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

FORM 8-K

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

Date of Report (Date of earliest event reported): January 5, 2023

PROLOGIS, INC.

PROLOGIS, L.P.

(Exact name of registrant as specified in charter)

**Maryland (Prologis, Inc.)
Delaware (Prologis, L.P.)**
(State or other jurisdiction
of Incorporation)

**001-13545 (Prologis, Inc.)
001-14245 (Prologis, L.P.)**
(Commission
File Number)

**94-3281941 (Prologis, Inc.)
94-3285362 (Prologis, L.P.)**
(I.R.S. Employer
Identification No.)

Pier 1, Bay 1, San Francisco, California
(Address of Principal Executive Offices)

94111
(Zip Code)

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

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

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))

Securities registered pursuant to Section 12(b) of the Act:

	<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Prologis, Inc.	Common Stock, \$0.01 par value	PLD	New York Stock Exchange
Prologis, L.P.	3.000% Notes due 2026	PLD/26	New York Stock Exchange
Prologis, L.P.	2.250% Notes due 2029	PLD/29	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Introductory Note.

This Form 8-K is being filed for the purpose of filing pro forma financial information of Prologis, Inc. (“Prologis”) and Prologis, L.P. (“Prologis OP”) and financial statements of Duke Realty Corporation (“Duke Realty”) and Duke Realty Limited Partnership (“Duke Realty OP”). On October 3, 2022, (a) Duke Realty merged with and into Compton Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Prologis (“Prologis Merger Sub”), with Prologis Merger Sub surviving the merger and remaining a wholly owned subsidiary of Prologis (the “Surviving Entity”), (b) thereafter, Prologis and the Surviving Entity caused all of the outstanding equity interests of the Surviving Entity to be contributed to Prologis OP in exchange for the issuance by Prologis OP of partnership interests in Prologis OP to Prologis and/or its subsidiaries as directed by Prologis, and (c) thereafter, Compton Merger Sub OP LLC, a Delaware limited liability company and a wholly owned subsidiary of Prologis OP, merged with and into Duke Realty OP, with Duke Realty OP surviving the merger and becoming a wholly owned subsidiary of Prologis OP.

Item 8.01 Other Events.

The unaudited consolidated financial statements of Duke Realty and Duke Realty OP and the notes thereto as of and for the nine months ended September 30, 2022 are hereby filed as Exhibit 99.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information. The unaudited pro forma condensed combined balance sheet as of September 30, 2022 and the unaudited pro forma condensed combined statements of income for the year ended December 31, 2021 and the nine months ended September 30, 2022 of Prologis and Prologis OP are incorporated by reference to Exhibit 99.2 to this Current Report on Form 8-K. Such unaudited pro forma condensed combined financial statements are not necessarily indicative of the financial position that actually would have existed or the operating results that actually would have been achieved if the adjustments set forth therein had been in effect as of the dates and for the periods indicated or that may be achieved in future periods and should be read in conjunction with the historical financial statements of Prologis, Prologis OP, Duke Realty and Duke Realty OP.

(d) Exhibits. The following documents have been filed as exhibits to this report and are incorporated by reference herein as described above.

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>Unaudited consolidated financial statements of Duke Realty Corporation and Duke Realty Operating Partnership as of September 30, 2022 and for the year ended December 31, 2021 and the nine months ended September 30, 2022</u>
99.2	<u>Unaudited pro forma condensed combined financial statements of Prologis, Inc. and Prologis, L.P. as of September 30, 2022, for the nine months ended September 30, 2022 and for the year ended December 31, 2021</u>
104	Cover Page Interactive Data File – the cover page iXBRL tags are embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PROLOGIS, INC.

Date: January 5, 2023

By: /s/ Michael T. Blair
Name: Michael T. Blair
Title: Managing Director and Deputy
General Counsel

PROLOGIS, L.P.

By: Prologis, Inc.,
its General Partner

Date: January 5, 2023

By: /s/ Michael T. Blair
Name: Michael T. Blair
Title: Managing Director and Deputy
General Counsel

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except per share amounts)

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Real estate investments:		
Real estate assets	\$ 10,458,081	\$ 9,616,076
Construction in progress	964,511	744,871
Investments in and advances to unconsolidated joint ventures	209,939	168,336
Undeveloped land	771,590	473,317
	<u>12,404,121</u>	<u>11,002,600</u>
Accumulated depreciation	<u>(1,865,947)</u>	<u>(1,684,413)</u>
Net real estate investments	<u>10,538,174</u>	<u>9,318,187</u>
Real estate investments and other assets held-for-sale	—	144,651
Cash and cash equivalents	93,621	69,752
Accounts receivable	20,220	13,449
Straight-line rent receivable	206,742	172,225
Receivables on construction contracts, including retentions	32,206	57,258
Deferred leasing and other costs, net of accumulated amortization of \$217,416 and \$209,975	351,306	337,936
Other escrow deposits and other assets	344,366	332,197
Total assets	<u>\$ 11,586,635</u>	<u>\$ 10,445,655</u>
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt, net of deferred financing costs of \$276 and \$304	\$ 55,692	\$ 59,418
Unsecured debt, net of deferred financing costs of \$42,299 and \$45,136	3,832,701	3,629,864
Unsecured line of credit	745,000	—
	<u>4,633,393</u>	<u>3,689,282</u>
Liabilities related to real estate investments held-for-sale	—	6,278
Construction payables and amounts due subcontractors, including retentions	131,591	107,009
Accrued real estate taxes	109,467	77,464
Accrued interest	21,365	20,815
Other liabilities	325,777	339,023
Tenant security deposits and prepaid rents	73,320	66,823
Total liabilities	<u>5,294,913</u>	<u>4,306,694</u>
Shareholders' equity:		
Common shares (\$0.01 par value); 600,000 shares authorized; 385,028 and 382,513 shares issued and outstanding, respectively	3,850	3,825
Additional paid-in capital	6,266,959	6,143,147
Accumulated other comprehensive loss	(25,343)	(28,011)
Distributions in excess of net income	(53,683)	(75,210)
Total shareholders' equity	<u>6,191,783</u>	<u>6,043,751</u>
Noncontrolling interests	99,939	95,210
Total equity	<u>6,291,722</u>	<u>6,138,961</u>
Total liabilities and equity	<u>\$ 11,586,635</u>	<u>\$ 10,445,655</u>

