Prologis, Inc. and Prologis, L.P.).**

On July 26, 2012, Prologis, Inc., the general partner of Prologis, L.P., issued a press release announcing second quarter 2012 financial results. A copy of the press release as well as supplemental information is furnished with this report as Exhibit 99.1, and is incorporated herein by reference.

The information in this report and the exhibits attached hereto is being furnished, not filed, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and pursuant to Items 2.02 and 7.01 of Form 8-K will not be incorporated by reference into any filing under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release, dated July 26, 2012, and supplemental information. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

| | |
|---|---|
| | PROLOGIS, INC. |
| July 26, 2012 | By: /s/ Thomas S. Olinger<br>Name: Thomas S. Olinger<br>Title: Chief Financial Officer |
| | PROLOGIS, L.P., |
| July 26, 2012 | By: Prologis, Inc., its general partner |
| | By: /s/ Thomas S. Olinger<br>Name: Thomas S. Olinger<br>Title: Chief Financial Officer |


PROLOGIS

# Earnings Release and Supplemental Information

Unaudited

Second Quarter 2012

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**Prologis Park Narashino**, Chiba, Japan


**Prologis Park Chanteloup**, Cramayel, France


**Port Reading**, New Jersey, United States


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# Prologis, Inc. Announces Second Quarter 2012 Earnings Results

*- Core FFO of $0.43 per fully diluted share -*
*- 35 million square feet of leasing in its combined operating and development portfolios -*
*- Company increases low end of full year guidance -*

SAN FRANCISCO, July 26, 2012 – Prologis, Inc. (NYSE: PLD), the leading global owner, operator and developer of industrial real estate, today reported results for the second quarter of 2012.

Core funds from operations (Core FFO) per fully diluted share was $0.43 for the second quarter 2012 compared to $0.35 for the same period in 2011. Funds from operations (FFO) as defined by Prologis per fully diluted share was $0.37 for the second quarter 2012 compared to $0.03 for the same period in 2011. The difference between Core FFO and FFO in the second quarter 2012 primarily relates to merger integration expenses. Net loss per share was $(0.02) for the second quarter 2012 compared to a net loss of $(0.49) for the same period in 2011. The second quarter 2011 comparative results reflect two months of stand-alone legacy ProLogis and approximately one month of results for the combined company. Therefore, they are not directly comparable to the 2012 reported results.

"We delivered solid results for the second quarter despite forecasts of slower economic growth," said Hamid R. Moghadam, chairman and co-chief executive officer, Prologis. "We continue to make excellent progress on our priorities, increasing occupancy in our operating and development portfolios. We also received unitholder and regulatory approval to liquidate Prologis European Properties. While we will continue to exercise a patient and deliberate approach to achieving our strategic goals by the end of 2013, Prologis is well positioned to remain opportunistic, flexible and laser-focused on taking advantage of growth opportunities around the world."

**Operating Portfolio Metrics**

During the quarter, the company leased a total of 35.0 million square feet (3.3 million square meters) in its combined operating and development portfolios. Prologis ended the quarter above plan with 92.4 percent occupancy in its operating portfolio, up 10 basis points over the prior quarter. Tenant retention in the quarter was 82.4 percent, with renewals totaling 20.2 million square feet (1.9 million square meters).

Same-store net operating income (NOI) in the second quarter of 2012 increased 0.4 percent over the second quarter 2011 on a GAAP basis, compared to an increase of 1.7 percent in the first quarter of 2012. Rental rates on leases signed in the second quarter same-store pool decreased by 3.9 percent from in-place rents, as compared to a decrease of 1.1 percent in the first quarter 2012.

"Building on the momentum from last quarter, the team delivered another strong quarter of leasing volume across our global portfolio, and we completed the majority of our lease expirations for the balance of the year," said Walter C. Rakowich, co-chief executive officer, Prologis. "While the strongest demand continues to be for large, Class-A facilities, we saw a notable improvement in our facilities that are less than 100,000 square feet, and occupancy in Europe continues to hold. Customers have new requirements for e-commerce facilities and remain focused on improving supply chain efficiencies. Given continued supply constraints, our customers with targeted requirements are increasingly pursuing build-to-suits, which we are able to readily accommodate with our strategic land portfolio."

**Dispositions and Contributions**

During the quarter, the company completed approximately $228 million in building and land dispositions and contributions, of which $191 million was Prologis' share. The building sales and contributions reflect a weighted average stabilized capitalization rate of 7.6 percent.

**Development Starts & Building Acquisitions**

Capital deployed or committed during the second quarter 2012 totaled approximately $313 million, of which $277 million was Prologis' share, including:

- Development starts of $229 million totaling 3.7 million square feet (343,740 square meters) in nine projects, which monetized $52 million of land. Of the total expected investment, 70 percent was in build-to-suit projects. The estimated value creation on development starts in the second quarter is $33 million with a stabilized yield of 7.2 percent and a margin of approximately 14 percent.
- Building acquisitions of $85 million in 13 logistics facilities totaling approximately 1.5 million square feet (139,350 square meters) with a stabilized capitalization rate of 7.2 percent. Of the total acquisitions, $48 million was Prologis' share.

At quarter end, Prologis' global development portfolio comprised 13.5 million square feet (1.3 million square meters), with a total expected investment of $1.3 billion of which Prologis' share is $1 billion. The estimated value creation at stabilization is expected to be $228 million with a stabilized yield of 7.8 percent and a margin of approximately 18 percent.

### Private Capital Activity

During the quarter, Prologis raised $163 million in new third-party equity for the Prologis Targeted U.S. Logistics Fund and the Prologis Targeted Europe Logistics Fund. In addition, ProLogis European Properties' (PEPR) unitholders approved the liquidation of the fund during its annual meeting held on June 27, 2012. Prologis currently owns 99.5 percent of the ordinary units and 98.6 percent of the preferred units of PEPR.

"We had a strong quarter of capital raising for our open-end funds from a diverse mix of new and existing investors," said Guy F. Jaquier, chief executive officer, Prologis Private Capital. "This level of activity is demonstrative of the continued demand for high-quality industrial real estate around the globe. In Japan, we continue to move forward with our development fund and to evaluate the optimal structure for our operating assets. In Europe we are pleased to be winding up PEPR ahead of schedule and recapitalizing PEPR's high-quality assets over the next several quarters."

### Capital Markets

Prologis completed $1.2 billion of debt financings, re-financings and pay-downs, with approximately $989 million related to the REIT and $176 million on behalf of our property funds during the quarter.

Significant financing activity during the second quarter included the following:

- Repayment of $449 million of its 2.25 percent convertible notes and $59 million of senior unsecured notes at maturity in the second quarter, as previously announced;
- Financings of three TMK bonds of 25.4 billion yen (USD 332 million) with a weighted average term of 6.6 years and weighted average rate of 1.21 percent; and
- Subsequent to quarter end, Prologis closed two transactions for Prologis European Properties Fund II, a 40 million pounds sterling (USD 63 million) secured facility and a 145 million euro (USD 184 million) senior unsecured term loan.

"We continue to have access to capital markets at attractive rates globally, demonstrating the quality of our assets and strength of our global platform," said Thomas S. Olinger, chief financial officer, Prologis. "Excluding the impact of fund rationalization activity, we have reduced our share of debt by $2.3 billion since the merger."

### Guidance for 2012

Prologis increased the low end of its full-year 2012 Core FFO guidance range to $1.64 to $1.70 per diluted share, up from $1.60 to $1.70 per diluted share. The company also expects to recognize net earnings, for GAAP purposes, of $0.22 to $0.28 per share. The difference between the company's Core FFO and net earnings guidance for 2012 predominantly relates to real estate depreciation, recognized gains on real estate transactions and merger-related expenses.

The Core FFO and earnings guidance reflected above excludes any potential future gains (losses) recognized from real estate transactions. In reconciling from net earnings to Core FFO, Prologis makes certain adjustments, including but not limited to real estate depreciation and amortization expense, impairment charges, deferred taxes, and unrealized gains or losses on foreign currency or derivative activity, as well as transaction and merger costs.

### Webcast and Conference Call Information

The company will host a webcast /conference call to discuss quarterly results, current market conditions and future outlook today, July 26, 2012, at 12:00 p.m. U.S. Eastern Time. Interested parties are encouraged to access the live webcast by clicking the microphone icon located near the top of the opening page of the Prologis Investor Relations website (http://ir.prologis.com). Interested parties also can participate via conference call by dialing 877-256-7020 from the United States and Canada or (+1) 973-409-9692 internationally with reservation code 93137132.

A telephonic replay will be available from July 27, 2012, through August 27, 2012, at 855-859-2056 (from the United States and Canada) or (+1) 404-537-3406 (from all other countries), with the reservation code 93137132. The webcast and podcast replay will be posted when available in the "Financial Information" section of the Prologis Investor Relations website.

### About Prologis

Prologis, Inc., is the leading owner, operator and developer of industrial real estate, focused on global and regional markets across the Americas, Europe and Asia. As of June 30, 2012, Prologis owned or had investments in, on a consolidated basis or through unconsolidated joint ventures, properties and development projects expected to total approximately 569 million square feet (52.9 million square meters) in 21 countries. The company leases modern distribution facilities to more than 4,500 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises.

The statements in this release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which Prologis operates, management's beliefs and assumptions made by management. Such statements involve uncertainties that could significantly impact Prologis' financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume of developed properties, disposition activity, general conditions in the geographic areas where we operate, synergies to be realized from our recent merger transaction, our debt and financial position, our ability to form new property funds and the availability of capital in existing or new property funds — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust ("REIT") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments in our co-investment ventures and funds, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by Prologis under the heading "Risk Factors." Prologis undertakes no duty to update any forward-looking statements appearing in this release.

**Prologis Contacts**


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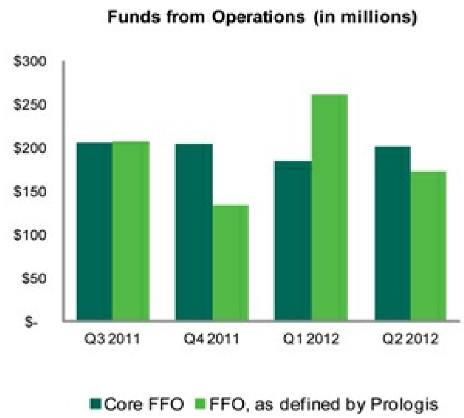
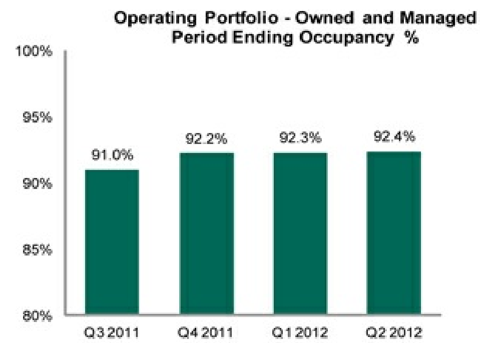
Prologis, Inc. is the leading owner, operator and developer of industrial real estate, focused on global and regional markets across the Americas, Europe and Asia. As of June 30, 2012, Prologis owned or had investments in, on a consolidated basis or through unconsolidated joint ventures, properties and development projects totaling approximately 569 million square feet (52.9 million square meters) in 21 countries. The company leases modern distribution facilities to more than 4,500 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises.

| | AMERICAS (4 countries) | EUROPE (14 countries) | ASIA (3 countries) | TOTAL |
|---|---|---|---|---|
| **Number of operating portfolio buildings** | 2,410 | 595 | 77 | 3,082 |
| Operating Portfolio (msf) | 370 | 140 | 27 | 537 |
| Development Portfolio (msf) | 6 | 2 | 5 | 13 |
| Other (msf) (A) | 17 | 1 | 1 | 19 |
| Total (msf) | 393 | 143 | 33 | 569 |
| Development portfolio TEI (millions) | $407 | $153 | $693 | $ 1,253 |
| Land (acres) | 7,088 | 3,673 | 141 | 10,902 |
| Land gross book value (millions) (B) | $1,078 | $736 | $161 | $ 1,975 |

(A) Generally represents properties managed by Prologis on behalf of other third parties (7 msf), properties in which Prologis has an ownership interest but doesn't manage (10 msf) and other properties owned by Prologis (2 msf).
(B) Original cost basis for the total land portfolio is $3.1 billion.

| (dollars in thousands, except per share data) | Three months ended June 30, 2012 | Three months ended June 30, 2011 (A) | Six months ended June 30, 2012 | Six months ended June 30, 2011 (A) |
|---|---|---|---|---|
| Revenues | $ 520,748 | $ 320,912 | $ 1,018,712 | $ 549,706 |
| Net earnings (loss) available for common stockholders | (8,120) | (151,471) | 194,293 | (198,087) |
| FFO, as defined by Prologis | 172,671 | 8,195 | 434,743 | 70,341 |
| Core FFO | 201,320 | 109,662 | 386,085 | 184,069 |
| AFFO | 148,569 | 85,369 | 282,392 | 136,499 |
| Core EBITDA | 395,147 | 267,311 | 782,569 | 478,331 |
| Per common share - diluted: | | | | |
| Net earnings (loss) available for common stockholders | $ (0.02) | $ (0.49) | $ 0.42 | $ (0.70) |
| FFO, as defined by Prologis | 0.37 | 0.03 | 0.93 | 0.25 |
| Core FFO | 0.43 | 0.35 | 0.83 | 0.65 |




(A) AMB and Prologis completed a merger (the "Merger") in June 2011. The financial results presented throughout this supplemental include Prologis for the full period and AMB results from the date of the Merger going forward. See the Notes and Definitions for more information.

# Financial Information

## Consolidated Balance Sheets

*(in thousands)*

| | June 30, 2012 | March 31, 2012 | December 31, 2011 |
|---|---|---|---|
| **Assets:** | | | |
| Investments in real estate assets: | | | |
| Operating properties | $ 23,442,394 | $ 23,438,703 | $ 21,552,548 |
| Development portfolio | 656,561 | 787,029 | 860,531 |
| Land | 1,881,062 | 1,933,321 | 1,984,233 |
| Other real estate investments | 442,280 | 419,432 | 390,225 |
| | 26,422,297 | 26,578,485 | 24,787,537 |
| Less accumulated depreciation | 2,256,101 | 2,256,901 | 2,157,907 |
| Net investments in properties | 24,166,196 | 24,321,584 | 22,629,630 |
| Investments in and advances to unconsolidated entities | 2,220,172 | 2,452,939 | 2,857,755 |
| Notes receivable backed by real estate | 245,654 | 247,241 | 322,834 |
| Assets held for sale | 50,672 | 102,183 | 444,850 |
| Net investments in real estate | 26,682,694 | 27,123,947 | 26,255,069 |
| Cash and cash equivalents | 293,631 | 343,736 | 176,072 |
| Restricted cash | 151,184 | 91,957 | 71,992 |
| Accounts receivable | 168,008 | 163,679 | 147,999 |
| Other assets | 1,120,046 | 1,144,634 | 1,072,780 |
| **Total assets** | **$ 28,415,563** | **$ 28,867,953** | **$ 27,723,912** |
| **Liabilities and Equity:** | | | |
| Liabilities: | | | |
| Debt | $ 12,433,585 | $ 12,380,921 | $ 11,382,408 |
| Accounts payable, accrued expenses, and other liabilities | 1,812,411 | 1,936,372 | 1,886,030 |
| Total liabilities | 14,245,996 | 14,317,293 | 13,268,438 |
| Equity: | | | |
| Stockholders' equity: | | | |
| Preferred stock | 582,200 | 582,200 | 582,200 |
| Common stock | 4,606 | 4,604 | 4,594 |
| Additional paid-in capital | 16,373,438 | 16,370,254 | 16,349,328 |
| Accumulated other comprehensive loss | (333,811) | (219,574) | (182,321) |
| Distributions in excess of net earnings | (3,159,462) | (3,019,829) | (3,092,162) |
| Total stockholders' equity | 13,466,971 | 13,717,655 | 13,661,639 |
| Noncontrolling interests | 649,389 | 774,950 | 735,222 |
| Noncontrolling interests - limited partnership unitholders | 53,207 | 58,055 | 58,613 |
| Total equity | 14,169,567 | 14,550,660 | 14,455,474 |
| **Total liabilities and equity** | **$ 28,415,563** | **$ 28,867,953** | **$ 27,723,912** |