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the three and nine months ended September 30,
(in thousands, except per share amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:				
Rental and related revenue	\$ 300,132	\$256,815	\$ 855,491	\$768,965
General contractor and service fee revenue	8,364	23,550	16,456	72,384
	<u>308,496</u>	280,365	<u>871,947</u>	841,349
Expenses:				
Rental expenses	26,606	19,766	73,132	66,411
Real estate taxes	46,569	39,972	134,225	122,510
General contractor and other services expenses	7,113	19,040	12,312	62,569
Depreciation and amortization	97,464	88,033	285,409	273,335
	<u>177,752</u>	166,811	<u>505,078</u>	524,825
Other operating activities:				
Equity in earnings of unconsolidated joint ventures	4,520	2,966	13,900	29,824
Gain on sale of properties	9,121	439,212	244,700	555,755
Gain on land sales	—	1,653	3,117	12,791
Other operating expenses	(840)	(1,290)	(2,150)	(2,773)
Impairment charges	(500)	—	(2,063)	—
Non-incremental costs related to successful leases	(3,024)	(3,334)	(12,038)	(10,319)
General and administrative expenses	(123,335)	(14,152)	(174,744)	(54,248)
	<u>(114,058)</u>	425,055	<u>70,722</u>	531,030
Operating income	16,686	538,609	437,591	847,554
Other income (expenses):				
Interest and other income, net	1,052	1,433	2,816	3,569
Interest expense	(23,380)	(20,003)	(62,113)	(63,582)
Loss on debt extinguishment	—	(13,893)	(21,948)	(17,901)
Gain on involuntary conversion	—	—	—	3,222
Income (loss) before income taxes	(5,642)	506,146	356,346	772,862
Income tax expense	(548)	(6,381)	(7,371)	(15,237)
Net income (loss)	(6,190)	499,765	348,975	757,625
Net income attributable to noncontrolling interests	(52)	(4,948)	(3,826)	(7,629)
Net income (loss) attributable to common shareholders	<u>\$ (6,242)</u>	<u>\$494,817</u>	<u>\$ 345,149</u>	<u>\$749,996</u>
Weighted average number of common shares outstanding	<u>384,947</u>	<u>379,220</u>	<u>384,066</u>	<u>376,323</u>
Weighted average number of common shares and potential dilutive securities	<u>384,947</u>	<u>384,624</u>	<u>389,539</u>	<u>381,811</u>
Net income (loss) per common share attributable to common shareholders - basic	\$ (0.02)	\$ 1.30	\$ 0.90	\$ 1.99
Net income (loss) per common share attributable to common shareholders - diluted	\$ (0.02)	\$ 1.30	\$ 0.90	\$ 1.98
Comprehensive income (loss):				
Net income (loss)	\$ (6,190)	\$499,765	\$ 348,975	\$757,625
Other comprehensive income:				
Amortization of interest rate swap contracts	890	889	2,668	2,668
Comprehensive income (loss)	<u>\$ (5,300)</u>	<u>\$500,654</u>	<u>\$ 351,643</u>	<u>\$760,293</u>

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine months ended September 30,
(in thousands)
(Unaudited)

	Nine Months Ended	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 348,975	\$ 757,625
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	240,707	230,323
Amortization of deferred leasing and other costs	44,702	43,012
Amortization of deferred financing costs	7,601	7,285
Straight-line rental income and expense, net	(34,119)	(22,985)
Impairment charges	2,063	—
Loss on debt extinguishment	21,948	17,901
Gain on involuntary conversion	—	(3,222)
Gain on land and property sales	(247,817)	(568,546)
Third-party construction contracts, net	406	(2,749)
Other accrued revenues and expenses, net	968	51,936
Operating distributions received in excess of (less than) equity in earnings from unconsolidated joint ventures	4,459	(16,468)
Net cash provided by operating activities	389,893	494,112
Cash flows from investing activities:		
Development of real estate investments	(612,933)	(496,322)
Acquisition of buildings and related intangible assets	(340,005)	(242,914)
Acquisition of land and other real estate assets	(410,787)	(290,019)
Second generation tenant improvements, leasing costs and building improvements	(54,691)	(49,949)
Other deferred leasing costs	(31,521)	(28,189)
Other assets	(12,629)	(68,310)
Proceeds from land and property sales, net	354,203	989,128
Capital distributions from unconsolidated joint ventures	33,645	61,616
Capital contributions and advances to unconsolidated joint ventures	(17,087)	(20,158)
Net cash used for investing activities	(1,091,805)	(145,117)
Cash flows from financing activities:		
Proceeds from issuance of common shares, net	116,107	311,238
Proceeds from unsecured debt	500,000	446,634
Payments on unsecured debt	(320,110)	(390,900)
Payments on secured indebtedness including principal amortization	(3,537)	(3,363)
Borrowings (repayments) on line of credit, net	745,000	(139,000)
Distributions to common shareholders	(322,626)	(287,619)
Distributions to noncontrolling interests	(3,630)	(3,160)
Tax payments on stock-based compensation awards	(7,597)	(4,939)
Change in book cash overdrafts	(3,931)	(6,399)
Other financing activities	48	(249)
Deferred financing costs	(2,471)	(10,053)
Redemption of Limited Partner Units	—	(39)
Net cash provided by (used for) financing activities	697,253	(87,849)
Net (decrease) increase in cash, cash equivalents and restricted cash	(4,659)	261,146
Cash, cash equivalents and restricted cash at beginning of period	103,164	67,223
Cash, cash equivalents and restricted cash at end of period	\$ 98,505	\$ 328,369
Non-cash activities:		
Lease liabilities arising from right-of-use assets	\$ 636	\$ 19,822
Assumption of indebtedness and other liabilities in real estate acquisitions	\$ 40,969	\$ 84,911
Contribution of properties to unconsolidated joint venture	\$ 67,148	\$ 74,942
Non-cash distribution of assets from unconsolidated joint ventures, net	\$ —	\$ 11,124
Conversion of Limited Partner Units to common shares	\$ 3,452	\$ 5,122
Issuance of Limited Partner Units for acquisition	\$ —	\$ 11,603

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three and nine months ended September 30, 2022 and 2021
(in thousands, except per share data)
(Unaudited)

	Common Shareholders					Total
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Income	Noncontrolling Interests	
Balance at June 30, 2022	\$ 3,848	\$6,262,634	\$ (26,233)	\$ 60,571	\$ 106,933	\$6,407,753
Net income (loss)	—	—	—	(6,242)	52	(6,190)
Other comprehensive income	—	—	890	—	—	890
Stock-based compensation plan activity	—	887	—	(210)	(2,508)	(1,831)
Conversion of Limited Partner Units	2	3,438	—	—	(3,440)	—
Distributions to common shareholders (\$0.28 per share)	—	—	—	(107,802)	—	(107,802)
Distributions to noncontrolling interests	—	—	—	—	(1,098)	(1,098)
Balance at September 30, 2022	\$ 3,850	\$6,266,959	\$ (25,343)	\$ (53,683)	\$ 99,939	\$6,291,722
Balance at December 31, 2021	\$ 3,825	\$6,143,147	\$ (28,011)	\$ (75,210)	\$ 95,210	\$6,138,961
Net income	—	—	—	345,149	3,826	348,975
Other comprehensive income	—	—	2,668	—	—	2,668
Issuance of common shares	20	116,087	—	—	—	116,107
Stock-based compensation plan activity	3	4,275	—	(996)	7,985	11,267
Conversion of Limited Partner Units	2	3,450	—	—	(3,452)	—
Distributions to common shareholders (\$0.84 per share)	—	—	—	(322,626)	—	(322,626)
Distributions to noncontrolling interests	—	—	—	—	(3,630)	(3,630)
Balance at September 30, 2022	\$ 3,850	\$6,266,959	\$ (25,343)	\$ (53,683)	\$ 99,939	\$6,291,722

	Common Shareholders					Total
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Income	Noncontrolling Interests	
Balance at June 30, 2021	\$ 3,780	\$5,920,931	\$ (29,789)	\$ (469,076)	\$ 89,063	\$5,514,909
Net income	—	—	—	494,817	4,948	499,765
Other comprehensive income	—	—	889	—	—	889
Issuance of common shares	25	123,996	—	—	—	124,021
Stock-based compensation plan activity	2	1,396	—	(209)	1,205	2,394
Issuance of Limited Partner Units	—	—	—	—	(12)	(12)
Conversion of Limited Partner Units	—	76	—	—	(76)	—
Redemption of Limited Partner Units	—	(2)	—	—	—	(2)
Distributions to common shareholders (\$0.255 per share)	—	—	—	(96,537)	—	(96,537)
Distributions to noncontrolling interests	—	—	—	—	(1,044)	(1,044)
Balance at September 30, 2021	\$ 3,807	\$6,046,397	\$ (28,900)	\$ (71,005)	\$ 94,084	\$6,044,383
Balance at December 31, 2020	\$ 3,733	\$5,723,326	\$ (31,568)	\$ (532,519)	\$ 71,476	\$5,234,448
Net income	—	—	—	749,996	7,629	757,625
Other comprehensive income	—	—	2,668	—	—	2,668
Issuance of common shares	66	311,172	—	—	—	311,238
Stock-based compensation plan activity	5	6,822	—	(863)	11,694	17,658
Issuance of Limited Partner Units	—	—	—	—	11,564	11,564
Conversion of Limited Partner Units	3	5,119	—	—	(5,122)	—
Redemption of Limited Partner Units	—	(42)	—	—	3	(39)
Distributions to common shareholders (\$0.765 per share)	—	—	—	(287,619)	—	(287,619)
Distributions to noncontrolling interests	—	—	—	—	(3,160)	(3,160)
Balance at September 30, 2021	\$ 3,807	\$6,046,397	\$ (28,900)	\$ (71,005)	\$ 94,084	\$6,044,383

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Real estate investments:		
Real estate assets	\$ 10,458,081	\$ 9,616,076
Construction in progress	964,511	744,871
Investments in and advances to unconsolidated joint ventures	209,939	168,336
Undeveloped land	771,590	473,317
	<u>12,404,121</u>	<u>11,002,600</u>
Accumulated depreciation	<u>(1,865,947)</u>	<u>(1,684,413)</u>
Net real estate investments	<u>10,538,174</u>	<u>9,318,187</u>
Real estate investments and other assets held-for-sale	—	144,651
Cash and cash equivalents	93,621	69,752
Accounts receivable	20,220	13,449
Straight-line rent receivable	206,742	172,225
Receivables on construction contracts, including retentions	32,206	57,258
Deferred leasing and other costs, net of accumulated amortization of \$217,416 and \$209,975	351,306	337,936
Other escrow deposits and other assets	344,366	332,197
Total assets	<u>\$ 11,586,635</u>	<u>\$ 10,445,655</u>
LIABILITIES AND EQUITY		
Indebtedness:		
Secured debt, net of deferred financing costs of \$276 and \$304	\$ 55,692	\$ 59,418
Unsecured debt, net of deferred financing costs of \$42,299 and \$45,136	3,832,701	3,629,864
Unsecured line of credit	745,000	—
	<u>4,633,393</u>	<u>3,689,282</u>
Liabilities related to real estate investments held-for-sale	—	6,278
Construction payables and amounts due subcontractors, including retentions	131,591	107,009
Accrued real estate taxes	109,467	77,464
Accrued interest	21,365	20,815
Other liabilities	325,777	339,023
Tenant security deposits and prepaid rents	73,320	66,823
Total liabilities	<u>5,294,913</u>	<u>4,306,694</u>
Partners' equity:		
Common equity (385,028 and 382,513 General Partner Units issued and outstanding, respectively)	6,217,126	6,071,762
Limited Partners' common equity (3,914 and 3,663 Limited Partner Units issued and outstanding, respectively)	95,554	90,679
Accumulated other comprehensive loss	<u>(25,343)</u>	<u>(28,011)</u>
Total partners' equity	<u>6,287,337</u>	<u>6,134,430</u>
Noncontrolling interests	4,385	4,531
Total equity	<u>6,291,722</u>	<u>6,138,961</u>
Total liabilities and equity	<u>\$ 11,586,635</u>	<u>\$ 10,445,655</u>

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the three and nine months ended September 30,
(in thousands, except per unit amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	2022	2021	2022	2021
Revenues:				
Rental and related revenue	\$ 300,132	\$256,815	\$ 855,491	\$768,965
General contractor and service fee revenue	8,364	23,550	16,456	72,384
	<u>308,496</u>	<u>280,365</u>	<u>871,947</u>	<u>841,349</u>
Expenses:				
Rental expenses	26,606	19,766	73,132	66,411
Real estate taxes	46,569	39,972	134,225	122,510
General contractor and other services expenses	7,113	19,040	12,312	62,569
Depreciation and amortization	97,464	88,033	285,409	273,335
	<u>177,752</u>	<u>166,811</u>	<u>505,078</u>	<u>524,825</u>
Other operating activities:				
Equity in earnings of unconsolidated joint ventures	4,520	2,966	13,900	29,824
Gain on sale of properties	9,121	439,212	244,700	555,755
Gain on land sales	—	1,653	3,117	12,791
Other operating expenses	(840)	(1,290)	(2,150)	(2,773)
Impairment charges	(500)	—	(2,063)	—
Non-incremental costs related to successful leases	(3,024)	(3,334)	(12,038)	(10,319)
General and administrative expenses	(123,335)	(14,152)	(174,744)	(54,248)
	<u>(114,058)</u>	<u>425,055</u>	<u>70,722</u>	<u>531,030</u>
Operating income	16,686	538,609	437,591	847,554
Other income (expenses):				
Interest and other income, net	1,052	1,433	2,816	3,569
Interest expense	(23,380)	(20,003)	(62,113)	(63,582)
Loss on debt extinguishment	—	(13,893)	(21,948)	(17,901)
Gain on involuntary conversion	—	—	—	3,222
Income (loss) before income taxes	(5,642)	506,146	356,346	772,862
Income tax expense	(548)	(6,381)	(7,371)	(15,237)
Net income (loss)	(6,190)	499,765	348,975	757,625
Net income attributable to noncontrolling interests	(86)	(100)	(269)	(282)
Net income (loss) attributable to common unitholders	<u>\$ (6,276)</u>	<u>\$499,665</u>	<u>\$ 348,706</u>	<u>\$757,343</u>
Weighted average number of Common Units outstanding	388,933	382,981	388,005	380,025
Weighted average number of Common Units and potential dilutive securities	388,933	384,624	389,539	381,811
Net income (loss) per Common Unit attributable to common unitholders - basic	\$ (0.02)	\$ 1.30	\$ 0.90	\$ 1.99
Net income (loss) per Common Unit attributable to common unitholders - diluted	\$ (0.02)	\$ 1.30	\$ 0.90	\$ 1.98
Comprehensive income (loss):				
Net income (loss)	\$ (6,190)	\$499,765	\$ 348,975	\$757,625
Other comprehensive income:				
Amortization of interest rate swap contracts	890	889	2,668	2,668
Comprehensive income (loss)	<u>\$ (5,300)</u>	<u>\$500,654</u>	<u>\$ 351,643</u>	<u>\$760,293</u>

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine months ended September 30,
(in thousands)
(Unaudited)