*(in thousands, except per share amounts)*

| | Three Months Ended June 30, 2012 | Three Months Ended June 30, 2011 (A) | Six Months Ended June 30, 2012 | Six Months Ended June 30, 2011 (A) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Rental income | $ 488,026 | $ 279,016 | $ 950,520 | $ 473,656 |
| Private capital revenue | 30,993 | 32,976 | 63,350 | 62,811 |
| Development management and other income | 1,729 | 8,920 | 4,842 | 13,239 |
| Total revenues | 520,748 | 320,912 | 1,018,712 | 549,706 |
| **Expenses:** | | | | |
| Rental expenses | 132,031 | 77,199 | 256,474 | 137,397 |
| Private capital expenses | 15,075 | 11,596 | 31,956 | 22,148 |
| General and administrative expenses | 51,415 | 51,840 | 111,574 | 91,023 |
| Merger, acquisition and other integration expenses | 21,186 | 103,052 | 31,914 | 109,040 |
| Impairment of real estate properties | - | - | 3,185 | - |
| Depreciation and amortization | 186,770 | 118,606 | 374,640 | 198,183 |
| Other expenses | 7,227 | 5,587 | 11,562 | 10,271 |
| Total expenses | 413,704 | 367,880 | 821,305 | 568,062 |
| **Operating income (loss)** | 107,044 | (46,968) | 197,407 | (18,356) |
| **Other income (expense):** | | | | |
| Earnings from unconsolidated co-investment ventures, net | 1,153 | 8,643 | 12,911 | 20,565 |
| Earnings from other unconsolidated entities, net | 2,736 | 2,756 | 4,973 | 4,475 |
| Interest income | 5,366 | 4,677 | 10,793 | 9,103 |
| Interest expense | (127,946) | (112,916) | (261,328) | (203,443) |
| Impairment of other assets | - | (103,823) | (16,135) | (103,823) |
| Gains on acquisitions and dispositions of investments in real estate, net | 520 | 102,529 | 268,291 | 106,254 |
| Foreign currency and derivative gains (losses) and other income (expenses), net | 13,299 | (9,655) | (13,802) | (15,286) |
| Gain (loss) on early extinguishment of debt, net | (500) | - | 4,919 | - |
| Total other income (expense) | (105,372) | (107,789) | 10,622 | (182,155) |
| **Earnings (loss) before income taxes** | 1,672 | (154,757) | 208,029 | (200,511) |
| Income tax expense - current and deferred | 8,075 | 6,429 | 20,199 | 12,798 |
| **Earnings (loss) from continuing operations** | (6,403) | (161,186) | 187,830 | (213,309) |
| **Discontinued operations:** | | | | |
| Income attributable to disposed properties and assets held for sale | 1,197 | 9,384 | 8,813 | 19,383 |
| Net gains on dispositions, net of related impairment charges and taxes | 9,874 | 8,175 | 21,123 | 10,135 |
| Total discontinued operations | 11,071 | 17,559 | 29,936 | 29,518 |
| **Consolidated net earnings (loss)** | 4,668 | (143,627) | 217,766 | (183,791) |
| Net earnings attributable to noncontrolling interests | (2,739) | (202) | (2,857) | (285) |
| **Net earnings (loss) attributable to controlling interests** | 1,929 | (143,829) | 214,909 | (184,076) |
| Less preferred stock dividends | 10,049 | 7,642 | 20,616 | 14,011 |
| **Net earnings (loss) available for common stockholders** | **$ (8,120)** | **$ (151,471)** | **$ 194,293** | **$ (198,087)** |
| Weighted average common shares outstanding - Diluted (B) | 459,878 | 307,756 | 464,696 | 281,384 |
| **Net earnings (loss) per share available for common stockholders - Diluted** | **$ (0.02)** | **$ (0.49)** | **$ 0.42** | **$ (0.70)** |

(A) The financial results include Prologis for the full period and AMB and PEPR results from approximately June 1, 2011.
(B) See Calculation of Per Share Amounts in the Notes and Definitions.

*(in thousands)*

| | Three Months Ended June 30, 2012 | Three Months Ended June 30, 2011 (A) | Six Months Ended June 30, 2012 | Six Months Ended June 30, 2011 (A) |
|---|---|---|---|---|
| **Reconciliation of net earnings (loss) to FFO** | | | | |
| Net earnings (loss) available for common stockholders | $ (8,120) | $ (151,471) | $ 194,293 | $ (198,087) |
| Add (deduct) NAREIT defined adjustments: | | | | |
| Real estate related depreciation and amortization | 182,530 | 114,814 | 366,290 | 190,117 |
| Net gains on non-FFO dispositions and acquisitions | (10,224) | (1,454) | (180,559) | (2,278) |
| Reconciling items related to noncontrolling interests | (3,950) | (2,404) | (16,004) | (2,404) |
| Our share of reconciling items included in earnings from unconsolidated entities | 34,444 | 36,660 | 68,982 | 72,337 |
| **Subtotal-NAREIT defined FFO** | 194,680 | (3,855) | 433,002 | 59,685 |
| Add (deduct) our defined adjustments: | | | | |
| Unrealized foreign currency and derivative losses (gains), net | (14,519) | 10,287 | 9,717 | 8,652 |
| Deferred income tax expense (benefit) | (5,809) | 118 | (4,758) | 982 |
| Our share of reconciling items included in earnings from unconsolidated entities | (1,681) | 1,645 | (3,218) | 1,022 |
| **FFO, as defined by Prologis** | **172,671** | **8,195** | **434,743** | **70,341** |
| Adjustments to arrive at Core FFO, including our share of unconsolidated entities: | | | | |
| Impairment charges | - | 106,482 | 19,320 | 106,482 |
| Japan disaster expenses | - | (1,315) | - | 5,610 |
| Merger, acquisition and other integration expenses | 21,186 | 103,052 | 31,914 | 109,040 |
| Losses (gains) on acquisitions and dispositions of investments in real estate, net | 838 | (106,752) | (103,893) | (109,320) |
| Loss (gain) on early extinguishment of debt, net | 500 | - | (4,919) | - |
| Income tax expense on dispositions | - | - | - | 1,916 |
| Our share of reconciling items included in earnings from unconsolidated entities | 6,125 | - | 8,920 | - |
| Adjustments to arrive at Core FFO | 28,649 | 101,467 | (48,658) | 113,728 |
| **Core FFO** | **$ 201,320** | **$ 109,662** | **$ 386,085** | **$ 184,069** |
| Adjustments to arrive at Adjusted FFO ("AFFO"), including our share of unconsolidated entities: | | | | |
| Straight-lined rents and amortization of lease intangibles | (6,646) | (8,384) | (17,993) | (23,069) |
| Property improvements | (14,755) | (11,575) | (28,169) | (18,506) |
| Tenant improvements | (22,150) | (13,806) | (46,137) | (22,848) |
| Leasing commissions | (12,784) | (9,367) | (23,117) | (16,666) |
| Amortization of management contracts | 1,792 | 664 | 3,008 | 1,328 |
| Amortization of debt discounts/(premiums) and financing costs, net of capitalization | (6,063) | 10,169 | (7,452) | 19,572 |
| Stock compensation expense | 7,855 | 8,006 | 16,167 | 12,618 |
| **AFFO** | **$ 148,569** | **$ 85,369** | **$ 282,392** | **$ 136,499** |
| **Common stock dividends** | $ 131,513 | $ 64,987 | $ 261,593 | $ 129,029 |

(A) The financial results include Prologis for the full period and AMB and PEPR results from approximately June 1, 2011.

*(in thousands)*

| | Three Months Ended June 30, 2012 | Three Months Ended June 30, 2011 | Six Months Ended June 30, 2012 | Six Months Ended June 30, 2011 |
|---|---|---|---|---|
| **Reconciliation of consolidated net earnings (loss) to Core EBITDA** | | | | |
| Net earnings (loss) available for common stockholders | $ (8,120) | $ (151,471) | $ 194,293 | $ (198,087) |
| Net gains on acquisitions and dispositions of investments in real estate, net | (10,394) | (110,704) | (289,414) | (118,305) |
| Depreciation and amortization | 186,770 | 118,606 | 374,640 | 198,183 |
| Interest expense | 127,946 | 112,916 | 261,328 | 203,443 |
| Impairment charges | - | 103,823 | 19,320 | 103,823 |
| Merger, acquisition and other integration expenses | 21,186 | 103,052 | 31,914 | 109,040 |
| Loss (gain) on early extinguishment of debt | 500 | - | (4,919) | - |
| Current and deferred income tax expense | 8,075 | 6,429 | 20,199 | 14,714 |
| Pro forma adjustment (A) | - | - | 12,352 | - |
| Income on properties sold during the period included in discontinued operations | (1,197) | (9,384) | (8,813) | (19,383) |
| Net earnings attributable to noncontrolling interest | 2,739 | 202 | 2,857 | 285 |
| Preferred stock dividends | 10,049 | 7,642 | 20,616 | 14,011 |
| Unrealized losses (gains) and stock compensation expense, net | (6,664) | 18,293 | 25,884 | 21,270 |
| Other adjustments made to arrive at Core FFO | - | (1,315) | - | 5,610 |
| **Core EBITDA, prior to our share of unconsolidated entities** | **330,890** | **198,089** | **660,257** | **334,604** |
| Our share of reconciling items from unconsolidated entities: | | | | |
| Net losses (gains) on disposition of real estate, net | (475) | - | 1,338 | - |
| Depreciation and amortization | 34,444 | 36,660 | 65,975 | 72,337 |
| Interest expense | 23,671 | 30,246 | 47,394 | 66,782 |
| Loss on early extinguishment of debt | 5,017 | - | 5,999 | - |
| Impairment of real estate properties and other assets | 1,583 | - | 1,583 | - |
| Current and deferred income tax expense | 1,698 | 671 | 3,241 | 3,360 |
| Unrealized losses (gains) and deferrred income tax expense (benefit) | (1,681) | 1,645 | (3,218) | 1,022 |
| Realized losses on derivative activity | - | - | - | 226 |
| **Core EBITDA** | **$ 395,147** | **$ 267,311** | **$ 782,569** | **$ 478,331** |

(A) Adjustments for the effects of the Prologis North American Industrial Fund II and Prologis California acquisitions to reflect NOI for the full period. See Notes and Definitions for more detail.

PROLOGIS

# Operations Overview

## Operating Portfolio – Square Feet, Occupied and Leased



*(square feet in thousands)*

| | Region | # of Buildings | Square Feet | | | | Occupied | | Leased | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total Owned and Managed | Prologis Share | Prologis Share (%) | % of Total | Total Owned and Managed | Prologis Share | Total Owned and Managed | Prologis Share |
| **Global Markets** | | | | | | | | | | |
| U.S. | | | | | | | | | | |
| Atlanta | East | 130 | 18,135 | 14,230 | 78.5% | 3.7% | 84.7% | 83.9% | 84.8% | 84.0% |
| Baltimore/Washington | East | 67 | 7,862 | 5,316 | 67.6% | 1.4% | 92.8% | 92.6% | 93.2% | 92.8% |
| Central Valley | Northwest | 24 | 8,970 | 7,128 | 79.5% | 1.9% | 86.7% | 86.6% | 86.7% | 86.6% |
| Central & Eastern PA | East | 27 | 14,049 | 7,137 | 50.8% | 1.9% | 92.7% | 95.5% | 92.7% | 95.5% |
| Chicago | Central | 211 | 35,573 | 27,571 | 77.5% | 7.2% | 90.0% | 91.1% | 90.3% | 91.4% |
| Dallas/Ft. Worth | Central | 170 | 24,851 | 20,377 | 82.0% | 5.4% | 92.0% | 92.6% | 92.2% | 92.8% |
| Houston | Central | 83 | 9,907 | 7,192 | 72.6% | 1.9% | 97.4% | 97.9% | 97.5% | 98.0% |
| New Jersey/New York City | East | 182 | 22,356 | 16,081 | 71.9% | 4.2% | 92.3% | 90.7% | 92.5% | 91.0% |
| San Francisco Bay Area | Northwest | 237 | 19,467 | 16,838 | 86.5% | 4.3% | 93.2% | 93.1% | 93.9% | 93.9% |
| Seattle | Northwest | 70 | 8,643 | 4,812 | 55.7% | 1.3% | 94.4% | 96.3% | 94.9% | 96.5% |
| South Florida | East | 94 | 10,618 | 7,651 | 72.1% | 2.0% | 92.3% | 92.9% | 92.3% | 92.9% |
| Southern California | Southwest | 308 | 56,676 | 46,471 | 82.0% | 12.2% | 97.0% | 97.4% | 97.4% | 97.7% |
| On Tarmac | Various | 31 | 2,598 | 2,378 | 91.5% | 0.6% | 90.8% | 89.9% | 90.8% | 90.0% |
| Canada | East | 19 | 6,383 | 5,081 | 79.6% | 1.3% | 97.7% | 97.2% | 97.7% | 97.2% |
| Mexico | Latin America | 181 | 29,220 | 16,623 | 56.9% | 4.4% | 91.1% | 90.1% | 91.3% | 90.4% |
| Brazil | Latin America | 4 | 1,228 | 241 | 19.6% | 0.1% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Americas total** | | **1,838** | **276,536** | **205,127** | **74.2%** | **53.8%** | **92.6%** | **92.8%** | **92.9%** | **93.1%** |
| Belgium | Northern | 9 | 2,016 | 1,655 | 82.1% | 0.4% | 99.6% | 99.6% | 99.6% | 99.6% |
| France | Southern | 142 | 34,888 | 26,043 | 74.6% | 6.8% | 93.5% | 93.2% | 93.6% | 93.3% |
| Germany | Northern | 82 | 17,425 | 8,429 | 48.4% | 2.2% | 98.7% | 97.7% | 98.7% | 97.7% |
| Netherlands | Northern | 50 | 10,176 | 6,404 | 62.9% | 1.7% | 90.7% | 89.9% | 90.7% | 89.9% |
| Poland | CEE | 96 | 20,773 | 12,378 | 59.6% | 3.2% | 85.4% | 81.9% | 86.3% | 83.0% |
| Spain | Southern | 26 | 7,126 | 6,006 | 84.3% | 1.6% | 77.0% | 77.6% | 82.9% | 79.7% |
| United Kingdom | UK | 73 | 17,231 | 10,503 | 61.0% | 2.8% | 96.6% | 95.4% | 96.6% | 95.4% |
| **Europe total** | | **478** | **109,635** | **71,418** | **65.1%** | **18.7%** | **92.1%** | **90.6%** | **92.6%** | **91.0%** |
| China | China | 25 | 5,499 | 2,313 | 42.1% | 0.6% | 94.4% | 96.7% | 94.4% | 96.7% |
| Japan | Japan | 47 | 20,555 | 14,744 | 71.7% | 3.9% | 97.3% | 97.3% | 97.4% | 97.5% |
| Singapore | Singapore | 5 | 942 | 942 | 100.0% | 0.2% | 100.0% | 100.0% | 100.0% | 100.0% |
| **Asia total** | | **77** | **26,996** | **17,999** | **66.7%** | **4.7%** | **96.8%** | **97.4%** | **96.9%** | **97.5%** |
| **Total global markets** | | **2,393** | **413,167** | **294,544** | **71.3%** | **77.2%** | **92.8%** | **92.6%** | **93.1%** | **92.9%** |
| **Regional markets (A)** | | | | | | | | | | |
| Italy - Europe | Southern | 27 | 8,378 | 7,690 | 91.8% | 2.1% | 92.0% | 91.3% | 92.0% | 91.3% |
| Czech Republic - Europe | CEE | 29 | 6,821 | 5,096 | 74.7% | 1.3% | 91.2% | 88.3% | 93.4% | 91.1% |
| Columbus - Americas | Central | 39 | 10,309 | 8,046 | 78.0% | 2.1% | 93.1% | 91.2% | 93.2% | 91.2% |
| Sweden - Europe | Northern | 10 | 3,808 | 2,738 | 71.9% | 0.7% | 100.0% | 100.0% | 100.0% | 100.0% |
| Hungary - Europe | CEE | 30 | 5,343 | 3,822 | 71.5% | 1.0% | 82.3% | 83.4% | 83.2% | 84.6% |
| Denver - Americas | Northwest | 33 | 5,208 | 4,138 | 79.5% | 1.1% | 95.5% | 94.8% | 96.1% | 95.6% |
| San Antonio - Americas | Central | 60 | 6,298 | 4,878 | 77.5% | 1.3% | 92.8% | 92.7% | 93.1% | 93.2% |
| Memphis - Americas | Central | 17 | 6,270 | 5,475 | 87.3% | 1.4% | 93.0% | 92.0% | 93.0% | 92.0% |
| Cincinnati - Americas | Central | 28 | 6,898 | 4,379 | 63.5% | 1.2% | 96.0% | 93.7% | 96.0% | 93.7% |
| Louisville - Americas | Central | 11 | 4,341 | 3,809 | 87.7% | 1.0% | 86.1% | 85.3% | 86.1% | 85.3% |
| Remaining other regional (5 markets) | Various | 115 | 18,620 | 11,525 | 61.9% | 3.0% | 92.2% | 89.2% | 92.5% | 89.6% |
| **Regional markets total** | | **399** | **82,294** | **61,596** | **74.8%** | **16.2%** | **92.3%** | **90.7%** | **92.6%** | **91.2%** |
| **Other markets (18 markets)** | Various | **290** | **41,206** | **24,928** | **60.5%** | **6.6%** | **89.0%** | **91.8%** | **89.3%** | **92.0%** |
| **Total operating portfolio - owned and managed** | | **3,082** | **536,667** | **381,068** | **71.0%** | **100.0%** | **92.4%** | **92.2%** | **92.7%** | **92.6%** |

(A) Selected and ordered by Prologis share of NOI.

# Operations Overview

## Operating Portfolio – NOI and Gross Book Value



*(dollars in thousands)*

| | Region | Second Quarter NOI | | | | Gross Book Value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total Owned and Managed | Prologis Share ($) | Prologis Share (%) | % of Total | Total Owned and Managed | Prologis Share ($) | Prologis Share (%) | % of Total |
| **Global Markets** | | | | | | | | | |
| U.S. | | | | | | | | | |
| Atlanta | East | $10,151 | $7,810 | 76.9% | 1.9% | $772,624 | $573,011 | 74.2% | 2.1% |
| Baltimore/Washington | East | 9,719 | 6,361 | 65.4% | 1.6% | 590,910 | 368,659 | 62.4% | 1.3% |
| Central Valley | Northwest | 6,102 | 4,669 | 76.5% | 1.1% | 465,450 | 360,674 | 77.5% | 1.3% |
| Central & Eastern PA | East | 12,462 | 6,230 | 50.0% | 1.5% | 865,631 | 404,685 | 46.8% | 1.5% |
| Chicago | Central | 25,374 | 18,256 | 71.9% | 4.5% | 2,125,436 | 1,601,377 | 75.3% | 5.7% |
| Dallas/Ft. Worth | Central | 15,992 | 12,278 | 76.8% | 3.0% | 1,186,334 | 924,953 | 78.0% | 3.3% |
| Houston | Central | 8,341 | 5,953 | 71.4% | 1.5% | 532,992 | 335,796 | 63.0% | 1.2% |
| New Jersey/New York City | East | 26,822 | 17,360 | 64.7% | 4.2% | 1,959,224 | 1,303,250 | 66.5% | 4.7% |
| San Francisco Bay Area | Northwest | 27,501 | 24,143 | 87.8% | 5.9% | 1,908,204 | 1,651,614 | 86.6% | 5.9% |
| Seattle | Northwest | 10,091 | 5,431 | 53.8% | 1.3% | 816,195 | 448,211 | 54.9% | 1.6% |
| South Florida | East | 13,012 | 9,133 | 70.2% | 2.2% | 1,026,920 | 767,210 | 74.7% | 2.7% |
| Southern California | Southwest | 62,574 | 50,843 | 81.3% | 12.4% | 5,042,757 | 4,087,784 | 81.1% | 14.6% |
| On Tarmac | Various | 9,182 | 8,409 | 91.6% | 2.0% | 313,150 | 275,652 | 88.0% | 1.0% |
| Canada | East | 8,971 | 7,045 | 78.5% | 1.7% | 621,567 | 490,501 | 78.9% | 1.8% |
| Mexico | Latin America | 25,778 | 14,601 | 56.6% | 3.6% | 1,735,622 | 942,104 | 54.3% | 3.4% |
| Brazil | Latin America | 2,675 | 468 | 17.5% | 0.1% | 112,845 | 22,751 | 20.2% | 0.1% |
| **Americas total** | | **274,747** | **198,990** | **72.4%** | **48.5%** | **20,075,861** | **14,558,232** | **72.5%** | **52.2%** |
| Belgium | Northern | 2,792 | 2,180 | 78.1% | 0.6% | 164,419 | 128,979 | 78.4% | 0.5% |
| France | Southern | 43,621 | 31,667 | 72.6% | 7.7% | 2,763,545 | 1,971,033 | 71.3% | 7.1% |
| Germany | Northern | 25,368 | 12,371 | 48.8% | 3.0% | 1,445,828 | 677,659 | 46.9% | 2.4% |
| Netherlands | Northern | 14,304 | 8,645 | 60.4% | 2.1% | 959,550 | 550,675 | 57.4% | 2.0% |
| Poland | CEE | 19,064 | 11,079 | 58.1% | 2.7% | 1,332,887 | 723,667 | 54.3% | 2.6% |
| Spain | Southern | 8,130 | 7,529 | 92.6% | 1.8% | 588,371 | 515,138 | 87.6% | 1.8% |
| United Kingdom | UK | 34,369 | 19,915 | 57.9% | 4.9% | 2,017,427 | 1,126,030 | 55.8% | 4.0% |
| **Europe total** | | **147,648** | **93,386** | **63.2%** | **22.8%** | **9,272,027** | **5,693,181** | **61.4%** | **20.4%** |
| China | China | 4,417 | 1,491 | 33.8% | 0.4% | 280,220 | 88,318 | 31.5% | 0.3% |
| Japan | Japan | 64,071 | 44,806 | 69.9% | 10.9% | 4,407,334 | 3,050,068 | 69.2% | 10.9% |
| Singapore | Singapore | 2,436 | 2,436 | 100.0% | 0.6% | 143,597 | 143,597 | 100.0% | 0.5% |
| **Asia total** | | **70,924** | **48,733** | **68.7%** | **11.9%** | **4,831,151** | **3,281,983** | **67.9%** | **11.7%** |
| **Total global markets** | | **493,319** | **341,109** | **69.1%** | **83.2%** | **34,179,039** | **23,533,396** | **68.9%** | **84.3%** |
| **Regional markets (A)** | | | | | | | | | |
| Italy - Europe | Southern | 8,123 | 7,388 | 91.0% | 1.8% | 533,437 | 481,655 | 90.3% | 1.7% |
| Czech Republic - Europe | CEE | 8,026 | 5,872 | 73.2% | 1.4% | 530,113 | 377,553 | 71.2% | 1.4% |
| Columbus - Americas | Central | 5,718 | 4,078 | 71.3% | 1.0% | 387,664 | 293,011 | 75.6% | 1.1% |
| Sweden - Europe | Northern | 5,441 | 3,818 | 70.2% | 0.9% | 330,960 | 233,760 | 70.6% | 0.8% |
| Hungary - Europe | CEE | 5,362 | 3,806 | 71.0% | 0.9% | 367,012 | 233,102 | 63.5% | 0.8% |
| Denver - Americas | Northwest | 4,511 | 3,588 | 79.5% | 0.9% | 290,104 | 235,239 | 81.1% | 0.9% |
| San Antonio - Americas | Central | 4,503 | 3,380 | 75.1% | 0.8% | 281,102 | 206,974 | 73.6% | 0.7% |
| Memphis - Americas | Central | 3,628 | 3,205 | 88.3% | 0.8% | 206,484 | 178,455 | 86.4% | 0.7% |
| Cincinnati - Americas | Central | 4,986 | 2,887 | 57.9% | 0.7% | 278,297 | 161,016 | 57.9% | 0.6% |
| Louisville - Americas | Central | 3,017 | 2,680 | 88.8% | 0.7% | 173,697 | 153,639 | 88.5% | 0.6% |
| Remaining other regional (5 markets) | Various | 14,133 | 7,592 | 53.7% | 1.9% | 936,562 | 532,107 | 56.8% | 1.9% |
| **Regional markets total** | | **67,448** | **48,294** | **71.6%** | **11.8%** | **4,315,432** | **3,086,511** | **71.5%** | **11.1%** |
| **Other markets (18 markets)** | Various | **33,165** | **21,063** | **63.5%** | **5.0%** | **2,442,076** | **1,284,243** | **52.6%** | **4.6%** |
| **Total operating portfolio** | | **$593,932** | **$410,466** | **69.1%** | **100.0%** | **$40,936,547** | **$27,904,150** | **68.2%** | **100.0%** |

(A) Selected and ordered by Prologis share of NOI.

# Operations Overview

## Operating Portfolio – Summary by Region



*(square feet and dollars in thousands)*

| | # of Buildings | Square Feet | | | | Occupied | | Leased | |
|---|---|---|---|---|---|---|---|---|---|
| | | Total Owned and Managed | Prologis Share | Prologis Share (%) | % of Total | Total Owned and Managed | Prologis Share | Total Owned and Managed | Prologis Share |
| **Consolidated** | | | | | | | | | |
| Americas | 1,583 | 237,685 | 237,685 | 100.0% | 62.4% | 92.4% | 92.4% | 92.7% | 92.7% |
| Europe | 307 | 73,575 | 73,575 | 100.0% | 19.3% | 89.7% | 89.7% | 90.2% | 90.2% |
| Asia | 32 | 15,984 | 15,984 | 100.0% | 4.2% | 97.6% | 97.6% | 97.7% | 97.7% |
| **Total operating portfolio - consolidated** | **1,922** | **327,244** | **327,244** | **100.0%** | **85.9%** | **92.1%** | **92.1%** | **92.4%** | **92.4%** |
| **Unconsolidated** | | | | | | | | | |
| Americas | 827 | 132,369 | 31,849 | 24.1% | 8.4% | 91.7% | 92.0% | 91.8% | 92.1% |
| Europe | 288 | 66,043 | 19,960 | 30.2% | 5.2% | 94.8% | 94.7% | 95.6% | 95.5% |
| Asia | 45 | 11,012 | 2,015 | 18.3% | 0.5% | 95.7% | 95.9% | 95.7% | 95.9% |
| **Total operating portfolio - unconsolidated** | **1,160** | **209,424** | **53,824** | **25.7%** | **14.1%** | **92.9%** | **93.1%** | **93.2%** | **93.5%** |
| **Total** | | | | | | | | | |
| Americas | 2,410 | 370,053 | 269,534 | 72.8% | 70.8% | 92.2% | 92.4% | 92.4% | 92.7% |
| Europe | 595 | 139,618 | 93,535 | 67.0% | 24.5% | 92.1% | 90.8% | 92.7% | 91.3% |
| Asia | 77 | 26,996 | 17,999 | 66.7% | 4.7% | 96.8% | 97.4% | 96.9% | 97.5% |
| **Total operating portfolio - owned and managed** | **3,082** | **536,667** | **381,068** | **71.0%** | **100.0%** | **92.4%** | **92.2%** | **92.7%** | **92.6%** |
| Value added properties - consolidated | 5 | 748 | 748 | 100.0% | | 8.5% | 8.5% | 8.5% | 8.5% |
| Value added properties - unconsolidated | 1 | 286 | 73 | 25.5% | | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total owned and managed** | **3,088** | **537,701** | **381,889** | **71.0%** | | **92.2%** | **92.1%** | **92.5%** | **92.4%** |

| | Second Quarter NOI | | | | Gross Book Value | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Owned and Managed | Prologis Share ($) | Prologis Share (%) | % of Total | Total Owned and Managed | Prologis Share ($) | Prologis Share (%) | % of Total |
| **Consolidated** | | | | | | | | |
| Americas | $212,941 | $212,941 | 100.0% | 51.9% | $15,146,724 | $15,146,724 | 100.0% | 54.3% |
| Europe | 89,824 | 89,824 | 100.0% | 21.8% | 5,333,319 | 5,333,319 | 100.0% | 19.1% |
| Asia | 43,401 | 43,401 | 100.0% | 10.6% | 2,908,801 | 2,908,801 | 100.0% | 10.4% |
| **Total operating portfolio - consolidated** | **$346,166** | **$346,166** | **100.0%** | **84.3%** | **$23,388,844** | **$23,388,844** | **100.0%** | **83.8%** |
| **Unconsolidated** | | | | | | | | |
| Americas | $128,489 | $31,046 | 24.2% | 7.6% | $9,572,891 | $2,297,127 | 24.0% | 8.2% |
| Europe | 91,754 | 27,922 | 30.4% | 6.8% | 6,052,462 | 1,844,997 | 30.5% | 6.7% |
| Asia | 27,523 | 5,332 | 19.4% | 1.3% | 1,922,350 | 373,182 | 19.4% | 1.3% |
| **Total operating portfolio - unconsolidated** | **$247,766** | **$64,300** | **26.0%** | **15.7%** | **$17,547,703** | **$4,515,306** | **25.7%** | **16.2%** |
| **Total** | | | | | | | | |
| Americas | $341,430 | $243,987 | 71.5% | 59.5% | $24,719,615 | $17,443,851 | 70.6% | 62.5% |
| Europe | 181,578 | 117,746 | 64.8% | 28.6% | 11,385,781 | 7,178,316 | 63.0% | 25.8% |
| Asia | 70,924 | 48,733 | 68.7% | 11.9% | 4,831,151 | 3,281,983 | 67.9% | 11.7% |
| **Total operating portfolio - owned and managed** | **$593,932** | **$410,466** | **69.1%** | **100.0%** | **$40,936,547** | **$27,904,150** | **68.2%** | **100.0%** |
| Value added properties - consolidated | (53) | (53) | 100.0% | | 53,550 | 53,550 | 100.0% | |
| Value added properties - unconsolidated | (147) | (38) | 25.9% | | 17,203 | 4,428 | 25.7% | |
| **Total owned and managed** | **$593,732** | **$410,375** | **69.1%** | | **$41,007,300** | **$27,962,128** | **68.2%** | |

# Operations Overview

## Operating Metrics – Owned and Managed



*(square feet and dollars in thousands)*


### Leasing Activity

| | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|---|---|---|---|---|
| Square feet of leases signed: | | | | |
| Properties under development | 1,810 | 1,365 | 1,017 | 2,863 |
| Operating properties: | | | | |
| New leases | 11,545 | 13,663 | 10,023 | 11,947 |
| Renewals | 20,095 | 22,533 | 19,812 | 20,189 |
| Total square feet of leases signed | 33,450 | 37,561 | 30,852 | 34,999 |
| Weighted average customer retention | 76.3% | 80.1% | 78.3% | 82.4% |
| Turnover costs (per square foot) (B) | $ 1.36 | $ 1.40 | $ 1.14 | $ 1.50 |

### Capital Expenditures Incurred

| | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|---|---|---|---|---|
| Property improvements | $ 33,611 | $ 32,297 | $ 17,100 | $ 21,056 |
| *$ per square foot* | *$ 0.06* | *$ 0.06* | *$ 0.03* | *$ 0.04* |
| Tenant improvements | 23,934 | 29,418 | 28,598 | 29,243 |
| Leasing commissions | 19,136 | 23,674 | 16,401 | 18,523 |
| Total turnover costs | 43,070 | 53,092 | 44,999 | 47,766 |
| Total capital expenditures | $ 76,681 | $ 85,389 | $ 62,099 | $ 68,822 |
| Trailing four quarters - % of gross NOI (C) | N/A | 11.5% | 11.9% | 12.0% |
| Weighted average ownership percent | 76.5% | 66.5% | 76.9% | 72.2% |
| Prologis share | $ 58,687 | $ 56,770 | $ 47,734 | $ 49,689 |

### Same Store Information (A)

| | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 |
|---|---|---|---|---|
| Square feet of population | 547,380 | 538,400 | 522,571 | 519,939 |
| Percentage change: | | | | |
| Rental income | (0.1%) | 0.9% | (0.6%) | 1.5% |
| Rental expenses | 1.5% | 2.0% | (6.6%) | 4.8% |
| Net operating income - GAAP | (0.7%) | 0.4% | 1.7% | 0.4% |
| Net operating income - stabilized cash | N/A | N/A | 3.1% | 2.3% |
| Average occupancy | 1.6% | 1.6% | 2.6% | 2.9% |
| Square feet of leasing activity | 27,969 | 32,159 | 28,227 | 30,127 |
| Percentage change in rental rates | (8.6%) | (4.5%) | (1.1%) | (3.9%) |

(A) See the Notes and Definitions for further explanations.
(B) Turnover costs per foot represent expected costs based on the leases signed during the quarter, rather than costs incurred as presented in the "Capital Expenditures Incurred" section.
(C) This metric is calculated using the trailing twelve month NOI based on pro forma information for the pre-Merger period.

*(square feet and dollars in thousands)*

**Top Customers**

| | | % of Annual Base Rent | Total Square Feet |
|---|---|---|---|
| 1 | DHL | 2.6% | 11,762 |
| 2 | CEVA Logistics | 1.4% | 7,609 |
| 3 | Kuehne & Nagel | 1.4% | 7,058 |
| 4 | Amazon.Com, Inc. | 1.0% | 3,664 |
| 5 | SNCF Geodis | 0.9% | 5,156 |
| 6 | Home Depot, Inc. | 0.9% | 4,446 |
| 7 | United States Government | 0.8% | 1,870 |
| 8 | Panasonic Logistics Co. Ltd. | 0.8% | 2,365 |
| 9 | PepsiCo | 0.7% | 4,157 |
| 10 | FedEx Corporation | 0.7% | 2,172 |
| **Top 10 Customers** | | 11.2% | 50,259 |
| 11 | Tesco PLC | 0.6% | 2,693 |
| 12 | Sagawa Express | 0.6% | 965 |
| 13 | Kraft Foods, Inc. | 0.6% | 3,530 |
| 14 | Panalpina inc. | 0.6% | 2,357 |
| 15 | Nippon Express Group | 0.6% | 1,361 |
| 16 | Unilever | 0.6% | 3,920 |
| 17 | APL (Neptune Orient Lines) | 0.5% | 4,164 |
| 18 | Catepillar Logistics Services | 0.5% | 1,344 |
| 19 | DB Schenker | 0.5% | 2,249 |
| 20 | Hitachi Ltd | 0.5% | 1,306 |
| 21 | ND Logistics | 0.4% | 2,277 |
| 22 | LG | 0.4% | 2,421 |
| 23 | UPS SCS (United Parcel Service Inc.) | 0.4% | 2,169 |
| 24 | Schneider Electric S.A. | 0.4% | 1,587 |
| 25 | Wal-Mart Stores | 0.4% | 2,580 |
| **Top 25 Customers** | | 18.8% | 85,182 |

**Lease Expirations - Owned and Managed**

| Year | Annual Base Rent | Percentage of Total | Occupied Square Feet | Percentage of Total |
|---|---|---|---|---|
| Month to month customers | $ 42,543 | 1.5% | 11,593 | 2.3% |
| 2012 | 118,047 | 4.2% | 21,378 | 4.3% |
| 2013 | 455,799 | 16.1% | 80,199 | 16.2% |
| 2014 | 440,179 | 15.5% | 77,629 | 15.7% |
| 2015 | 395,146 | 13.9% | 72,564 | 14.6% |
| 2016 | 321,880 | 11.3% | 57,975 | 11.7% |
| Thereafter | 1,066,345 | 37.5% | 174,493 | 35.2% |
| Total | 2,839,939 | 100% | 495,831 | 100% |

**Lease Expirations - Prologis Share**

| Year | Annual Base Rent | Percentage of Total | Occupied Square Feet | Percentage of Total |
|---|---|---|---|---|
| Month to month customers | $ 33,054 | 1.7% | 8,900 | 2.5% |
| 2012 | 77,401 | 3.9% | 14,545 | 4.1% |
| 2013 | 332,828 | 16.8% | 57,788 | 16.4% |
| 2014 | 316,425 | 15.9% | 57,964 | 16.5% |
| 2015 | 273,430 | 13.8% | 51,744 | 14.7% |
| 2016 | 239,261 | 12.1% | 44,182 | 12.6% |
| Thereafter | 709,928 | 35.8% | 116,344 | 33.2% |
| Total | 1,982,327 | 100% | 351,467 | 100% |