	Nine Months Ended	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 348,975	\$ 757,625
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of buildings and tenant improvements	240,707	230,323
Amortization of deferred leasing and other costs	44,702	43,012
Amortization of deferred financing costs	7,601	7,285
Straight-line rental income and expense, net	(34,119)	(22,985)
Impairment charges	2,063	—
Loss on debt extinguishment	21,948	17,901
Gain on involuntary conversion	—	(3,222)
Gain on land and property sales	(247,817)	(568,546)
Third-party construction contracts, net	406	(2,749)
Other accrued revenues and expenses, net	968	51,936
Operating distributions received in excess of (less than) equity in earnings from unconsolidated joint ventures	4,459	(16,468)
Net cash provided by operating activities	389,893	494,112
Cash flows from investing activities:		
Development of real estate investments	(612,933)	(496,322)
Acquisition of buildings and related intangible assets	(340,005)	(242,914)
Acquisition of land and other real estate assets	(410,787)	(290,019)
Second generation tenant improvements, leasing costs and building improvements	(54,691)	(49,949)
Other deferred leasing costs	(31,521)	(28,189)
Other assets	(12,629)	(68,310)
Proceeds from land and property sales, net	354,203	989,128
Capital distributions from unconsolidated joint ventures	33,645	61,616
Capital contributions and advances to unconsolidated joint ventures	(17,087)	(20,158)
Net cash used for investing activities	(1,091,805)	(145,117)
Cash flows from financing activities:		
Contributions from the General Partner	116,107	311,238
Proceeds from unsecured debt	500,000	446,634
Payments on unsecured debt	(320,110)	(390,900)
Payments on secured indebtedness including principal amortization	(3,537)	(3,363)
Borrowings (repayments) on line of credit, net	745,000	(139,000)
Distributions to common unitholders	(325,841)	(290,479)
Distributions to noncontrolling interests	(415)	(300)
Tax payments on stock-based compensation awards	(7,597)	(4,939)
Change in book cash overdrafts	(3,931)	(6,399)
Other financing activities	48	(249)
Deferred financing costs	(2,471)	(10,053)
Redemption of Limited Partner Units	—	(39)
Net cash provided by (used for) financing activities	697,253	(87,849)
Net (decrease) increase in cash, cash equivalents and restricted cash	(4,659)	261,146
Cash, cash equivalents and restricted cash at beginning of period	103,164	67,223
Cash, cash equivalents and restricted cash at end of period	\$ 98,505	\$ 328,369
Non-cash activities:		
Lease liabilities arising from right-of-use assets	\$ 636	\$ 19,822
Assumption of indebtedness and other liabilities in real estate acquisitions	\$ 40,969	\$ 84,911
Contribution of properties to unconsolidated joint venture	\$ 67,148	\$ 74,942
Non-cash distribution of assets from unconsolidated joint ventures, net	\$ —	\$ 11,124
Conversion of Limited Partner Units to common shares of the General Partner	\$ 3,452	\$ 5,122
Issuance of Limited Partner Units for acquisition	\$ —	\$ 11,603

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY LIMITED PARTNERSHIP AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three and nine months ended September 30, 2022 and 2021
(in thousands, except per unit data)
(Unaudited)

	Common Unitholders			Total Partners' Equity	Noncontrolling Interests	Total Equity
	General Partner's Common Equity	Limited Partners' Common Equity	Accumulated Other Comprehensive Loss			
Balance at June 30, 2022	\$6,327,053	\$102,579	\$ (26,233)	\$6,403,399	\$ 4,354	\$6,407,753
Net income (loss)	(6,242)	(34)	—	(6,276)	86	(6,190)
Other comprehensive income	—	—	890	890	—	890
Stock-based compensation plan activity	677	(2,508)	—	(1,831)	—	(1,831)
Conversion of Limited Partner Units	3,440	(3,440)	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	(55)	(55)
Distributions to common unitholders (\$0.28 per Common Unit)	(107,802)	(1,043)	—	(108,845)	—	(108,845)
Balance at September 30, 2022	\$6,217,126	\$ 95,554	\$ (25,343)	\$6,287,337	\$ 4,385	\$6,291,722
Balance at December 31, 2021	\$6,071,762	\$ 90,679	\$ (28,011)	\$6,134,430	\$ 4,531	\$6,138,961
Net income	345,149	3,557	—	348,706	269	348,975
Other comprehensive income	—	—	2,668	2,668	—	2,668
Capital contribution from the General Partner	116,107	—	—	116,107	—	116,107
Stock-based compensation plan activity	3,282	7,985	—	11,267	—	11,267
Conversion of Limited Partner Units	3,452	(3,452)	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	(415)	(415)
Distributions to common unitholders (\$0.84 per Common Unit)	(322,626)	(3,215)	—	(325,841)	—	(325,841)
Balance at September 30, 2022	\$6,217,126	\$ 95,554	\$ (25,343)	\$6,287,337	\$ 4,385	\$6,291,722

	Common Unitholders			Total Partners' Equity	Noncontrolling Interests	Total Equity
	General Partner's Common Equity	Limited Partners' Common Equity	Accumulated Other Comprehensive Loss			
Balance at June 30, 2021	\$5,455,635	\$84,494	\$ (29,789)	\$5,510,340	\$ 4,569	\$5,514,909
Net income	494,817	4,848	—	499,665	100	499,765
Other comprehensive income	—	—	889	889	—	889
Capital contribution from the General Partner	124,021	—	—	124,021	—	124,021
Stock-based compensation plan activity	1,189	1,205	—	2,394	—	2,394
Issuance of Limited Partner Units	—	(12)	—	(12)	—	(12)
Conversion of Limited Partner Units	76	(76)	—	—	—	—
Redemption of Limited Partner Units	(2)	—	—	(2)	—	(2)
Distributions to common unitholders (\$0.255 per Common Unit)	(96,537)	(959)	—	(97,496)	—	(97,496)
Distributions to noncontrolling interests	—	—	—	—	(85)	(85)
Balance at September 30, 2021	\$5,979,199	\$89,500	\$ (28,900)	\$6,039,799	\$ 4,584	\$6,044,383
Balance at December 31, 2020	\$5,194,540	\$66,874	\$ (31,568)	\$5,229,846	\$ 4,602	\$5,234,448
Net income	749,996	7,347	—	757,343	282	757,625
Other comprehensive income	—	—	2,668	2,668	—	2,668
Capital contribution from the General Partner	311,238	—	—	311,238	—	311,238
Stock-based compensation plan activity	5,964	11,694	—	17,658	—	17,658
Issuance of Limited Partner Units	—	11,564	—	11,564	—	11,564
Conversion of Limited Partner Units	5,122	(5,122)	—	—	—	—
Redemption of Limited Partner Units	(42)	3	—	(39)	—	(39)
Distributions to common unitholders (\$0.765 per Common Unit)	(287,619)	(2,860)	—	(290,479)	—	(290,479)
Distributions to noncontrolling interests	—	—	—	—	(300)	(300)
Balance at September 30, 2021	\$5,979,199	\$89,500	\$ (28,900)	\$6,039,799	\$ 4,584	\$6,044,383

See accompanying Notes to Consolidated Financial Statements

DUKE REALTY CORPORATION AND DUKE REALTY LIMITED PARTNERSHIP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Duke Realty Corporation and its consolidated subsidiaries (the “General Partner”) and Duke Realty Limited Partnership and its consolidated subsidiaries (the “Partnership”). The 2021 year-end consolidated balance sheet data included in this Report was derived from the audited financial statements in the combined Annual Report on Form 10-K of the General Partner and the Partnership for the year ended December 31, 2021 (the “2021 Annual Report”), but does not include all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”). The financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with Rule 10-01 of Regulation S-X of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses during the reporting period. Our actual results could differ from those estimates and assumptions. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the 2021 Annual Report.