# Capital Deployment

## Building Dispositions and Contributions (A)



*(square feet and dollars in thousands)*

| | Q2 2012 | | | | | FY 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Square Feet | Prologis Share of Square Feet | Total Proceeds | Prologis Share of Proceeds ($) | Prologis Share of Proceeds (%) (B) | Square Feet | Prologis Share of Square Feet | Total Proceeds | Prologis Share of Proceeds ($) | Prologis Share of Proceeds (%) |
| **Third Party Building Dispositions** | | | | | | | | | | |
| **Americas** | | | | | | | | | | |
| Prologis wholly owned | 2,768 | 2,768 | 83,429 | 83,429 | 100.0% | 5,075 | 5,075 | 302,916 | 302,916 | 100.0% |
| Prologis North American Properties Fund XI | - | - | - | - | - | 3,516 | 703 | 135,362 | 27,072 | 20.0% |
| Prologis Institutional Alliance Fund II (C) | 430 | 121 | 29,000 | 8,164 | 28.2% | 430 | 121 | 29,000 | 8,164 | 28.2% |
| Prologis North American Industrial Fund | 60 | 14 | 2,400 | 554 | 23.1% | 60 | 14 | 2,400 | 554 | 23.1% |
| **Total Americas** | **3,258** | **2,903** | **114,829** | **92,147** | **80.2%** | **9,081** | **5,913** | **469,678** | **338,706** | **72.1%** |
| **Europe** | | | | | | | | | | |
| Prologis wholly owned | 207 | 207 | 12,351 | 12,351 | 100.0% | 2,176 | 2,176 | 135,022 | 135,022 | 100.0% |
| Prologis European Properties (C) | - | - | - | - | - | 3,670 | 3,439 | 338,862 | 317,513 | 93.7% |
| Prologis European Properties Fund II | 106 | 32 | 8,906 | 2,645 | 29.7% | 2,043 | 608 | 150,174 | 44,630 | 29.7% |
| **Total Europe** | **313** | **239** | **21,257** | **14,996** | **70.5%** | **7,889** | **6,223** | **624,058** | **497,165** | **79.7%** |
| **Asia** | | | | | | | | | | |
| Prologis wholly owned | 592 | 592 | 36,938 | 36,938 | 100.0% | 592 | 592 | 36,938 | 36,938 | 100.0% |
| **Total Asia** | **592** | **592** | **36,938** | **36,938** | **100.0%** | **592** | **592** | **36,938** | **36,938** | **100.0%** |
| **Total Third Party Building Dispositions** | **4,163** | **3,734** | **$173,024** | **$144,081** | **83.3%** | **17,562** | **12,728** | **$1,130,674** | **$872,809** | **77.2%** |
| **Building Contributions and Dispositions to Co-Investment Ventures** | | | | | | | | | | |
| **Americas** | | | | | | | | | | |
| Prologis Mexico Fondo Logistico (C) | 755 | 755 | 40,650 | 32,520 | 80.0% | 755 | 755 | 40,650 | 32,520 | 80.0% |
| **Total Americas** | **755** | **755** | **40,650** | **32,520** | **80.0%** | **755** | **755** | **40,650** | **32,520** | **80.0%** |
| **Europe** | | | | | | | | | | |
| Europe Logistics Venture I | - | - | - | - | - | 139 | 139 | 16,875 | 14,343 | 85.0% |
| **Total Europe** | **-** | **-** | **-** | **-** | **-** | **139** | **139** | **16,875** | **14,343** | **85.0%** |
| **Asia** | | | | | | | | | | |
| **Total Asia** | - | - | - | - | - | - | - | - | - | - |
| **Total Contributions and Dispositions to Co-Investment Ventures** | **755** | **755** | **$40,650** | **$32,520** | **80.0%** | **894** | **894** | **57,525** | **46,863** | **81.5%** |
| **Total Building Dispositions and Contributions** | **4,918** | **4,489** | **$213,674** | **$176,601** | **82.6%** | **18,456** | **13,622** | **$1,188,199** | **$919,672** | **77.4%** |
| **Weighted average stabilized cap rate** | | | | **7.6%** | | | | | **7.3%** | |

(A) Amounts include industrial building dispositions, but do not include dispositions of non-industrial buildings or land subject to ground leases of $0.4 million for the quarter and $6.4 million year to date, of which $0.4 million and $5.1 million is Prologis' share, respectively.
(B) Prologis share reflects actual ownership on consolidated funds. For contributions, this amount reflects cash proceeds to Prologis (net of units received for partial consideration).
(C) This is a consolidated fund.

# Capital Deployment

## Third Party Building Acquisitions



*(square feet and dollars in thousands)*

| | Q2 2012 | | | | | FY 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Square Feet | Prologis Share of Square Feet | Acquisition Cost | Prologis Share of Acquisition Cost ($) | Prologis Share of Acquisition Cost (%) | Square Feet | Prologis Share of Square Feet | Acquisition Cost | Prologis Share of Acquisition Cost ($) | Prologis Share of Acquisition Cost (%) |
| **Third Party Building Acquisitions** | | | | | | | | | | |
| **Americas** | | | | | | | | | | |
| Prologis wholly owned | 693 | 693 | $ 34,062 | $ 34,062 | 100.0% | 875 | 875 | $ 46,642 | $ 46,642 | 100.0% |
| Prologis North American Industrial Fund | 41 | 9 | 2,886 | 667 | 23.1% | 41 | 9 | 2,886 | 667 | 23.1% |
| Prologis Targeted U.S. Logistics Fund | 158 | 41 | 15,964 | 4,109 | 25.7% | 547 | 148 | 44,654 | 12,022 | 26.9% |
| **Total Americas** | **892** | **743** | **52,912** | **38,838** | **73.4%** | **1,463** | **1,032** | **94,182** | **59,331** | **63.0%** |
| **Europe** | | | | | | | | | | |
| Prologis European Properties Fund II | 653 | 194 | 31,697 | 9,420 | 29.7% | 717 | 213 | 36,812 | 10,940 | 29.7% |
| Europe Logistics Venture I | - | - | - | - | - | 347 | 52 | 24,293 | 3,644 | 15.0% |
| **Total Europe** | **653** | **194** | **31,697** | **9,420** | **29.7%** | **1,064** | **265** | **61,105** | **14,584** | **23.9%** |
| **Asia** | - | - | - | - | - | - | - | - | - | - |
| **Total Third Party Acquisitions** | **1,545** | **937** | **$ 84,609** | **$ 48,258** | **57.0%** | **2,527** | **1,297** | **$ 155,287** | **$ 73,915** | **47.6%** |
| **Weighted average stabilized cap rate** | | | | **7.2%** | | | | | **7.0%** | |

# Capital Deployment

## Development Starts – Current Quarter



*(in thousands, except percent and per square foot)*

| | Total Q2 2012 | | | | Prologis Share ($) - Q2 | | | | Prologis Share (%) - Q2 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Square Feet | Total Expected Investment | Cost Per Square Foot | Leased % at Start | Square Feet | Total Expected Investment | Cost Per Square Foot | Leased % at Start | Square Feet | Total Expected Investment |
| **Americas** | | | | | | | | | | |
| Consolidated | 3,047 | $129,430 | $42 | 49.8% | 3,047 | $129,430 | $42 | 49.8% | 100.0% | 100.0% |
| **Total Americas** | 3,047 | 129,430 | 42 | 49.8% | 3,047 | 129,430 | 42 | 49.8% | 100.0% | 100.0% |
| **Europe** | | | | | | | | | | |
| Consolidated | 250 | 14,552 | 58 | 100.0% | 250 | 14,552 | 58 | 100.0% | 100.0% | 100.0% |
| **Total Europe** | 250 | 14,552 | 58 | 100.0% | 250 | 14,552 | 58 | 100.0% | 100.0% | 100.0% |
| **Asia** | | | | | | | | | | |
| Consolidated | 429 | 84,579 | 197 | 100.0% | 429 | 84,579 | 197 | 100.0% | 100.0% | 100.0% |
| **Total Asia** | 429 | 84,579 | 197 | 100.0% | 429 | 84,579 | 197 | 100.0% | 100.0% | 100.0% |
| **Total** | **3,726** | **$228,561** | **$61** | **58.9%** | **3,726** | **$228,561** | **$61** | **58.9%** | **100.0%** | **100.0%** |

| | |
|---|---|
| Weighted average estimated stabilized yield | 7.2% |
| Pro forma NOI | $16,456 |
| Weighted average estimated cap rate at stabilization | 6.3% |
| Estimated value creation (A) | $32,645 |
| Estimated development margin | 14.3% |
| Prologis share of value creation on development starts (A) | 100.0% |
| Prologis share of value creation on development starts (A) | $32,645 |

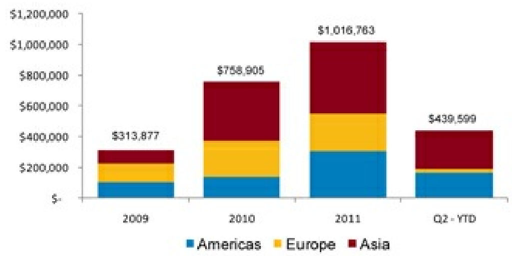
(A) Value creation excludes fees or promotes that we may earn. See complete definition in the Notes and Definitions section.

*(in thousands, except percent and per square foot)*

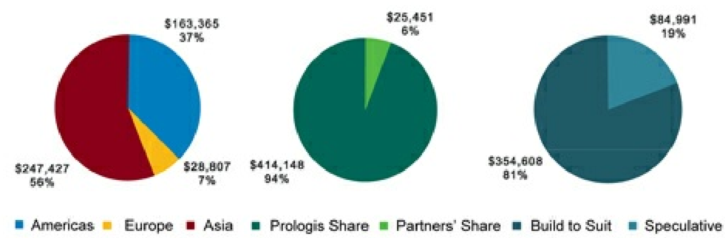
| | Total YTD 2012 | | | | Prologis Share ($) - YTD 2012 | | | | Prologis Share (%) - YTD 2012 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Square Feet | Total Expected Investment | Cost Per Square Foot | Leased % at Start | Square Feet | Total Expected Investment | Cost Per Square Foot | Leased % at Start | Square Feet | Total Expected Investment |
| **Americas** | | | | | | | | | | |
| Consolidated | 3,047 | $129,430 | $42 | 49.8% | 3,047 | $129,430 | $42 | 49.8% | 100.0% | 100.0% |
| Brazil Fund and related joint ventures | 317 | 33,935 | 107 | 100.0% | 79 | 8,484 | 107 | 100.0% | 25.0% | 25.0% |
| **Total Americas** | 3,364 | 163,365 | 49 | 54.5% | 3,126 | 137,914 | 44 | 51.1% | 92.9% | 84.4% |
| **Europe** | | | | | | | | | | |
| Consolidated | 514 | 28,807 | 56 | 48.5% | 514 | 28,807 | 56 | 48.5% | 100.0% | 100.0% |
| **Total Europe** | 514 | 28,807 | 56 | 48.5% | 514 | 28,807 | 56 | 48.5% | 100.0% | 100.0% |
| **Asia** | | | | | | | | | | |
| Consolidated | 1,390 | 247,427 | 178 | 100.0% | 1,390 | 247,427 | 178 | 100.0% | 100.0% | 100.0% |
| **Total Asia** | 1,390 | 247,427 | 178 | 100.0% | 1,390 | 247,427 | 178 | 100.0% | 100.0% | 100.0% |
| **Total** | **5,268** | **$439,599** | **$83** | **65.9%** | **5,030** | **$414,148** | **$82** | **64.3%** | **95.5%** | **94.2%** |

| | |
|---|---|
| Weighted average estimated stabilized yield | 7.7% |
| Pro forma NOI | $33,849 |
| Weighted average estimated cap rate at stabilization | 6.4% |
| Estimated value creation (A) | $89,292 |
| Estimated development margin | 20.3% |
| Prologis share of value creation on development starts (A) | 92.3% |
| Prologis share of value creation on development starts (A) | $82,410 |
| Prologis share of value creation realized on VAC buildings (B) | 10,954 |
| Total Prologis share of estimated and realized value creation year to date | $93,364 |

### Historical Development Starts (TEI)




### Year to Date 2012 Development Starts




(A) Value creation excludes fees or promotes that we may earn. See complete definition in the Notes and Definitions section.
(B) This represents the economic gain realized from the sale of a Value Added Conversion "VAC" property during the year. The gain represents the amount by which the sales proceeds exceeds the amount included in NAV for this property.

# Capital Deployment

## Development Portfolio

*(in thousands, except percent)*

| | Pre-Stabilized Developments | | Under Development: 2012 Expected Completion | | Under Development: 2013 and thereafter Expected Completion | | Under Development: Total Under Development | | Total Development Portfolio | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sq Ft | TEI $ | Sq Ft | TEI $ | Sq Ft | TEI $ | Sq Ft | TEI $ | TEI $ | Prologis share of TEI $ | % of Total | Leased % |
| **Consolidated** | | | | | | | | | | | | |
| U.S. | | | | | | | | | | | | |
| Central | 147 | $7,881 | - | $0 | 1,052 | $40,089 | 1,052 | $40,089 | $47,970 | $47,970 | 4.3% | 41.6% |
| East | 535 | 55,793 | 171 | 16,707 | 1,612 | 69,245 | 1,783 | 85,952 | 141,745 | 141,745 | 12.8% | 61.1% |
| Northwest | - | - | - | - | - | - | - | - | - | - | - | - |
| Southwest | 415 | 26,098 | - | - | - | - | - | - | 26,098 | 26,098 | 2.4% | 0.0% |
| U.S. Total | 1,097 | 89,772 | 171 | 16,707 | 2,664 | 109,334 | 2,835 | 126,041 | 215,813 | 215,813 | 19.5% | 48.7% |
| Latin America | 623 | 34,944 | 383 | 20,097 | - | - | 383 | 20,097 | 55,041 | 55,041 | 5.0% | 37.7% |
| **Americas total** | **1,720** | **124,716** | **554** | **36,804** | **2,664** | **109,334** | **3,218** | **146,138** | **270,854** | **270,854** | **24.5%** | **46.5%** |
| Europe | | | | | | | | | | | | |
| Northern Europe | 319 | 29,424 | 530 | 31,710 | - | - | 530 | 31,710 | 61,134 | 61,134 | 5.4% | 62.4% |
| Southern Europe | 507 | 37,234 | - | - | - | - | - | - | 37,234 | 37,234 | 3.4% | 21.8% |
| Central Europe | - | - | 201 | 9,535 | - | - | 201 | 9,535 | 9,535 | 9,535 | 0.9% | 0.0% |
| United Kingdom | - | - | 30 | 2,451 | - | - | 30 | 2,451 | 2,451 | 2,451 | 0.2% | 100.0% |
| **Europe total** | **826** | **66,658** | **761** | **43,696** | **-** | **-** | **761** | **43,696** | **110,354** | **110,354** | **9.9%** | **42.2%** |
| Asia | | | | | | | | | | | | |
| Japan | 1,143 | 153,777 | 1,254 | 229,936 | 1,390 | 251,657 | 2,644 | 481,593 | 635,370 | 635,370 | 57.2% | 66.5% |
| **Asia total** | **1,143** | **153,777** | **1,254** | **229,936** | **1,390** | **251,657** | **2,644** | **481,593** | **635,370** | **635,370** | **57.2%** | **66.5%** |
| **Total global markets** | **3,689** | **345,151** | **2,569** | **310,436** | **4,054** | **360,991** | **6,623** | **671,427** | **1,016,578** | **1,016,578** | **91.6%** | **53.2%** |
| **Regional and other markets** | | | | | | | | | | | | |
| Americas | - | - | - | - | - | - | - | - | - | - | - | - |
| Europe | - | - | 264 | 13,754 | - | - | 264 | 13,754 | 13,754 | 13,754 | 1.2% | 0.0% |
| **Total regional and other markets** | **-** | **-** | **264** | **13,754** | **-** | **-** | **264** | **13,754** | **13,754** | **13,754** | **1.2%** | **0.0%** |
| **Total consolidated development portfolio** | **3,689** | **345,151** | **2,833** | **324,190** | **4,054** | **360,991** | **6,887** | **685,181** | **1,030,332** | **1,030,332** | **92.8%** | **51.8%** |
| **Unconsolidated** | | | | | | | | | | | | |
| Prologis Targeted U.S. Logistics Fund | - | - | 272 | 29,130 | - | - | 272 | 29,130 | 29,130 | 7,498 | 0.7% | 0.0% |
| Brazil Fund and related joint ventures | - | - | 1,279 | 106,903 | - | - | 1,279 | 106,903 | 106,903 | 53,451 | 4.8% | 40.3% |
| Prologis Targeted Europe Logistics Fund | - | - | 297 | 29,077 | - | - | 297 | 29,077 | 29,077 | 9,811 | 0.9% | 0.0% |
| Prologis China Logistics Venture I | - | - | - | - | 1,078 | 58,103 | 1,078 | 58,103 | 58,103 | 8,716 | 0.8% | 0.0% |
| **Total unconsolidated development portfolio** | - | - | 1,848 | 185,110 | 1,078 | 58,103 | 2,926 | 223,213 | 223,213 | 79,476 | 7.2% | **17.6%** |
| **Total development portfolio - owned & managed** | **3,689** | **$ 345,151** | **4,681** | **$ 489,300** | **5,132** | **$ 419,094** | **9,813** | **$ 908,394** | **$ 1,253,545** | **$ 1,109,808** | **100.0%** | **44.4%** |
| **Total development portfolio - Prologis share** | 3,689 | $345,151 | 3,643 | $394,951 | 4,215 | $369,706 | 7,858 | $764,657 | $1,109,808 | | | **49.7%** |
| **Total development portfolio - Prologis share (%)** | 100.0% | 100.0% | 77.8% | 80.7% | 82.1% | 88.2% | 80.1% | 84.2% | 88.5% | | | |
| Cost to complete | | $36,331 | | $147,576 | | $302,925 | | $450,501 | $486,832 | | | |
| Prologis share of cost to complete | | $36,331 | | $105,908 | | $269,616 | | $375,524 | $411,855 | | | |
| Percent build to suit (based on Prologis share) | | 0.0% | | 16.6% | | 83.9% | | 49.1% | 33.9% | | | |
| Pre-leased percent | | n/a | | 41.9% | | 56.6% | | 49.6% | | | | |
| Weighted average estimated stabilized yield | | 7.5% | | 8.4% | | 7.2% | | 7.9% | 7.8% | | | |
| Pro forma NOI | | | | | | | | | $97,777 | | | |
| Weighted average estimated cap rate at stabilization | | | | | | | | | 6.6% | | | |
| Estimated value creation (A) | | | | | | | | | $227,917 | | | |
| Estimated development margin | | | | | | | | | 18.2% | | | |
| Prologis share of value creation (A) | | | | | | | | | $202,805 | | | |
| Prologis share of value creation (A) | | | | | | | | | 89.0% | | | |



(A) Value creation excludes fees or promotes that we may earn. See complete definition in the Notes and Definitions section.