The General Partner was formed in 1985, and we believe that it qualifies as a REIT under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”). The Partnership was formed on October 4, 1993, when the General Partner contributed all of its properties and related assets and liabilities, together with the net proceeds from an offering of additional shares of its common stock, to the Partnership. Simultaneously, the Partnership completed the acquisition of Duke Associates, a full-service commercial real estate firm operating in the Midwest whose operations began in 1972. On October 3, 2022, the General Partner merged with and into a subsidiary of Prologis, Inc. (“Prologis”, see Note 12) and the Partnership merged with a subsidiary of Prologis, L.P.

The General Partner is the sole general partner of the Partnership, owning approximately 99.0% of the Common Units as of September 30, 2022. The remaining 1.0% of the Common Units are owned by limited partners. As the sole general partner of the Partnership, the General Partner has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Partnership. The General Partner and the Partnership are operated as one enterprise. The management of the General Partner consists of the same members as the management of the Partnership. As the sole general partner with control of the Partnership, the General Partner consolidates the Partnership for financial reporting purposes, and the General Partner does not have any significant assets other than its investment in the Partnership. Therefore, the assets and liabilities of the General Partner and the Partnership are substantially the same.

Limited partners have the right to redeem their Limited Partner Units, subject to certain restrictions. Pursuant to the Fifth Amended and Restated Agreement of Limited Partnership, as amended (the “Partnership Agreement”), the General Partner is obligated to redeem the Limited Partner Units in shares of its common stock, unless it determines in its reasonable discretion that the issuance of shares of its common stock could cause it to fail to qualify as a REIT. Each Limited Partner Unit shall be redeemed for one share of the General Partner’s common stock, or, in the event that the issuance of shares could cause the General Partner to fail to qualify as a REIT, cash equal to the fair market value of one share of the General Partner’s common stock at the time of redemption, in each case, subject to certain adjustments described in the Partnership Agreement. The Limited Partner Units are not required, per the terms of the Partnership Agreement, to be redeemed in registered shares of the General Partner.

As of September 30, 2022, we owned and operated a portfolio primarily consisting of industrial properties and provided real estate services to third-party owners, customers and joint ventures. Substantially all of our Rental Operations (see Note 10) are conducted through the Partnership. We conduct our Service Operations (see Note 10) through Duke Realty Services, LLC, Duke Realty Services Limited Partnership and Duke Construction Limited Partnership (“DCLP”), which are consolidated entities that are 100% owned by a combination of the General Partner and the Partnership. DCLP is owned through a taxable REIT subsidiary. The consolidated financial statements include our accounts and the accounts of our majority-owned or controlled subsidiaries.

2. Leases

Lease Income

Our leases generally include scheduled rent increases, but do not include variable payments based on indexes. Our rental revenue is primarily based on fixed, non-cancelable leases. Our variable rental revenue primarily consists of amounts recovered from lessees for property tax, insurance and common area maintenance (“CAM”).

If we conclude that collection of lease payments is not probable, any difference between the revenue that would have been recognized under the straight-line method and the lease payments that have been collected is recognized as a current period adjustment to rental revenues. Any other changes in collectability reserves for leases not subject to the collectability constraint are also recorded as a current period adjustment to rental revenues.

All revenues related to lease and lease-related services are included in, and comprise substantially all of, the caption “Rental and Related Revenue” on the Consolidated Statements of Operations and Comprehensive Income. The components of Rental and Related Revenue are as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Rental revenue - fixed payments	\$ 224,014	\$ 192,425	\$ 638,211	\$ 568,986
Rental revenue - variable payments (1)	76,118	64,390	217,280	199,979
Rental and related revenue	<u>\$ 300,132</u>	<u>\$ 256,815</u>	<u>\$ 855,491</u>	<u>\$ 768,965</u>

(1) Primarily includes tenant recoveries for real estate taxes, insurance and CAM.

Lessee Accounting

As of September 30, 2022, our lease arrangements, where we are the lessee, primarily consisted of office and ground leases. For these lease arrangements, as required by Accounting Standards Codification Topic 842, *Leases* (“ASC 842”), we recognized right-of-use (“ROU”) assets and the corresponding lease liabilities representing the discounted value of future lease payments. In determining these amounts, we elected an available practical expedient that allows us, as a lessee, to not separate lease and non-lease components.

All of our office leases are classified as operating leases under ASC 842. Ground leases that were classified as operating leases prior to adoption of ASC 842 continue to be accounted for as operating leases by electing the practical expedient under ASC 842. Two ground leases that were entered into subsequent to the adoption of ASC 842 are classified as finance leases. For our operating leases, we recognized ROU assets and related lease liabilities as follows (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
ROU assets	\$ 34,714	\$ 36,774
Lease liabilities	39,710	41,363

For our finance leases, we recognized ROU assets and related lease liabilities as follows (in thousands):

	September 30, 2022	December 31, 2021
ROU assets	\$ 37,016	\$ 37,540
Lease liabilities	39,724	39,194

ROU assets are included within Other Escrow Deposits and Other Assets and lease liabilities are included within Other Liabilities on our Consolidated Balance Sheets.

3. Reclassifications

No amounts in the accompanying consolidated financial statements for 2021 have been reclassified to conform to the 2022 consolidated financial statement presentation.

4. Restricted Cash

Restricted cash primarily consists of cash proceeds from dispositions but restricted only for qualifying like-kind exchange transactions and cash held in escrow related to acquisition and disposition holdbacks. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows (in thousands):

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 93,621	\$ 69,752
Restricted cash included in other escrow deposits and other assets	4,884	33,412
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	<u>\$ 98,505</u>	<u>\$ 103,164</u>

5. Variable Interest Entities

Partnership

Due to the fact that the Limited Partners do not have kick out rights, or substantive participating rights, the Partnership is a variable interest entity ("VIE"). Because the General Partner holds majority ownership and exercises control over every aspect of the Partnership's operations, the General Partner has been determined as the primary beneficiary and, therefore, consolidates the Partnership.

The assets and liabilities of the General Partner and the Partnership are substantially the same, as the General Partner does not have any significant assets other than its investment in the Partnership. All of the Company's debt is an obligation of the Partnership.

Joint Ventures

We have equity interests in unconsolidated joint ventures that are primarily engaged in the operation and development of industrial real estate properties.

We consolidate those joint ventures that are considered to be VIEs where we are the primary beneficiary. We analyze our investments in joint ventures to determine if the joint venture is considered a VIE and would require consolidation. We (i) evaluate the sufficiency of the total equity investment at risk, (ii) review the voting rights and

decision-making authority of the equity investment holders as a group and whether there are limited partners (or similar owning entities) that lack substantive participating or kick out rights and (iii) establish whether or not activities within the venture are on behalf of an investor with disproportionately few voting rights in making this VIE determination.

To the extent that we own interests in a VIE and we (i) are the sole entity that has the power to direct the activities of the VIE and (ii) have the obligation or rights to absorb the VIE's losses or receive its benefits, then we would be determined to be the primary beneficiary and would consolidate the VIE. To the extent we own interests in a VIE, then at each reporting period, we re-assess our conclusions as to which, if any, party within the VIE is considered the primary beneficiary. Consolidated joint ventures that are VIEs are not significant in any period presented in these consolidated financial statements.

To the extent that our joint ventures do not qualify as VIEs, they are consolidated if we control them through majority ownership interests or if we are the managing entity (general partner or managing member) and the other partner does not have substantive participating rights. Control is further demonstrated by our ability to unilaterally make significant operating decisions, refinance debt and sell the assets of the joint venture without the consent of the non-managing entity and the inability of the non-managing entity to remove us from our role as the managing entity. Consolidated joint ventures that are not VIEs are not significant in any period presented in these consolidated financial statements.

We use the equity method of accounting for those joint ventures where we exercise significant influence but do not have control. Under the equity method of accounting, our investment in each joint venture is included on our balance sheet; however, the assets and liabilities of the joint ventures for which we use the equity method are not included on our balance sheet.

When we contribute properties to unconsolidated joint ventures and retain a non-controlling ownership interest in such assets, we recognize the difference between the consideration received and the carrying amount of the asset contributed when its derecognition criteria are met. The equity method investment we retain in such partial sale transactions is noncash consideration and is measured at fair value. As a result, the accounting for a partial sale results in the recognition of a full gain or loss.

In July 2021, we entered into a 20%-owned unconsolidated joint venture with CBRE Global Investors with plans to contribute three tranches of properties. We contributed the third tranche of properties in January 2022. The joint venture financed the acquisition of these properties with a combination of third party first mortgage loans and equity contributions from our partner in this joint venture. Upon closing of the final contribution, we recorded the ownership interest obtained at fair value as part of Investments in and Advances to Unconsolidated Joint Ventures on the Consolidated Balance Sheets as of September 30, 2022 and recognized the full gain of \$188.3 million as part of Gain on Sale of Properties on the Consolidated Financial Statement of Operations and Comprehensive Income for the nine months ended September 30, 2022.

There were no unconsolidated joint ventures, in which we have any recognized assets or liabilities or have retained any economic exposure to loss at September 30, 2022, that met the criteria to be considered VIEs. Our maximum loss exposure for guarantees of unconsolidated joint venture indebtedness, none of which relate to VIEs, totaled \$43.7 million at September 30, 2022.

6. Acquisitions and Dispositions

Acquisitions and dispositions for the periods presented were completed in accordance with our strategy to increase our overall investment concentration in Coastal Tier 1 markets (we define “Coastal Tier 1” markets as Southern California, Northern California, Seattle, Northern New Jersey and South Florida). Transaction costs related to asset acquisitions are capitalized.

Acquisitions

The following table summarizes our real estate acquisition activities for the nine months ended September 30, 2022 and 2021 (dollars in thousands):

	2022	2021
Buildings:		
Number of buildings	6	4
Cash paid at time of acquisition	\$340,005	\$242,914
Land and other real estate assets:		
Acres of land	365	203
Cash paid at time of acquisition (1)	\$410,787	\$290,019

- (1) Includes the cash acquisition cost of other real estate investments totaling \$154.3 million for the nine months ended September 30, 2022. There were no acquisitions of other real estate investments for the nine months ended September 30, 2021. See Note 11 for information on other real estate investments.

The following table summarizes total real estate assets recognized (in thousands), comprised of cash paid at the time of acquisition, a purchase deposit, capitalized transaction costs and below market lease liabilities, for the buildings acquired during the nine months ended September 30, 2022:

Real estate assets	\$363,223
Lease related intangible assets	3,746
Total acquired assets	\$366,969
Below market lease liabilities	\$ 24,609

Fair Value Measurements

We determine the fair value of the individual components of real estate asset acquisitions primarily through calculating the “as-if vacant” value of a building, using an income approach, which relies significantly upon internally determined assumptions. We have determined that these estimates primarily rely upon level 3 inputs, which are unobservable inputs based on our own assumptions. The most significant assumptions used in calculating the “as-if vacant” value for acquisition activity during the nine months ended September 30, 2022 are as follows:

	Low	High
Exit capitalization rate	4.75%	4.75%
Annual net rental rate per square foot on acquired buildings	\$13.80	\$15.60

The value that is allocated to the land underlying the acquired building relies on Level 3 inputs and is primarily determined by reference to recent comparable transactions.

Capitalized acquisition costs were insignificant and the fair value of net assets acquired from unrelated parties during the nine months ended September 30, 2022, was substantially the same as the cost of acquisition.

Dispositions

Dispositions of buildings and undeveloped land generated net cash proceeds of \$354.2 million and \$989.1 million during the nine months ended September 30, 2022 and 2021, respectively. The number of buildings sold is disclosed in Note 11.

In January 2022, we contributed the third tranche of three buildings to a 20%-owned unconsolidated joint venture. The joint venture financed the acquisition of these properties with a combination of third party first mortgage loans and equity contributions from our partner and we received \$268.9 million of net cash proceeds. As part of the closing, we also received \$33.6 million from our ownership share of proceeds from third party first mortgage loans, which was included in Capital Distributions from Unconsolidated Joint Ventures in the Consolidated Statements of Cash Flows for the nine months ended September 30, 2022.

7. Indebtedness

All debt is issued directly or indirectly by the Partnership. The General Partner does not have any indebtedness, but does guarantee some of the unsecured debt of the Partnership. The following table summarizes the book value and changes in the fair value of our debt (in thousands):

	Book Value at 12/31/2021	Book Value at 9/30/2022	Fair Value at 12/31/2021	Issuances and Assumptions	Payments/ Payoffs	Adjustments to Fair Value	Fair Value at 9/30/2022
Fixed rate secured debt	\$ 58,422	\$ 54,968	\$ 59,989	\$ —	\$ (3,237)	\$ (8,695)	\$ 48,057
Variable rate secured debt	1,300	1,000	1,300	—	(300)	—	1,000
Unsecured debt	3,675,000	3,875,000	3,779,465	500,000	(300,000)	(663,392)	3,316,073
Unsecured line of credit	—	745,000	—	745,000	—	—	745,000
Total	<u>\$3,734,722</u>	<u>\$4,675,968</u>	<u>\$3,840,754</u>	<u>\$ 1,245,000</u>	<u>\$(303,537)</u>	<u>\$ (672,087)</u>	<u>\$4,110,130</u>
Less: Deferred financing costs	45,440	42,575					
Total indebtedness as reported on the consolidated balance sheets	<u>\$3,689,282</u>	<u>\$4,633,393</u>					

Secured Debt

Because our fixed rate secured debt is not actively traded in any marketplace, we utilized a discounted cash flow methodology to determine its fair value. Accordingly, we calculated fair value by applying an estimate of the current market rate to discount the debt's remaining contractual cash flows. Our estimate of a current market rate, which is the most significant input in the discounted cash flow calculation, is intended to replicate debt of similar maturity and loan-to-value relationship. The estimated market rates for all of our current fixed rate secured debt are between 4.30% and 5.50%, depending on the attributes of the specific loans. The current market rates we utilized were internally estimated; therefore, we have concluded that our determination of fair value for our fixed rate secured debt was primarily based upon level 3 inputs.

Unsecured Debt

At September 30, 2022, our unsecured debt consisted of \$3.38 billion of senior unsecured notes that are publicly traded and bore interest at fixed rates and a \$500.0 million variable rate term loan.

In February 2022, we redeemed \$300.0 million of 3.75% senior unsecured notes due December 2024. We recognized a loss of \$21.9 million in connection with the redemption of these notes, which included the prepayment premium and write-off of unamortized deferred financing costs.

In June 2022, the Partnership amended and restated its existing revolving credit agreement (the "Amendment") to issue and draw down on a term loan with an aggregate commitment of \$500.0 million. The term loan matures March 31, 2025 and bears interest at a variable rate equaling the one-month secured overnight financing rate ("SOFR") plus 0.840% (equal to 4.00% as of September 30, 2022). The Amendment allows prepayment on the term loan without penalty.