# Capital Deployment

## Land Portfolio – Owned and Managed

Second Quarter 2012 Report

*(dollars in thousands)*

| Land by Market | Region | Acres | | | Current Book Value | | | |
|---|---|---|---|---|---|---|---|---|
| | | Total Owned & Managed | Prologis Share | Prologis Share (%) | Total Owned & Managed | Prologis Share ($) | Prologis Share (%) | % of Total |
| **Global markets** | | | | | | | | |
| U.S. | | | | | | | | |
| Atlanta | East | 616 | 616 | 100.0% | $ 24,879 | $ 24,879 | 100.0% | 1.3% |
| Baltimore/Washington | East | 106 | 106 | 100.0% | 14,868 | 14,868 | 100.0% | 0.8% |
| Central Valley | Northwest | 182 | 182 | 100.0% | 17,314 | 17,314 | 100.0% | 0.9% |
| Central & Eastern PA | East | 302 | 302 | 100.0% | 26,252 | 26,252 | 100.0% | 1.4% |
| Chicago | Central | 638 | 638 | 100.0% | 61,009 | 61,009 | 100.0% | 3.2% |
| Dallas/Ft. Worth | Central | 398 | 398 | 100.0% | 18,907 | 18,907 | 100.0% | 1.0% |
| Houston | Central | 65 | 65 | 100.0% | 7,891 | 7,891 | 100.0% | 0.4% |
| New Jersey/New York City | East | 372 | 372 | 100.0% | 145,767 | 145,767 | 100.0% | 7.6% |
| Seattle | Northwest | 15 | 15 | 100.0% | 2,190 | 2,190 | 100.0% | 0.1% |
| South Florida | East | 377 | 377 | 100.0% | 144,797 | 144,797 | 100.0% | 7.5% |
| Southern California | Southwest | 791 | 791 | 100.0% | 127,086 | 127,086 | 100.0% | 6.6% |
| Canada | Canada | 230 | 230 | 100.0% | 94,716 | 94,716 | 100.0% | 4.9% |
| Mexico | Mexico | 958 | 958 | 100.0% | 187,007 | 187,007 | 100.0% | 9.7% |
| Brazil | Brazil | 376 | 188 | 50.0% | 80,328 | 40,164 | 50.0% | 2.1% |
| **Americas total** | | **5,426** | **5,238** | **96.5%** | **953,011** | **912,847** | **95.8%** | **47.5%** |
| Belgium | Northern | 30 | 30 | 100.0% | 10,015 | 10,015 | 100.0% | 0.5% |
| France | Southern | 532 | 532 | 100.0% | 91,083 | 91,083 | 100.0% | 4.7% |
| Germany | Northern | 156 | 156 | 100.0% | 35,402 | 35,402 | 100.0% | 1.8% |
| Netherlands | Northern | 63 | 63 | 100.0% | 55,855 | 55,855 | 100.0% | 2.9% |
| Poland | CEE | 893 | 893 | 100.0% | 114,724 | 114,724 | 100.0% | 6.0% |
| Spain | Southern | 100 | 100 | 100.0% | 19,402 | 19,402 | 100.0% | 1.0% |
| United Kingdom | UK | 979 | 979 | 100.0% | 249,792 | 249,792 | 100.0% | 13.0% |
| **Europe total** | | **2,753** | **2,753** | **100.0%** | **576,273** | **576,273** | **100.0%** | **29.9%** |
| China | China | 60 | 45 | 75.0% | 24,735 | 13,358 | 54.0% | 0.7% |
| Japan | Japan | 81 | 81 | 100.0% | 136,059 | 136,059 | 100.0% | 7.1% |
| **Asia total** | | **141** | **126** | **89.4%** | **160,794** | **149,417** | **92.9%** | **7.8%** |
| **Total global markets** | | **8,320** | **8,117** | **97.6%** | **1,690,078** | **1,638,537** | **97.0%** | **85.2%** |
| **Regional markets (A)** | | | | | | | | |
| Hungary | CEE | 338 | 338 | 100.0% | 45,500 | 45,500 | 100.0% | 2.4% |
| Czech Republic | CEE | 261 | 261 | 100.0% | 41,185 | 41,185 | 100.0% | 2.1% |
| Italy | Southern | 107 | 107 | 100.0% | 31,364 | 31,364 | 100.0% | 1.6% |
| Central Florida | East | 129 | 129 | 100.0% | 25,653 | 25,653 | 100.0% | 1.3% |
| Slovakia | CEE | 95 | 95 | 100.0% | 16,080 | 16,080 | 100.0% | 0.8% |
| Savannah | East | 229 | 229 | 100.0% | 13,097 | 13,097 | 100.0% | 0.7% |
| Denver | Northwest | 66 | 66 | 100.0% | 8,669 | 8,669 | 100.0% | 0.5% |
| Memphis | Central | 165 | 165 | 100.0% | 7,293 | 7,293 | 100.0% | 0.4% |
| Columbus | Central | 199 | 199 | 100.0% | 6,692 | 6,692 | 100.0% | 0.3% |
| Cincinnati | Central | 75 | 75 | 100.0% | 4,919 | 4,919 | 100.0% | 0.3% |
| Indianapolis | Central | 127 | 127 | 100.0% | 4,469 | 4,469 | 100.0% | 0.3% |
| Louisville | Central | 13 | 13 | 100.0% | 425 | 425 | 100.0% | 0.0% |
| **Total regional markets** | | **1,804** | **1,804** | **100.0%** | **205,346** | **205,346** | **100.0%** | **10.7%** |
| **Total other markets** (11 markets) | Various | **778** | **778** | **100.0%** | **79,351** | **79,351** | **100.0%** | **4.1%** |
| **Total land portfolio - owned and managed** | | **10,902** | **10,699** | **98.1%** | **$ 1,974,775** | **$ 1,923,234** | **97.4%** | **100.0%** |
| **Original Cost Basis** | | | | | **$ 3,054,974** | **$ 3,003,433** | | |

(A) Ordered by our share of current book value.

# Capital Deployment

## Land Portfolio – Summary and Roll Forward

*(dollars in thousands)*

| Land Portfolio Summary | Acres | % of Total | Investment at June 30, 2012 | % of Total |
|---|---|---|---|---|
| **Americas** | | | | |
| Prologis wholly owned | 6,712 | 61.6% | $ 997,471 | 50.5% |
| Brazil Fund and related joint ventures | 376 | 3.4% | 80,328 | 4.1% |
| **Total Americas** | **7,088** | **65.0%** | **1,077,799** | **54.6%** |
| **Europe** | | | | |
| Prologis wholly owned | **3,673** | **33.7%** | **736,182** | **37.3%** |
| **Asia** | | | | |
| Prologis wholly owned | 123 | 1.1% | 147,409 | 7.5% |
| Prologis China Logistics Venture 1 | 18 | 0.2% | 13,385 | 0.6% |
| **Total Asia** | **141** | **1.3%** | **160,794** | **8.1%** |
| **Total land portfolio - owned and managed** | **10,902** | **100.0%** | **$ 1,974,775** | **100.0%** |

| Land Roll Forward - Owned and Managed | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| **As of March 31, 2012** | $ 1,056,183 | $ 740,840 | $ 196,454 | $ 1,993,477 |
| Acquisitions | 43,929 | 24,475 | - | 68,404 |
| Dispositions (A) | (3,444) | (10,231) | - | (13,675) |
| Development starts | (18,064) | (2,104) | (31,976) | (52,144) |
| Infrastructure costs | 22,087 | 1,967 | 2,683 | 26,737 |
| Reclasses | 7,548 | - | - | 7,548 |
| Effect of changes in foreign exchange rates and other | (30,440) | (18,765) | (6,367) | (55,572) |
| **As of June 30, 2012** | $ 1,077,799 | $ 736,182 | $ 160,794 | **$ 1,974,775** |

(A) Includes 58 acres that were sold for $14.2 million in proceeds.

**Fund Investment Information**

| Co-Investment Ventures | Type | Investment Type | Geographic Focus | Ownership | Date Established | Term |
|---|---|---|---|---|---|---|
| Prologis Institutional Alliance Fund II | Core | Consolidated | US | 28.2% | June 2001 | Closed end |
| Prologis AMS | Core | Consolidated | US | 38.5% | June 2004 | Closed end |
| Prologis Mexico Fondo Logistico (A) | Core/Development | Consolidated | Mexico | 20.0% | July 2010 | Closed end |
| Prologis European Properties | Core | Consolidated | Europe | 99.5% | September 1999 | Open end |
| Prologis North American Properties Fund I | Core | Unconsolidated | US | 41.3% | June 2000 | Closed end |
| Prologis North American Properties Fund XI (B) | Core | Unconsolidated | US | 20.0% | February 2003 | Closed end |
| Prologis Targeted U.S. Logistics Fund (A) | Core | Unconsolidated | US | 25.7% | October 2004 | Open end |
| Prologis North American Industrial Fund | Core | Unconsolidated | US | 23.1% | March 2006 | Open end |
| Prologis DFS Fund I | Development | Unconsolidated | US | 15.0% | October 2006 | Closed end |
| Prologis North American Industrial Fund III | Core | Unconsolidated | US | 20.0% | July 2007 | Closed end |
| Prologis SGP Mexico (A) | Core | Unconsolidated | Mexico | 21.6% | December 2004 | Closed end |
| Prologis Mexico Industrial Fund | Core | Unconsolidated | Mexico | 20.0% | August 2007 | Closed end |
| Prologis Brazil Logistics Partners Fund I (A)(C) | Development | Unconsolidated | Brazil | 50.0% | December 2010 | Closed end |
| Prologis Targeted Europe Logistics Fund (A) | Core | Unconsolidated | Europe | 33.7% | June 2007 | Open end |
| Prologis European Properties Fund II (A) | Core | Unconsolidated | Europe | 29.7% | August 2007 | Open end |
| Europe Logistics Venture 1 (A) | Core | Unconsolidated | Europe | 15.0% | February 2011 | Open end |
| Prologis Japan Fund 1 | Core | Unconsolidated | Japan | 20.0% | June 2005 | Closed end |
| Prologis China Logistics Venture 1 (A) | Core/Development | Unconsolidated | China | 15.0% | March 2011 | Closed end |

**Information by Unconsolidated Co-investment Venture (D):**

| | | | | | Prologis' Share | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands) | Square Feet | Second Quarter NOI | Gross Book Value of Operating Buildings | Debt | Second Quarter NOI | Annualized Pro forma NOI | Debt | Total Other Tangible Assets (Liabilities) | Prologis Investment In and Advances To |
| Prologis North American Properties Fund I | 6,239 | $4,888 | $266,618 | $107,870 | $2,019 | $8,076 | $44,550 | $430 | $33,260 |
| Prologis North American Properties Fund XI (B) | 100 | (50) | 13,789 | 769 | (10) | (40) | 154 | 173 | 483 |
| Prologis North American Industrial Fund | 48,879 | 40,833 | 2,956,884 | 1,244,165 | 9,432 | 37,728 | 286,904 | 16,052 | 217,582 |
| Prologis North American Industrial Fund III | 17,655 | 13,393 | 1,279,399 | 648,929 | 2,679 | 10,716 | 129,786 | 371 | 24,445 |
| Prologis Targeted U.S. Logistics Fund | 42,680 | 52,525 | 3,960,488 | 1,521,325 | 13,519 | 54,076 | 391,592 | 2,920 | 660,568 |
| Prologis Mexico Industrial Fund | 9,500 | 8,799 | 591,382 | 214,149 | 1,760 | 7,040 | 42,830 | 1,292 | 52,685 |
| Prologis SGP Mexico | 6,374 | 5,278 | 408,690 | 217,073 | 1,140 | 4,560 | 46,888 | (11,131) | 38,200 |
| Brazil Fund and related joint ventures | 1,228 | 2,675 | 112,844 | - | 468 | 1,872 | - | 36,889 | 92,056 |
| **Americas** | **132,655** | **128,341** | **9,590,094** | **3,954,280** | **31,007** | **124,028** | **942,704** | **46,996** | **1,119,279** |
| Prologis European Properties Fund II | 53,448 | 70,546 | 4,531,392 | 1,485,451 | 20,967 | 83,868 | 441,476 | (48,003) | 388,348 |
| Prologis Targeted Europe Logistics Fund | 11,669 | 20,141 | 1,441,065 | 628,534 | 6,795 | 27,180 | 212,067 | (27,020) | 233,600 |
| Europe Logistics Venture I | 926 | 1,067 | 80,005 | - | 160 | 640 | - | 776 | 11,726 |
| **Europe** | **66,043** | **91,754** | **6,052,462** | **2,113,985** | **27,922** | **111,688** | **653,543** | **(74,247)** | **633,674** |
| Prologis Japan Fund 1 | 7,263 | 24,081 | 1,696,583 | 927,419 | 4,817 | 19,268 | 185,484 | 15,652 | 158,256 |
| Prologis China Logistics Venture 1 | 3,749 | 3,443 | 225,767 | 107,000 | 516 | 2,064 | 16,050 | 2,707 | 32,634 |
| **Asia** | **11,012** | **27,524** | **1,922,350** | **1,034,419** | **5,333** | **21,332** | **201,534** | **18,359** | **190,890** |
| **Total** | **209,710** | **$247,619** | **$17,564,906** | **$7,102,684** | **$64,262** | **$257,048** | **$1,797,781** | **$(8,892)** | **$1,943,843** |

(A) These funds are or will be actively investing in new properties through acquisition and/or development activities, whereas the remaining funds do not expect to be actively investing in new properties.
(B) During the first quarter, this co-investment venture sold all but one of its operating buildings.
(C) We have a 50% ownership interest in and consolidate an entity that in turn owns 50% of an entity that is accounted for on the equity method ("Brazil Fund"). The Brazil Fund develops industrial properties in Brazil. During 2011, the Brazil Fund sold 90% of three operating properties to a third party and retained a 10% ownership interest in the properties ("Brazil JVs"). Therefore, we effectively own 25% of the Brazil Fund and 2.5% of the operating properties in the Brazil JVs, which are included in our Owned and Managed operating pool.
(D) Values represent Prologis' stepped up basis and may not be comparable to values reflected in the entities' stand alone financial statements calculated on a different basis.