We utilized broker estimates in estimating the fair value of our fixed rate unsecured debt. The broker estimates took into account any recent trades within the same series of our fixed rate unsecured debt, comparisons to recent trades of other series of our fixed rate unsecured debt, trades of fixed rate unsecured debt from companies with profiles similar to ours, as well as overall economic conditions. We reviewed these broker estimates for reasonableness and accuracy, considering whether the estimates were based upon market participant assumptions within the principal and most advantageous market and whether any other observable inputs would be more accurate indicators of fair value than the broker estimates. We concluded that the broker estimates were representative of fair value. We have determined that our estimation of the fair value of our fixed rate unsecured debt was primarily based upon level 3 inputs. The estimated trading values of our fixed rate unsecured debt, depending on the maturity and coupon rates, ranged from 67.00% to 106.00% of face value.

Unsecured Line of Credit

Our unsecured line of credit at September 30, 2022 is described as follows (in thousands):

Description	Borrowing Capacity	Maturity Date	Outstanding Balance at September 30, 2022
Unsecured Line of Credit - Partnership	\$1,200,000	March 31, 2025	\$ 745,000

As a result of entering the Amendment in June 2022, the automatic transition of benchmark rate on the unsecured line of credit from one-month LIBOR to SOFR was triggered. Our unsecured line of credit now bears interest at SOFR plus 0.765% (equal to 3.53% as of September 30, 2022) with a reduction in borrowing costs if certain sustainability linked metrics are achieved each year. The line of credit matures on March 31, 2025 with two six-month extension options. Subject to certain conditions, the Amendment allows \$300.0 million of incremental borrowing, in addition to the newly issued \$500.0 million term loan, resulting in a total facility of up to \$2.00 billion. This line of credit provided us with an option to obtain borrowings from financial institutions that participate in the line at rates that may be lower than the stated interest rate, subject to certain restrictions.

We utilized a discounted cash flow methodology in order to estimate the fair value of outstanding borrowings on our unsecured line of credit. To the extent that credit spreads have changed since the origination of the line of credit, the net present value of the difference between future contractual interest payments and future interest payments based on our estimate of a current market rate would represent the difference between the book value and the fair value. This estimate of a current market rate is based upon the rate, considering current market conditions and our specific credit profile, at which we estimate we could obtain similar borrowings. As our credit spreads have not changed appreciably, we believe that the contractual interest rate and the current market rate on any outstanding borrowings on the line of credit are the same. The current market rate is internally estimated and therefore is primarily based upon a level 3 input.

8. Shareholders' Equity of the General Partner and Partners' Capital of the Partnership

General Partner

The General Partner had an at the market ("ATM") equity program that allowed it to issue and sell its common shares through sales agents from time to time. Actual sales under the ATM equity program depend on a variety of factors to be determined by the General Partner, including, among others, market conditions, the trading price of the General Partner's common stock, determinations by the General Partner of the appropriate sources of funding and potential uses of funding available.

In February 2022, the General Partner terminated its previous equity distribution agreement for the ATM equity program and entered into a new equity distribution agreement pursuant to which the General Partner could sell, from time to time, up to an aggregate offering price of \$600.0 million of its common stock through sales agents or forward sellers. The ability to enter into forward sale agreements through the new ATM equity program gave the General Partner the option to set the price of such shares upon pricing the offering (subject to certain adjustments) while delaying the issuance of such shares and the receipt of the net proceeds by the General Partner.

During the nine months ended September 30, 2022, the General Partner issued 2.0 million common shares pursuant to its ATM equity program, generating gross proceeds of \$115.8 million and, after deducting commissions and other costs, net proceeds of \$114.3 million. The proceeds from these sales were contributed to the Partnership and used to fund development activities.

Partnership

For each common share or preferred share that the General Partner issues, the Partnership issues a corresponding General Partner Unit or Preferred Unit, as applicable, to the General Partner in exchange for the contribution of the proceeds from the stock issuance. Similarly, when the General Partner redeems or repurchases common shares or preferred shares, the Partnership redeems the corresponding General Partner Units or Preferred Units held by the General Partner at the same price.

9. Net Income (Loss) per Common Share or Common Unit

Basic net income (loss) per common share or Common Unit is computed by dividing net income (loss) attributable to common shareholders or common unitholders, less dividends or distributions on share-based awards expected to vest (referred to as "participating securities" and primarily composed of unvested restricted stock units), by the weighted average number of common shares or Common Units outstanding for the period.

Diluted net income (loss) per common share is computed by dividing the sum of net income (loss) attributable to common shareholders and the noncontrolling interest in earnings allocable to Limited Partner Units (to the extent the Limited Partner Units are dilutive), less dividends or distributions on participating securities that are anti-dilutive, by the sum of the weighted average number of common shares outstanding and, to the extent they are dilutive, weighted average number of Limited Partner Units outstanding and any potential dilutive securities for the period. Diluted net income (loss) per Common Unit is computed by dividing the net income (loss) attributable to common unitholders, less dividends or distributions on participating securities that are anti-dilutive, by the sum of the weighted average number of Common Units outstanding and any potential dilutive securities for the period. The following table reconciles the components of basic and diluted net income (loss) per common share or Common Unit (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
General Partner				
Net income (loss) attributable to common shareholders	\$ (6,242)	\$494,817	\$345,149	\$749,996
Less: dividends on participating securities	(310)	(298)	(955)	(1,033)
Basic net income (loss) attributable to common shareholders	\$ (6,552)	\$494,519	\$344,194	\$748,963
Add back dividends on dilutive participating securities	—	298	955	1,033
Noncontrolling interest in earnings of common unitholders	—	4,848	3,557	7,347
Diluted net income (loss) attributable to common shareholders	<u>\$ (6,552)</u>	<u>\$499,665</u>	<u>\$348,706</u>	<u>\$757,343</u>
Weighted average number of common shares outstanding	<u>384,947</u>	379,220	<u>384,066</u>	376,323
Weighted average Limited Partner Units outstanding	—	3,761	<u>3,939</u>	3,702
Other potential dilutive shares	—	1,643	<u>1,534</u>	1,786
Weighted average number of common shares and potential dilutive securities	<u><u>384,947</u></u>	<u><u>384,624</u></u>	<u><u>389,539</u></u>	<u><u>381,811</u></u>
Partnership				
Net income (loss) attributable to common unitholders	\$ (6,276)	\$499,665	\$348,706	\$757,343
Less: distributions on participating securities	(310)	(298)	(955)	(1,033)
Basic net income (loss) attributable to common unitholders	\$ (6,586)	\$499,367	\$347,751	\$756,310
Add back distributions on dilutive participating securities	—	298	955	1,033
Diluted net income (loss) attributable to common unitholders	<u>\$ (6,586)</u>	<u>\$499,665</u>	<u>\$348,706</u>	<u>\$757,343</u>
Weighted average number of Common Units outstanding	<u>388,933</u>	382,981	<u>388,005</u>	380,025
Other potential dilutive units	—	1,643	<u>1,534</u>	1,786
Weighted average number of Common Units and potential dilutive securities	<u><u>388,933</u></u>	<u><u>384,624</u></u>	<u><u>389,539</u></u>	<u><u>381,811</u></u>

The Limited Partner Units were anti-dilutive to the General Partner for the three months ended September 30, 2022 as a result of the net loss for that period. In addition, all potential shares related to our stock-based compensation plans are anti-dilutive for the three months ended September 30, 2022. The following table summarizes the data that is excluded from the computation of net income (loss) per common share or Common Unit as a result of being anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
General Partner				
Noncontrolling interest in loss of common unitholders	\$ (34)	\$ —	\$ —	\$ —
Weighted average Limited Partner Units outstanding	3,986	—	—	—
General Partner and Partnership				
Other potential dilutive shares or units:				
Anti-dilutive outstanding potential shares or units under stock-based compensation plans	427	—	—	—
Anti-dilutive outstanding participating securities	1,254	—	—	—

10. Segment Reporting

Reportable Segments

As of September 30, 2022, we had two reportable operating segments, the first consisting of the ownership and rental of industrial real estate investments. We treat our industrial properties as a single operating and reportable segment based on our method of internal reporting. Properties not included in our reportable segments, because they are not industrial properties and do not by themselves meet the quantitative thresholds for separate presentation as a reportable segment, are generally referred to as non-reportable Rental Operations. Our non-reportable Rental Operations primarily include our remaining office properties and medical office property at September 30, 2022. The operations of our industrial properties, as well as our non-reportable Rental Operations, are collectively referred to as “Rental Operations.”