*(dollars in thousands)*

| | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| **FFO and Net Earnings (Loss) of the Co-Investment Ventures, Aggregated (A)(B)** | | For the Three Months Ended June 30, 2012 | | |
| Rental income | $ 185,789 | $ 120,910 | $ 35,021 | $ 341,720 |
| Rental expenses | (47,522) | (27,910) | (7,524) | (82,956) |
| **Net operating income from properties** | 138,267 | 93,000 | 27,497 | 258,764 |
| Other income (expense) | 6,716 | (3,851) | (478) | 2,387 |
| Gains (losses) on dispositions of investments in real estate, impairment charges and early extinguishment of debt, net | (25,093) | (2,627) | - | (27,720) |
| General and administrative expenses | (7,725) | (2,872) | (4,724) | (15,321) |
| Interest expense | (61,835) | (26,842) | (4,695) | (93,372) |
| Current income tax expense | (1,954) | (2,312) | (1,247) | (5,513) |
| **FFO of the unconsolidated co-investment ventures** | **48,376** | **54,496** | **16,353** | **119,225** |
| Real estate related depreciation and amortization | (76,064) | (39,832) | (15,852) | (131,748) |
| Foreign currency exchange and unrealized derivative gains (losses), net | (63) | 1,656 | (479) | 1,114 |
| Gains (losses) on dispositions of investments in real estate, net | (509) | 782 | - | 273 |
| Deferred tax benefit (expense) and other income (expense), net | 225 | 7,165 | (873) | 6,517 |
| **Net earnings (loss) of the unconsolidated co-investment ventures** | **$ (28,035)** | **$ 24,267** | **$ (851)** | **$ (4,619)** |

| | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| **Prologis' Share of FFO and Net Earnings (Loss) of the Unconsolidated Co-Investment Ventures (A)** | | For the Three Months Ended June 30, 2012 | | |
| Prologis' share of the co-investment ventures' FFO | $ 11,208 | $ 16,496 | $ 3,412 | $ 31,116 |
| Interest and preferred dividend income | 105 | - | 111 | 216 |
| FFO from unconsolidated co-investment ventures, net | 11,313 | 16,496 | 3,523 | 31,332 |
| Fees earned by Prologis | 16,081 | 9,325 | 5,088 | 30,494 |
| **Total FFO recognized by Prologis, net** | **$ 27,394** | **$ 25,821** | **$ 8,611** | **$ 61,826** |
| Prologis' share of the co-investment ventures' net earnings (loss) | $ (6,854) | $ 7,172 | $ 619 | $ 937 |
| Interest and preferred dividend income | 105 | - | 111 | 216 |
| Earnings from unconsolidated co-investment ventures, net | (6,749) | 7,172 | 730 | 1,153 |
| Fees earned by Prologis | 16,081 | 9,325 | 5,088 | 30,494 |
| **Total earnings recognized by Prologis, net** | **$ 9,332** | **$ 16,497** | **$ 5,818** | **$ 31,647** |

| | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| **Condensed Balance Sheet of the Unconsolidated Co-Investment Ventures, Aggregated (A)(B)** | | As of June 30, 2012 | | |
| Operating industrial properties, before depreciation | $ 9,590,094 | $ 6,052,462 | $ 1,922,350 | $ 17,564,906 |
| Accumulated depreciation | (927,286) | (396,528) | (64,642) | (1,388,456) |
| Properties under development and land | 147,983 | 19,749 | 32,301 | 200,033 |
| Other assets | 792,859 | 292,063 | 190,088 | 1,275,010 |
| **Total assets** | **$ 9,603,650** | **$ 5,967,746** | **$ 2,080,097** | **$ 17,651,493** |
| Third party debt | $ 3,954,280 | 2,113,985 | 1,034,419 | $ 7,102,684 |
| Other liabilities | 314,294 | 524,195 | 101,525 | 940,014 |
| **Total liabilities** | **$ 4,268,574** | **$ 2,638,180** | **$ 1,135,944** | **$ 8,042,698** |
| Weighted average ownership | **24.3%** | **30.4%** | **19.3%** | **25.7%** |

(A) Includes the unconsolidated co-investment ventures listed on the previous page.
(B) Represents the entire entity, not our proportionate share.

# Capitalization

## Debt and Equity Summary



*(dollars and shares in millions)*

| | Prologis | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Unsecured | | | | Secured | | Consolidated | Total | Unconsolidated | | Prologis | |
| **Maturity** | Senior Debt | Convertible Debt | Credit Facilities | Other Debt | Mortgage Debt | Total | Entities Debt | Consolidated Debt | Entities Debt | Total Debt | Share of Total Debt | Prologis Share (%) |
| 2012 | $0 | $0 | - | $1 | $12 | $13 | $54 | $67 | $313 | $380 | $127 | 33.4% |
| 2013 | 376 | 482 | - | 1 | 114 | 973 | 628 | 1,601 | 1,656 | 3,257 | 1,846 | 56.7% |
| 2014 | 374 | - | 280 | 631 | 666 | 1,951 | 1,035 | 2,986 | 817 | 3,803 | 3,175 | 83.5% |
| 2015 | 287 | 460 | 858 | 1 | 212 | 1,818 | 22 | 1,840 | 976 | 2,816 | 2,110 | 74.9% |
| 2016 | 640 | - | - | 1 | 316 | 957 | 123 | 1,080 | 1,250 | 2,330 | 1,279 | 54.9% |
| 2017 | 700 | - | - | 1 | 570 | 1,271 | 3 | 1,274 | 706 | 1,980 | 1,430 | 72.2% |
| 2018 | 900 | - | - | 1 | 325 | 1,226 | 73 | 1,299 | 265 | 1,564 | 1,305 | 83.4% |
| 2019 | 647 | - | - | 1 | 522 | 1,170 | - | 1,170 | 216 | 1,386 | 1,233 | 89.0% |
| 2020 | 687 | - | - | 1 | 9 | 697 | 1 | 698 | 402 | 1,100 | 796 | 72.4% |
| 2021 | - | - | - | - | 167 | 167 | 1 | 168 | 333 | 501 | 254 | 50.7% |
| Thereafter | - | 10 | - | 10 | 144 | 164 | 1 | 165 | 139 | 304 | 190 | 62.5% |
| **Subtotal** | **4,611** | **952** | **1,138** | **649** | **$3,057** | **10,407** | **1,941** | **12,348** | **7,073** | **19,421** | **13,745** | **70.8%** |
| Unamortized net (discounts) premiums | 74 | (74) | - | - | 58 | 58 | 28 | 86 | 30 | 116 | 91 | 78.7% |
| **Subtotal** | **4,685** | **878** | **1,138** | **649** | **3,115** | **10,465** | **1,969** | **12,434** | **7,103** | **19,537** | **$13,836** | **70.8%** |
| Third party share of debt | - | - | - | - | - | - | (396) | (396) | (5,305) | (5,701) | | |
| **Prologis share of debt** | **$4,685** | **$878** | **$1,138** | **$649** | **$3,115** | **$10,465** | **$1,573** | **$12,038** | **$1,798** | **$13,836** | | |
| **Prologis share of debt by local currency** | | | | | | | | | | | | |
| Dollars | $4,558 | $878 | $253 | $31 | $1,734 | $7,454 | $155 | $7,609 | $959 | | $8,568 | |
| Euro | - | - | 364 | 460 | - | 824 | 1,239 | 2,063 | 524 | | 2,587 | |
| GBP | - | - | 3 | - | - | 3 | 176 | 179 | 117 | | 296 | |
| Yen | 127 | - | 518 | 158 | 1,359 | 2,162 | - | 2,162 | 186 | | 2,348 | |
| Other | - | - | - | - | 22 | 22 | 3 | 25 | 12 | | 37 | |
| **Prologis share of debt** | **$4,685** | **$878** | **$1,138** | **$649** | **$3,115** | **$10,465** | **$1,573** | **$12,038** | **$1,798** | | **$13,836** | |
| Weighted average interest rate (A) | 5.7% | 4.6% | 1.7% | 2.1% | 3.8% | 4.4% | 4.5% | 4.4% | 4.6% | | 4.4% | |
| Weighted average remaining maturity in years | 5.1 | 1.9 | 2.6 | 2.0 | 4.8 | 4.3 | 2.0 | 3.9 | 3.6 | | 4.0 | |

**Market Equity**

| Security | Shares | Price | Value |
|---|---|---|---|
| Common Stock | 459.8 | $33.23 | $15,279 |
| Partnership Units | 3.2 | $33.23 | 106 |
| Total | 463.0 | | $15,385 |

**Preferred Stock**

| Series | Dividend Rate | Value |
|---|---|---|
| Series L | 6.5% | $49 |
| Series M | 6.8% | 58 |
| Series O | 7.0% | 75 |
| Series P | 6.9% | 50 |
| Series Q | 8.5% | 100 |
| Series R | 6.8% | 125 |
| Series S | 6.8% | 125 |
| | 7.1% | $582 |

**Liquidity**

| | |
|---|---|
| Aggregate lender commitments | $2,147 |
| Less: | |
| Borrowings outstanding | 1,138 |
| Outstanding letters of credit | 68 |
| Current availability | $941 |
| Unrestricted cash | 294 |
| Total liquidity | $1,235 |

(A) Interest rate is based on the effective rate (which includes the amortization of related premiums and discounts) and weighted based on borrowings outstanding.

*(dollars in thousands)*

**Covenants as of June 30, 2012 (A)**

| | Legacy AMB Indenture | | New Prologis Indenture | |
|---|---|---|---|---|
| | Covenant | Actual | Covenant | Actual |
| Outstanding indebtedness to adjusted total assets | <60% | 40.3% | <60% | 40.3% |
| Fixed charge coverage ratio | >1.5x | 3.14x | >1.5x | 3.16x |
| Maximum secured debt to adjusted total assets | <40% | 14.4% | <40% | 14.4% |
| Unencumbered assets ratio to unsecured debt | >150% | 269.3% | >150% | 269.3% |

| | Global Line | |
|---|---|---|
| | Covenant | Actual |
| Maximum consolidated leverage to total asset value | <60% | 43.0% |
| Fixed charge coverage ratio | >1.5x | 3.03x |
| Unencumbered debt service coverage ratio | >1.5x | 3.76x |
| Maximum secured debt to total asset value | <35% | 15.7% |
| Minimum net w orth | >$10.0 billion | $15.0 billion |

**Debt Metrics (A) (B) (C)**

| | 2012 | |
|---|---|---|
| | Second Quarter | First Quarter |
| Debt as % of gross real estate assets | 44.2% | 43.6% |
| Secured debt as % of gross real estate assets | 19.5% | 18.5% |
| Unencumbered gross real estate assets to unsecured debt | 227.5% | 228.5% |
| Fixed charge coverage ratio | 2.20x | 2.11x |
| Debt/Core EBITDA | 8.76x | 8.86x |

**Encumbrances as of June 30, 2012**

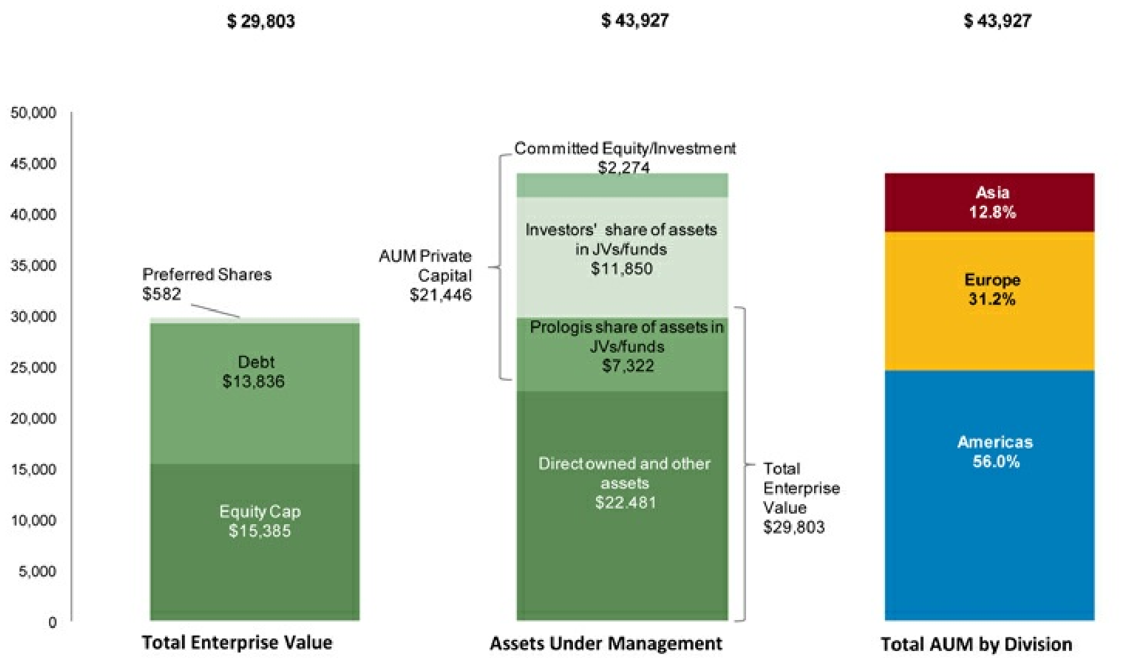
| | Unencumbered | Encumbered | Total |
|---|---|---|---|
| Consolidated: | | | |
| Operating properties | $ 14,216,468 | $ 9,225,926 | $ 23,442,394 |
| Development portfolio | 656,561 | - | 656,561 |
| Land | 1,847,494 | 33,568 | 1,881,062 |
| Other real estate investments | 442,280 | - | 442,280 |
| Notes receivable backed by real estate | - | 245,654 | 245,654 |
| Assets held for sale | 33,390 | 17,282 | 50,672 |
| Total consolidated | 17,196,193 | 9,522,430 | 26,718,623 |
| Unconsolidated operating properties - Prologis' share | 975,733 | 3,544,001 | 4,519,734 |
| Unconsolidated development portfolio and land - Prologis' share | 74,336 | 5,432 | 79,768 |
| **Gross real estate assets** | $ 18,246,262 | $ 13,071,863 | $ 31,318,125 |

**Secured and Unsecured Debt as of June 30, 2012**

| | Unsecured Debt | Secured Mortgage Debt | Total |
|---|---|---|---|
| Prologis debt | $ 7,349,393 | $ 3,057,182 | $ 10,406,575 |
| Consolidated entities debt | 581,864 | 1,359,608 | 1,941,472 |
| Our share of unconsolidated entities debt | 88,922 | 1,700,824 | 1,789,746 |
| Total debt - at par | 8,020,179 | 6,117,614 | 14,137,793 |
| Third party share of consolidated debt | (50,290) | (342,955) | (393,245) |
| Total Prologis share of debt - at par | 7,969,889 | 5,774,659 | 13,744,548 |
| Premium (discount) - consolidated | 20,553 | 64,985 | 85,538 |
| Third party share of premium (discount) | (148) | (2,451) | (2,599) |
| Our share of premium (discount) - unconsolidated | - | 8,035 | 8,035 |
| **Total debt, net of premium (discount)** | $ 7,990,294 | $ 5,845,228 | $ 13,835,522 |

(A) These calculations are made in accordance with the respective debt agreements, may be different than other covenants or metrics presented and are not calculated in accordance with the applicable SEC rules.
(B) All metrics include both consolidated and Prologis share of unconsolidated entities.
(C) See Notes and Definitions for calculation of amounts.

*(dollars in millions)*



*(in thousands, except for percentages and per square foot)*

### Real Estate Operations

| | Square Feet | Gross Book Value | GBV per Sq. Ft. | Second Quarter Stabilized Cash NOI (Actual) | Second Quarter Stabilized Cash NOI (Pro Forma) | Annualized Stabilized Cash NOI | Percent Occupied |
|---|---|---|---|---|---|---|---|
| **CONSOLIDATED OPERATING PORTFOLIO** | | | | | | | |
| Properties generating net operating income | | | | | | | |
| Americas | 226,046 | $ 14,476,092 | $ 64 | $ 222,804 | $ 222,804 | $ 891,216 | 95.6% |
| Europe | 68,988 | 5,002,429 | 73 | 90,807 | 90,807 | 363,228 | 93.6% |
| Asia | 15,984 | 2,908,801 | 182 | 42,070 | 42,070 | 168,280 | 97.6% |
| Pro forma adjustment for mid-quarter acquisitions/development completions | | | | | 483 | 1,932 | |
| Sub-total | 311,018 | 22,387,322 | 72 | 355,681 | 356,164 | 1,424,656 | 95.3% |
| Properties generating net operating loss | | | | | | | |
| Americas | 11,639 | 670,632 | 58 | (3,676) | | | 31.2% |
| Europe | 4,587 | 330,890 | 72 | (1,053) | | | 31.3% |
| Sub-total | 16,226 | 1,001,522 | 62 | (4,729) | | | 31.2% |
| **Total consolidated portfolio** | **327,244** | **$ 23,388,844** | **$ 71** | **$ 350,952** | **$ 356,164** | **$ 1,424,656** | **92.1%** |
| **UNCONSOLIDATED OPERATING PORTFOLIO (Prologis Share)** | | | | | | | |
| **Prologis interest in unconsolidated operating portfolio** | | | | | | | |
| Americas | 31,849 | $ 2,297,127 | $ 72 | $ 33,236 | $ 33,236 | $ 132,944 | 92.0% |
| Europe | 19,960 | 1,844,997 | 92 | 27,770 | 27,770 | 111,080 | 94.7% |
| Asia | 2,015 | 373,182 | 185 | 5,386 | 5,386 | 21,544 | 95.9% |
| Pro forma adjustment for mid-quarter acquisitions/development completions | | | | | 294 | 1,176 | |
| **Prologis share of unconsolidated operating portfolio** | **53,824** | **$ 4,515,306** | **$ 84** | **$ 66,392** | **$ 66,686** | **$ 266,744** | **93.1%** |
| **Total operating portfolio** | **381,068** | **$ 27,904,150** | **$ 73** | **$ 417,344** | **$ 422,850** | **$ 1,691,400** | **92.2%** |

### Development

| | Square Feet | Investment Balance | TEI | TEI per Sq Ft. | Annualized Pro Forma NOI | Percent Occupied |
|---|---|---|---|---|---|---|
| **CONSOLIDATED** | | | | | | |
| **Prestabilized** | | | | | | |
| Americas | 1,720 | $ 105,101 | $ 124,716 | $ 73 | $ 9,444 | 39.2% |
| Europe | 826 | 60,362 | 66,658 | 81 | 5,181 | 13.4% |
| Asia | 1,143 | 140,521 | 153,777 | 135 | 11,418 | 10.5% |
| | | | | | | 24.5% |
| **Properties under development** | | | | | | |
| Americas | 3,218 | 36,293 | 146,138 | 45 | 11,046 | |
| Europe | 1,025 | 27,536 | 57,450 | 56 | 5,178 | |
| Asia | 2,644 | 286,748 | 481,593 | 182 | 33,105 | |
| **Total consolidated portfolio** | **10,576** | **$ 656,561** | **$ 1,030,332** | **$ 97** | **$ 75,372** | |
| **UNCONSOLIDATED (Prologis Share)** | | | | | | |
| **Prologis interest in unconsolidated development portfolio** | | | | | | |
| Americas | 709 | $ 28,059 | $ 60,949 | $ 86 | 7,274 | |
| Europe | 100 | 6,664 | 9,811 | 98 | 565 | |
| Asia | 162 | 2,873 | 8,716 | 54 | 746 | |
| **Prologis share of unconsolidated development portfolio** | **971** | **$ 37,596** | **$ 79,476** | **$ 82** | **$ 8,585** | |
| **Total development portfolio** | **11,547** | **$ 694,157** | **$ 1,109,808** | **$ 96** | **$ 83,957** | |
| **Development Platform (see development pages)** | | | | | | |

# Net Asset Value

## Components - Continued

*(in thousands)*

**Balance Sheet and Other Items**

| | | As of June 30, 2012 |
|---|---|---|
| CONSOLIDATED | | |
| **Other assets** | | |
| Cash and cash equivalents | $ | 293,631 |
| Restricted cash | | 151,184 |
| Deposits, prepaid assets and other tangible assets | | 529,287 |
| Other real estate investments | | 442,280 |
| Prologis' share of value added operating properties | | 57,978 |
| Accounts receivable | | 168,008 |
| Notes receivable backed by real estate | | 245,654 |
| Prologis receivable from unconsolidated co-investment ventures | | 24,837 |
| Investments in and advances to other unconsolidated entities | | 276,329 |
| Assets held for sale, net of liabilities | | 31,759 |
| **Total other assets** | $ | **2,220,947** |
| **Other liabilities** | | |
| Accounts payable and other current liabilities | | 600,019 |
| Deferred income taxes | | 560,470 |
| Value added tax and other tax liabilities | | 65,248 |
| Tenant security deposits | | 174,100 |
| Other liabilities | | 393,661 |
| Noncontrolling interests | | 702,596 |
| **Total liabilities and noncontrolling interests** | $ | **2,496,094** |
| UNCONSOLIDATED | | |
| Prologis share of net assets (liabilities) | $ | **(8,892)** |

**Land**

| | | Investment Balance |
|---|---|---|
| Our share of original land basis | $ | 3,003,433 |
| Current book value of land | $ | 1,881,062 |
| Prologis share of book value of land in unconsolidated entities | | 42,172 |
| **Total** | $ | **1,923,234** |

**Private Capital / Development Management**

| | | Second Quarter | | Annualized |
|---|---|---|---|---|
| **Private capital** | | | | |
| Private capital revenue | $ | 30,993 | $ | 123,972 |
| Private capital expenses | | (15,075) | | (60,300) |
| **Profit margin** | $ | **15,918** | $ | **63,672** |
| **Development management income** | $ | **1,729** | $ | **6,916** |

**Debt and Preferred Stock**

| | | As of June 30, 2012 |
|---|---|---|
| Prologis debt - at par | $ | 10,406,575 |
| Consolidated investee debt - at par | | 1,941,472 |
| Prologis share of unconsolidated debt - at par | | 1,789,746 |
| Subtotal debt - at par | | 14,137,793 |
| Preferred stock | | 582,200 |
| Total debt and preferred stock | $ | **14,719,993** |
| Outstanding shares of common stock | | 459,820 |

# Notes and Definitions



Please refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q and other public reports for further information about us and our business. Certain amounts from previous periods presented in the Supplemental Information have been reclassified to conform to the current presentation.

Our real estate operations segment represents the direct, long-term ownership of industrial properties. Our investment strategy in this segment focuses primarily on the ownership and leasing of industrial properties in global and regional markets. Our intent is to hold and use these properties; however, depending on market and other conditions, we may contribute or sell these properties to co-investment ventures or sell to third parties. When we contribute to an unconsolidated co-investment venture or sell properties we have developed, we recognize FFO to the extent the proceeds received exceed our original investment (i.e. prior to depreciation) and present the results as *Gains (Losses) on Acquisition and Dispositions of Investments in Real Estate, Net*. We have industrial properties that are currently under development and land available for development that are part of this segment as well. We may develop the land or sell to third parties, depending on market conditions, customer demand and other factors. The private capital segment represents the long-term management of unconsolidated co-investment ventures and other joint ventures.

In June 2011, AMB Property Corporation ("AMB") and ProLogis combined through a merger of equals (the "Merger"). As a result of the Merger, each outstanding ProLogis common share was converted into 0.4464 shares of AMB common stock. At the time of the Merger, AMB changed its name to Prologis, Inc. After consideration of all applicable factors pursuant to the business combination accounting rules, the Merger resulted in a reverse acquisition in which AMB was considered the "legal acquirer" and ProLogis was considered the "accounting acquirer". As such, the historical results of AMB have not been included in the 2011 results.

During the second quarter of 2011, we increased our ownership of ProLogis European Properties ("PEPR"), through open market purchases and a mandatory tender offer. Pursuant to the tender offer and open-market purchases made during the tender period, we acquired additional ordinary units and convertible preferred units of PEPR that were funded through borrowings under our existing credit facilities and a new €500 million bridge facility, which was subsequently repaid with proceeds received from our June 2011 equity offering. After completion of the tender offer, we began consolidating PEPR.

During the first quarter of 2012, we acquired our partner's 63% interest in and now own 100% of Prologis North American Industrial Fund II. We also acquired our share of the assets and liabilities in Prologis California. These two transactions increased our real estate by $2.1 billion and debt by $1.0 billion.

**Acquisition cost** represents economic cost and not necessarily what is capitalized. It includes the initial purchase price; the effects of marking assumed debt to market; if applicable, all due diligence and closing costs; lease intangibles; and estimated acquisition capital expenditures including leasing costs to achieve stabilization.

**Assets Held For Sale and Discontinued Operations.** As of June 30, 2012, we had land and five operating properties that met the criteria to be presented as held for sale. The amounts included in *Assets Held for Sale* include real estate investment balances and the related assets and liabilities for each property.

During the six months ended June 30, 2012, we disposed of 95 properties aggregating 11.9 million square feet to third parties. During all of 2011, we disposed of land subject to ground leases and 94 properties aggregating 10.7 million square feet to third parties.

The operations of the properties held for sale and properties that were disposed of to third parties during a period, including the aggregate net gains or losses recognized upon their disposition, are presented as discontinued operations in our Consolidated Statements of Operations for all periods presented. The income attributable to these properties was as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Rental income | $ 4,784 | $ 18,613 | $ 19,790 | $ 39,345 |
| Rental expenses | (2,484) | (3,929) | (5,855) | (10,418) |
| Depreciation and amortization | (1,008) | (5,157) | (4,962) | (9,366) |
| Interest expense | (95) | (143) | (160) | (178) |
| **Income attributable to disposed properties and assets held for sale** | $ 1,197 | $ 9,384 | $ 8,813 | $ 19,383 |

We include the gains or losses from disposition and impairment charges of land parcels and development properties in the calculation of FFO, including those classified as discontinued operations.

**Assets Under Management ("AUM")** represents the estimated value of the real estate we own or manage through our consolidated entities and unconsolidated entities. We calculate AUM by adding the noncontrolling interests' share of the estimated fair value of the real estate investment to our share of total market capitalization.

**Calculation of Per Share Amounts** is as follows *(in thousands, except per share amounts)*:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012(a) | 2011 (a) | 2012 | 2011(a) |
| **Net earnings (loss)** | | | | |
| Net earnings (loss) | $ (8,120) | $ (151,471) | $ 194,293 | $ (198,087) |
| Noncontrolling interest attributable to convertible limited partnership units | - | - | 1,069 | - |
| **Adjusted net earnings (loss) - Diluted** | **$ (8,120)** | **$ (151,471)** | **$ 195,362** | **$ (198,087)** |
| Weighted average common shares outstanding - Basic | 459,878 | 307,756 | 459,549 | 281,384 |
| Incremental weighted average effect on conversion of limited partnership units | - | - | 3,299 | - |
| Incremental weighted average effect of stock awards | - | - | 1,848 | - |
| **Weighted average common shares outstanding - Diluted** | **459,878** | **307,756** | **464,696** | **281,384** |
| **Net earnings (loss) per share - Basic** | **$ (0.02)** | **$ (0.49)** | **$ 0.42** | **$ (0.70)** |
| **Net earnings (loss) per share - Diluted** | **$ (0.02)** | **$ (0.49)** | **$ 0.42** | **$ (0.70)** |
| **FFO, as defined by Prologis** | | | | |
| FFO, as defined by Prologis | $ 172,671 | $ 8,195 | $ 434,743 | $ 70,341 |
| Noncontrolling interest attributable to convertible limited partnership units | 66 | - | 1,069 | 136 |
| Interest expense on exchangeable debt assumed converted | 4,057 | - | 8,273 | - |
| **FFO - Diluted, as defined by Prologis** | **$ 176,794** | **$ 8,195** | **$ 444,085** | **$ 70,477** |
| Weighted average common shares outstanding - Basic | 459,878 | 307,756 | 459,549 | 281,384 |
| Incremental weighted average effect of conversion of limited partnership units | 3,250 | - | 3,299 | 807 |
| Incremental weighted average effect of stock awards | 1,838 | 750 | 1,848 | 709 |
| Incremental weighted average effect of exchange of certain exchangeable debt | 11,879 | - | 11,879 | - |
| **Weighted average common shares outstanding - Diluted** | **476,845** | **308,506** | **476,575** | **282,900** |
| **FFO per share - Diluted, as defined by Prologis** | **$ 0.37** | **$ 0.03** | **$ 0.93** | **$ 0.25** |
| **Core FFO** | | | | |
| Core FFO | $ 201,320 | $ 109,662 | $ 386,085 | $ 184,069 |
| Noncontrolling interest attributable to convertible limited partnership units | 66 | 68 | 1,069 | 136 |
| Interest expense on exchange debt assumed converted | 4,057 | - | 8,273 | - |
| **Core FFO - Diluted** | **$ 205,443** | **$ 109,730** | **$ 395,427** | **$ 184,205** |
| Weighted average common shares outstanding - Basic | 459,878 | 307,756 | 459,549 | 281,384 |
| Incremental weighted average effect of conversion of limited partnership units | 3,250 | 1,269 | 3,299 | 807 |
| Incremental weighted average effect of stock awards | 1,838 | 750 | 1,848 | 709 |
| Incremental weighted average effect of exchange of certain exchangeable debt | 11,879 | - | 11,879 | - |
| **Weighted average common shares outstanding - Diluted** | **476,845** | **309,775** | **476,575** | **282,900** |
| **Core FFO per share - Diluted** | **$ 0.43** | **$ 0.35** | **$ 0.83** | **$ 0.65** |

(a) *In periods with a net loss, the inclusion of any incremental shares is anti-dilutive, and therefore, both basic and diluted shares are the same.*

**Core EBITDA.** We use Core EBITDA to measure both our operating performance and liquidity. We calculate Core EBITDA beginning with consolidated net earnings (loss) and removing the affect of interest, income taxes, depreciation and amortization, impairment charges, gains or losses from the acquisition or disposition of investments in real estate, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our Core FFO (see definition below), and other non-cash charges or gains (such as stock based compensation amortization and unrealized gains or losses on foreign currency and derivative activity), including our share of these items from unconsolidated entities.

We consider Core EBITDA to provide investors relevant and useful information because it permits investors to view income from operations on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense and other items (including stock-based compensation amortization and certain unrealized gains and losses), gains or losses from the acquisition or disposition of investments in real estate, items that affect comparability, and other significant non-cash items. We also adjusted Core EBITDA to include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire in a significant transaction, such as the Merger, PEPR acquisition, acquisition of our share of the assets from Prologis California and the acquisition of Prologis North American Industrial Fund II. In addition, we excluded Merger, Acquisition and Other Integration Expenses and costs associated with the natural disaster that occurred in first quarter 2011 in Japan. By excluding interest expense EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for a more meaningful comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. Gains and losses on the early extinguishment of debt generally included the costs of repurchasing debt securities. Although difficult to predict, these items may be recurring given the uncertainty of the current economic climate and its adverse effects on the real estate and financial markets. While not infrequent or unusual in nature, these items result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

As a liquidity measure, we believe that Core EBITDA helps investors to analyze our ability to meet interest payment obligations and to make quarterly preferred share dividends. We believe that investors should consider Core EBITDA in conjunction with net earnings (the primary measure of our performance) and the other required Generally Accepted Accounting Principles ("GAAP") measures of our performance and liquidity, to improve their understanding of our operating results and liquidity, and to make more meaningful comparisons of our performance against other companies. By using Core EBITDA an investor is assessing the earnings generated by our operations, but not taking into account the eliminated expenses or gains incurred in connection with such operations. As a result, Core EBITDA has limitations as an analytical tool and should be used in conjunction with our required GAAP presentations. Core EBITDA does not reflect our historical cash expenditures or future cash requirements for working capital, capital expenditures distribution requirements or contractual commitments. Core EBITDA, also does not reflect the cash required to make interest and principal payments on our outstanding debt.

While EBITDA is a relevant and widely used measure of operating performance and liquidity, it does not represent net income or cash flow from operations as defined by GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, our computation of Core EBITDA may not be comparable to EBITDA reported by other companies. We compensate for the limitations of Core EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Core EBITDA and a reconciliation of Core EBITDA to consolidated net earnings (loss), a GAAP measurement.

**Debt Metrics.** See below for the detailed calculations for the three months ended for the respective period (*dollars in thousands*):

| | Three Months Ended June 30 2012 | Three Months Ended Mar. 31 2012 |
|---|---|---|
| *Debt as a % of gross real estate assets:* | | |
| Total debt - at par | $ 14,137,793 | $ 14,128,299 |
| Less: cash and cash equivalents | (293,631) | (343,736) |
| Total debt, net of cash | **$ 13,844,162** | **$ 13,784,563** |
| Gross real estate assets | **$ 31,318,125** | **$ 31,608,444** |
| **Debt as a % of gross real estate assets** | **44.2%** | **43.6%** |
| *Secured debt as a % of gross real estate assets:* | | |
| Secured debt - at par | $ 6,117,614 | $ 5,839,392 |
| Gross real estate assets | $ 31,318,125 | $ 31,608,444 |
| **Secured debt as a % of gross real estate assets** | **19.5%** | **18.5%** |
| *Unencumbered gross real estate assets to unsecured debt:* | | |
| Unencumbered gross real estate assets | $ 18,246,262 | $ 18,942,823 |
| Unsecured debt - at par | $ 8,020,179 | $ 8,288,907 |
| **Unencumbered gross real estate assets to unsecured debt** | **227.5%** | **228.5%** |
| *Fixed Charge Coverage ratio:* | | |
| Core EBITDA | **$ 395,147** | **$ 388,869** |
| Interest expense | $ 128,042 | $ 133,447 |
| Amortization and write-off of deferred loan costs | (4,175) | (4,956) |
| Amortization of debt premium (discount), net | 9,753 | 6,737 |
| Capitalized interest | 12,946 | 13,619 |
| Preferred stock dividends | 10,049 | 10,567 |
| Our share of fixed charges from unconsolidated entities | 22,744 | 24,474 |
| Total fixed charges | **$ 179,359** | **$ 183,888** |
| **Fixed charge coverage ratio** | **2.20x** | **2.11x** |
| *Debt to Core EBITDA:* | | |
| Total debt, net of cash | $ 13,844,162 | $ 13,784,563 |
| Core EBITDA-annualized | $ 1,580,588 | $ 1,555,476 |
| **Debt to Core EBITDA ratio** | **8.76x** | **8.86x** |

**Committed Equity/Investment** is our estimate of the gross real estate, which could be acquired through the use of the equity commitments from our property fund or co-investment venture partners, plus our funding obligations and estimated debt capitalization.

**FFO, as defined by Prologis; Core FFO; AFFO (collectively referred to as "FFO").** FFO is a non-GAAP measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings. Although the National Association of Real Estate Investment Trusts ("NAREIT") has published a definition of FFO, modifications to the NAREIT calculation of FFO are common among REITs, as companies seek to provide financial measures that meaningfully reflect their business.

FFO is not meant to represent a comprehensive system of financial reporting and does not present, nor do we intend it to present, a complete picture of our financial condition and operating performance. We believe net earnings computed under GAAP remains the primary measure of performance and that FFO is only meaningful when it is used in conjunction with net earnings computed under GAAP. Further, we believe our consolidated financial statements, prepared in accordance with GAAP, provide the most meaningful picture of our financial condition and our operating performance.

NAREIT's FFO measure adjusts net earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales, along with impairment charges, of previously depreciated properties. We agree that these NAREIT adjustments are useful to investors for the following reasons:

(i) historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on FFO "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." Consequently, NAREIT's definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by GAAP do not reflect the underlying economic realities.

(ii) REITs were created as a legal form of organization in order to encourage public ownership of real estate as an asset class through investment in firms that were in the business of long-term ownership and management of real estate. The exclusion, in NAREIT's definition of FFO, of gains and losses from the sales, along with impairment charges, of previously depreciated operating real estate assets allows investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists in comparing those operating results between periods. We include the gains and losses from dispositions and impairment charges of land and development properties, as well as our proportionate share of the gains and losses from dispositions and impairment charges recognized by our unconsolidated entities, in our definition of FFO.

*Our FFO Measures*

At the same time that NAREIT created and defined its FFO measure for the REIT industry, it also recognized that "management of each of its member companies has the responsibility and authority to publish financial information that it regards as useful to the financial community." We believe stockholders, potential investors and financial analysts who review our operating results are best served by a defined FFO measure that includes other adjustments to net earnings computed under GAAP in addition to those included in the NAREIT defined measure of FFO. Our FFO measures are used by management in analyzing our business and the performance of our properties and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses.

We use these FFO measures, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison to expected results and results of previous periods, relative to resource allocation decisions; (ii) evaluate the performance of our management; (iii) budget and forecast future results to assist in the allocation of resources; (iv) assess our performance as compared to similar real estate companies and the industry in general; and (v) evaluate how a specific potential investment will impact our future results. Because we make decisions with regard to our performance with a long-term outlook, we believe it is appropriate to remove the effects of short-term items that we do not expect to affect the underlying long-term performance of the properties. The long-term performance of our properties is principally driven by rental income. While not infrequent or unusual, these additional items we exclude in calculating *FFO, as defined by Prologis*, are subject to significant fluctuations from period to period that cause both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We use our FFO measures as supplemental financial measures of operating performance. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

*FFO, as defined by Prologis*

To arrive at *FFO, as defined by Prologis*, we adjust the NAREIT defined FFO measure to exclude:
(i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
(ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in GAAP earnings that is excluded from our defined FFO measure;
(iii) foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;
(iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of certain third party debt of our foreign consolidated subsidiaries and our foreign unconsolidated entities; and
(v) mark-to-market adjustments associated with derivative financial instruments.

We calculate *FFO, as defined by Prologis* for our unconsolidated entities on the same basis as we calculate our *FFO, as defined by Prologis*.

We believe investors are best served if the information that is made available to them allows them to align their analysis and evaluation of our operating results along the same lines that our management uses in planning and executing our business strategy.

*Core FFO*

In addition to *FFO, as defined by Prologis*, we also use Core FFO. To arrive at *Core FFO*, we adjust *FFO, as defined by Prologis*, to exclude the following recurring and non-recurring items that we recognized directly or our share recognized by our unconsolidated entities to the extent they are included in *FFO, as defined by Prologis*:

(i) gains or losses from acquisition, contribution or sale of land or development properties;
(ii) income tax expense related to the sale of investments in real estate;
(iii) impairment charges recognized related to our investments in real estate (either directly or through our investments in unconsolidated entities) generally as a result of our change in intent to contribute or sell these properties;
(iv) impairment charges of goodwill and other assets;
(v) gains or losses from the early extinguishment of debt;
(vi) merger, acquisition and other integration expenses; and
(vii) expenses related to natural disasters

We believe it is appropriate to further adjust our *FFO, as defined by Prologis* for certain recurring items as they were driven by transactional activity and factors relating to the financial and real estate markets, rather than factors specific to the on-going operating performance of our properties or investments. The impairment charges we recognized were primarily based on valuations of real estate, which had declined due to market conditions, that we no longer expected to hold for long-term investment. We currently have and have had over the past several years a stated priority to strengthen our financial position. We expect to accomplish this by reducing our debt, our investment in certain low yielding assets, such as land that we decide not to develop and our exposure to foreign currency exchange fluctuations. As a result, we have sold to third parties or contributed to unconsolidated entities real estate properties that, depending on market conditions, might result in a gain or loss. The impairment charges related to goodwill and other assets that we have recognized were similarly caused by the decline in the real estate markets. Also in connection with our stated priority to reduce debt and extend debt maturities, we have purchased portions of our debt securities. As a result, we recognized net gains or losses on the early extinguishment of certain debt due to the financial market conditions at that time.

We have also adjusted for some non-recurring items. The merger, acquisition and other integration expenses include costs we incurred in 2011 and that we expect to incur in 2012 associated with the Merger and PEPR Acquisition and the integration of our systems and processes. We have not adjusted for the acquisition costs that we have incurred as a result of routine acquisitions but only the costs associated with significant business combinations that we would expect to be infrequent in nature. Similarly, the expenses related to the natural disaster in Japan that we recognized in 2011 are a rare occurrence but we may incur similar expenses again in the future.

We analyze our operating performance primarily by the rental income of our real estate and the revenue driven by our private capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities. As a result, although these items have had a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long-term.

We use *Core FFO*, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison to expected results and results of previous periods, relative to resource allocation decisions; (ii) evaluate the performance of our management; (iii) budget and forecast future results to assist in the allocation of resources; (iv) provide guidance to the financial markets to understand our expected operating performance; (v) assess our operating performance as compared to similar real estate companies and the industry in general; and (vi) evaluate how a specific potential investment will impact our future results. Because we make decisions with regard to our performance with a long-term outlook, we believe it is appropriate to remove the effects of items that we do not expect to affect the underlying long-term performance of the properties we own. As noted above, we believe the long-term performance of our properties is principally driven by rental income. We believe investors are best served if the information that is made available to them allows them to align their analysis and evaluation of our operating results along the same lines that our management uses in planning and executing our business strategy.

*AFFO*

To arrive at AFFO, we adjust Core FFO to further exclude; (i) straight-line rents; (ii) amortization of above- and below-market lease intangibles; (iii) recurring capital expenditures; (iv) amortization of management contracts; (v) amortization of debt premiums and discounts, net of amounts capitalized, and; (vi) stock compensation expense.

We believe AFFO provides a meaningful indicator of our ability to fund cash needs, including cash distributions to our stockholders.

*Limitations on Use of our FFO Measures*

While we believe our defined FFO measures are important supplemental measures, neither NAREIT's nor our measures of FFO should be used alone because they exclude significant economic components of net earnings computed under GAAP and are, therefore, limited as an analytical tool. Accordingly, they are two of many measures we use when analyzing our business. Some of these limitations are:

- The current income tax expenses that are excluded from our defined FFO measures represent the taxes that are payable.
- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that may be necessary for future replacements of the real estate assets. Further, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of industrial properties are not reflected in FFO.

- Gains or losses from property acquisitions and dispositions or impairment charges related to expected dispositions represent changes in the value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of acquired or disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our defined FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our defined FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our defined FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.
- The impairment charges of goodwill and other assets that we exclude from Core FFO, have been or may be realized as a loss in the future upon the ultimate disposition of the related investments or other assets through the form of lower cash proceeds.
- The gains and losses on extinguishment of debt that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our debt at less or more than our future obligation.
- The Merger, acquisition and other integration expenses and the natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. To assist investors in compensating for these limitations, we reconcile our defined FFO measures to our net earnings computed under GAAP. This information should be read with our complete financial statements prepared under GAAP.

**Fixed Charge Coverage** is defined as Core EBITDA divided by total fixed charges. Fixed charges consist of net interest expense adjusted for amortization of finance costs and debt discount (premium), capitalized interest, and preferred stock dividends. Prologis uses fixed charge coverage to measure its liquidity. Prologis believes that the fixed charge coverage is relevant and useful to investors because it allows fixed income investors to measure Prologis' ability to meet its interest payments on outstanding debt, make distributions to its preferred unitholders and pay dividends to its preferred stockholders. Prologis' computation of fixed charge coverage is not calculated in accordance with applicable SEC rules and may not be comparable to fixed charge coverage reported by other companies.

**General and Administrative Expenses ("G&A")** consisted of the following (*in thousands*):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Gross G&A expense | $ 90,667 | $ 82,060 | $ 192,481 | $ 148,604 |
| Reported as rental expense | (8,850) | (5,154) | (17,008) | (10,065) |
| Reported as private capital expenses | (15,075) | (11,596) | (31,956) | (22,148) |
| Capitalized amounts | (15,327) | (13,470) | (31,943) | (25,368) |
| **Net G&A** | **$ 51,415** | **$ 51,840** | **$ 111,574** | **$ 91,023** |

**Global Markets** comprise the largest, most liquid markets benefiting from demand tied to global trade. These markets are defined by large population centers with high consumption per capita and typically feature major seaports, airports, and other transportation infrastructure tied to global trade. While initial returns might be lower, global markets tend to outperform overall markets in terms of growth and total return.

**Interest Expense** consisted of the following (*in thousands*):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Gross interest expense | $ 146,470 | $ 112,558 | $ 295,251 | $ 201,581 |
| Amortization of discount (premium), net | (9,753) | 5,069 | (16,489) | 12,908 |
| Amortization of deferred loan costs | 4,175 | 7,765 | 9,131 | 12,761 |
| Interest expense before capitalization | 140,892 | 125,392 | 287,893 | 227,250 |
| Capitalized amounts | (12,946) | (12,476) | (26,565) | (23,807) |
| **Net interest expense** | **$ 127,946** | **$ 112,916** | **$ 261,328** | **$ 203,443** |

**Market Equity** is defined as the total number of outstanding shares of our common stock and common limited partnership units multiplied by the closing price per share of our common stock at period end.

**Merger, Acquisition and Other Integration Expenses.** In connection with the Merger, we have incurred significant transaction, integration, and transitional costs. These costs include investment banker advisory fees; legal, tax, accounting and valuation fees; termination and severance costs (both cash and stock based compensation awards) for terminated and transitional employees; system conversion; and other integration costs. Certain of these costs were obligations of AMB and were expensed prior to the closing of the Merger by AMB. The remainder of the costs are being expensed by us as incurred, which in some cases will be through the end of 2012. In addition, we have included costs associated with the acquisition of a controlling interest in PEPR and reduction in workforce charges associated with dispositions made in 2011. The following is a breakdown of the costs incurred:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Termination, severance and transitional employee costs | $ 11,852 | $ 30,530 | $ 19,537 | $ 34,337 |
| Professional fees | 6,738 | 39,308 | 8,954 | 41,489 |
| Office closure, travel and other costs | 2,596 | 22,345 | 3,423 | 22,345 |
| Write-off of deferred loan costs | - | 10,869 | - | 10,869 |
| **Total** | **$ 21,186** | **$ 103,052** | **$ 31,914** | **$ 109,040** |

**Net Asset Value ("NAV").** We consider NAV to be a useful supplemental measure of our operating performance because it enables both management and investors to estimate the fair value of our business. The assessment of the fair value of a particular segment of our business is subjective in that it involves estimates and can be calculated using various methods. Therefore, in this supplemental report, we have presented the financial results and investments related to our business segments that we believe are important in calculating our NAV but have not presented any specific methodology nor provided any guidance on the assumptions or estimates that should be used in the calculation.

The components of NAV do not consider the potential changes in rental and fee income streams or the franchise value associated with our global operating platform, private capital platform, or development platform.

**Net Gains on Acquisitions and Dispositions of Investments in Real Estate** includes the gains we recognized from the acquisition of our share of the real estate properties in one of our unconsolidated co-investment ventures, Prologis California in the first quarter of 2012.

**Net Operating Income ("NOI")** represents rental income less rental expenses.

# Notes and Definitions



**Operating Portfolio** includes stabilized operating industrial properties we own or that we manage and are owned by an unconsolidated investee accounted for by the equity method of accounting.

**Operating Segments – Real Estate Operations** represents the direct long-term ownership of industrial properties, including land and the development of properties.

**Operating Segments – Private Capital** represents the management of unconsolidated co-investment ventures and other joint ventures and the properties they own.

**Pre-stabilized Development** represents properties that are complete but have not yet reached Stabilization.

**Pro forma NOI** reflects the NOI for a full quarter of operating properties that were acquired, contributed or stabilized during the quarter. Pro forma NOI for the properties in our development portfolio is based on current total expected investment and an estimated stabilized yield.

A reconciliation of our rental income and rental expenses, computed under GAAP, to adjusted net operating income (NOI) for the operating portfolio for purposes of the Net Asset Value calculation is as follows:

*(in thousands)*

| **Reconciliation of NOI** | |
|---|---|
| Rental income | $ 488,026 |
| Rental expenses | (132,031) |
| NOI | 355,995 |
| Net termination fees and adjustments (a) | (1,097) |
| Less: Actual NOI for development portfolio and other | (8,597) |
| Less: NOI on contributed properties (b) | (117) |
| **Adjusted NOI for operating portfolio owned at June 30, 2012** | 346,184 |
| Straight-lined rents and amortization of lease intangibles (c) | 4,768 |
| **Stabilized cash NOI for operating portfolio owned at June 30, 2012** | $ 350,952 |

(a) *Net termination fees generally represent the gross fee negotiated at the time a customer is allowed to terminate its lease agreement offset by that customer's rent leveling asset or liability, if any, that has been previously recognized under GAAP. Removing the net termination fees from rental income allows for the calculation of pro forma NOI to include only rental income that is indicative of the property's recurring operating performance.*

(b) *The actual NOI for properties that were contributed and not part of discontinued operations during the three-month period is removed.*

(c) *Straight-lined rents, net of free rent amounts, and amortization of above and below market leases are removed from rental income computed under GAAP to allow for the calculation of a cash yield.*

**Regional Markets**, similar to global markets, also benefit from large-population centers and demand. They are located at key crossroads in the supply chain and/or near economic centers for leading national or global industries. Our assets reflect the highest quality class-A product in that market and are often less supply- constrained and focus on delivering bulk goods to customers.

**Rental Income** includes the following (*in thousands*):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** |
| Rental income | $ 381,560 | $ 215,472 | $ 743,620 | $ 356,430 |
| Amortization of lease intangibles | (11,040) | (1,902) | (20,450) | (2,099) |
| Rental expense recoveries | 100,937 | 56,303 | 192,566 | 99,011 |
| Straight-lined rents | 16,569 | 9,143 | 34,784 | 20,314 |
| **Total** | **$ 488,026** | **$ 279,016** | **$ 950,520** | **$ 473,656** |

**Same Store.** We evaluate the operating performance of the industrial operating properties we own and manage using a "same store" analysis because the population of properties in this analysis is consistent from period to period, thereby eliminating the effects of changes in the composition of the portfolio on performance measures. We include all consolidated properties, and properties owned by property funds and joint ventures that are managed by us and in which we have an equity interest (referred to as "unconsolidated entities"), in our same store analysis. We have defined the same store portfolio, for the quarter ended June 30, 2012, as those operating properties in operation at January 1, 2011 that were in operation throughout the full periods in both 2011 and 2012 either by Prologis or AMB or their unconsolidated entities. We have removed all properties that were disposed of to a third party from the population for both periods. We believe the factors that impact rental income, rental expenses and net operating income in the same store portfolio are generally the same as for the total operating portfolio. In order to derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the current exchange rate to translate from local currency into U.S. dollars, for both periods, to derive the same store results.

**Same Store Average Occupancy** represents the average occupied percentage for the period.

**Same Store Rental Expense** represents gross property operating expenses. In computing the percentage change in rental expenses for the same store analysis, rental expenses include property management expenses for our direct owned properties based on the property management fee that has been computed as provided in the individual agreements under which our wholly owned management companies provide property management services to each property (generally, the fee is based on a percentage of revenues).

**Same Store Change in Rental Rate** represents the change in effective rental rates (average rate over the lease term) on new leases signed during the period as compared with the previous effective rental rates in that same space.

**Same Store Rental Income** includes the amount of rental expenses that are recovered from customers under the terms of their respective lease agreements. In computing the percentage change in rental income for the same store analysis, rental income (as computed under GAAP) is adjusted to remove the net termination fees recognized for each period. Removing the net termination fees for the same store calculation allows us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance.

**Stabilization** is defined when a property that was developed has been completed for one year or is 90% occupied. Upon stabilization, a property is moved into our operating portfolio.

**Tenant Retention** is the square footage of all leases rented by existing tenants divided by the square footage of all expiring and rented leases during the reporting period, excluding the square footage of tenants that default or buy-out prior to expiration of their lease, short-term tenants and the square footage of month-to-month leases.

# Notes and Definitions



**Total Estimated Investment ("TEI")** represents total estimated cost of development or expansion, including land, development and leasing costs. TEI is based on current projections and is subject to change. Non-U.S. Dollar investments are translated to U.S. Dollars using the exchange rate at period end or the date of development start for purposes of calculating development starts in any period.

**Total Market Capitalization** is defined as market equity plus our share of total debt and preferred stock.

**Turnover Costs** represent the costs incurred in connection with the signing of a lease, including leasing commissions and tenant improvements. Tenant improvements include costs to prepare a space for a new tenant and for a lease renewal with the same tenant. It excludes costs to prepare a space that is being leased for the first time (i.e. in a new development property).

**Value-Added Acquisitions ("VAA")** are properties which Prologis acquires as part of management's current belief that the discount in pricing attributed to the operating challenges of the property could provide greater returns, once stabilized, than the returns of stabilized properties, which are not value added acquisitions. Value Added Acquisitions must have one or more of the following characteristics: (i) existing vacancy in excess of 20%; (ii) short-term lease roll-over, typically during the first two years of ownership; (iii) significant capital improvement requirements in excess of 10% of the purchase price and must be invested within the first two years of ownership

**Value-Added Conversions ("VAC")** represent the repurposing of industrial properties to a higher and better use, including office, residential, retail, research and development, data center, self storage or manufacturing with the intent to ultimately sell the property once repositioned. Activities required to prepare the property for conversion to a higher and better use may include such activities as re-zoning, re-designing, re-constructing, and re-tenanting. The economic gain on sales of value added conversions represents the amount by which the sales proceeds exceed our original cost in dollars and percentages.

**Value Creation** represents the value that will be created through our development and leasing activities at stabilization. We calculate value by estimating the NOI that the property will generate at Stabilization and applying an estimated stabilized cap rate applicable to that property. The value creation is calculated as the amount by which the estimated value exceeds our total expected investment and does not include any fees or promotes we may earn.

**Weighted Average Estimated Stabilized Yield** is calculated as NOI adjusted to reflect stabilized occupancy divided by Acquisition Cost or TEI, as applicable.