Our second reportable segment consists of various real estate services such as development, general contracting, construction management, property management, asset management, maintenance and leasing to third-party property owners, customers and joint ventures, and is collectively referred to as “Service Operations.” The Service Operations segment is identified as one single operating segment because the lowest level of financial results reviewed by our chief operating decision maker are the results for the Service Operations segment in total. Further, our reportable segments are managed separately because each segment requires different operating strategies and management expertise.

Revenues by Reportable Segment

The following table shows the revenues for each of the reportable segments, as well as a reconciliation to consolidated revenues (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Rental Operations:				
Industrial	\$298,626	\$255,315	\$850,924	\$764,496
Non-reportable Rental Operations	1,425	1,386	4,158	4,174
Service Operations	8,364	23,550	16,456	72,384
Total segment revenues	308,415	280,251	871,538	841,054
Other revenue	81	114	409	295
Consolidated revenue	<u>\$308,496</u>	<u>\$280,365</u>	<u>\$871,947</u>	<u>\$841,349</u>

Supplemental Performance Measure

Property-level net operating income on a cash basis ("PNOI") is thenon-GAAP supplemental performance measure that we use to evaluate the performance of, and to allocate resources among, the real estate investments in the reportable and operating segments that comprise our Rental Operations. PNOI for our Rental Operations segments is comprised of rental revenues less rental expenses and real estate taxes, along with certain other adjusting items (collectively referred to as "Rental Operations revenues and expenses excluded from PNOI," as shown in the following table). Additionally, we do not allocate interest expense, depreciation expense and certain other non-property specific revenues and expenses (collectively referred to as "Non-Segment Items," as shown in the following table) to our individual operating segments.

We evaluate the performance of our Service Operations reportable segment using net income or loss, as allocated to that segment ("Earnings from Service Operations").

The most comparable GAAP measure to PNOI is income (loss) before income taxes. PNOI excludes expenses that materially impact our overall results of operations and, therefore, should not be considered as a substitute for income (loss) before income taxes or any other measures derived in accordance with GAAP. Furthermore, PNOI may not be comparable to other similarly titled measures of other companies.

The following table shows a reconciliation of our segment-level measures of profitability to consolidated income (loss) before income taxes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
PNOI				
Industrial	\$ 206,156	\$175,918	\$ 591,419	\$ 509,436
Non-reportable Rental Operations	3,242	1,118	9,980	3,621
PNOI, excluding all sold properties	209,398	177,036	601,399	513,057
PNOI from sold properties	131	8,065	1,995	35,632
PNOI	<u>\$ 209,529</u>	<u>\$185,101</u>	<u>\$ 603,394</u>	<u>\$ 548,689</u>
Earnings from Service Operations	1,251	4,510	4,144	9,815
Rental Operations revenues and expenses excluded from PNOI:				
Straight-line rental income and expense, net	12,311	8,488	34,119	22,985
Revenues related to lease buyouts	2,062	—	2,609	310
Amortization of lease concessions and above and below market rents	3,625	4,081	9,408	9,522
Intercompany rents and other adjusting items	(600)	(765)	(1,552)	(1,881)
Non-Segment Items:				
Equity in earnings of unconsolidated joint ventures	4,520	2,966	13,900	29,824
Interest expense	(23,380)	(20,003)	(62,113)	(63,582)
Depreciation and amortization expense	(97,464)	(88,033)	(285,409)	(273,335)
Gain on sale of properties	9,121	439,212	244,700	555,755
Impairment charges	(500)	—	(2,063)	—
Interest and other income, net	1,052	1,433	2,816	3,569
General and administrative expenses	(123,335)	(14,152)	(174,744)	(54,248)
Gain on land sales	—	1,653	3,117	12,791
Other operating expenses	(840)	(1,290)	(2,150)	(2,773)
Loss on extinguishment of debt	—	(13,893)	(21,948)	(17,901)
Gain on involuntary conversion	—	—	—	3,222
Non-incremental costs related to successful leases	(3,024)	(3,334)	(12,038)	(10,319)
Other non-segment revenues and expenses, net	30	172	156	419
Income (loss) before income taxes	<u>\$ (5,642)</u>	<u>\$506,146</u>	<u>\$ 356,346</u>	<u>\$ 772,862</u>

11. Real Estate Assets and Assets Held-for-Sale

Real Estate Assets

Real estate assets, excluding assets held-for-sale, consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Buildings and tenant improvements	\$ 6,305,720	\$ 6,007,848
Land and improvements	3,944,952	3,435,591
Other real estate investments (1)	207,409	172,637
Real estate assets	<u>\$ 10,458,081</u>	<u>\$ 9,616,076</u>

- (1) Includes underutilized in-fill sites, which may have had buildings/structures on site when we acquired them, that are either (i) under lease to a third party and, after the lease ends, are expected to be redeveloped or will require significant capital expenditures before re-leasing; or (ii) industrial/logistics properties that we intend to re-lease after significant retrofitting and/or environmental remediation is completed. The leases on these assets are usually short term in nature.

Assets Held-for-Sale

The following table illustrates the number of sold or held-for-sale properties in this Report:

	Held-for-Sale at September 30, 2022	Sold Year-to-Date in 2022	Sold in 2021	Total
Properties sold or classified as held-for-sale	—	6	30	36

The following table illustrates aggregate balance sheet information for held-for-sale properties (in thousands):

	Held-for-Sale Properties	
	September 30, 2022	December 31, 2021
Land and improvements	\$ —	\$ 67,818
Buildings and tenant improvements	—	102,867
Accumulated depreciation	—	(36,785)
Deferred leasing and other costs, net	—	5,392
Other assets	—	5,359
Total assets held-for-sale	\$ —	\$ 144,651
Accrued expenses	—	43
Other liabilities	—	6,235
Total liabilities related to assets held-for-sale	\$ —	\$ 6,278

12. Subsequent Event - Completion of Merger with Prologis

On October 3, 2022, the General Partner merged with and into a subsidiary of Prologis, Inc. and the Partnership merged with a subsidiary of Prologis, L.P. The purchase price consideration was determined based upon a fixed exchange ratio, with each issued and outstanding share of the General Partner's common stock and issued and outstanding Limited Partner Units of the Partnership converting automatically into the right to receive 0.475 of a newly issued share of Prologis, Inc. common stock or common unit of Prologis, L.P., as applicable. All of the Partnership's debt was assumed in connection with the merger. On October 6, 2022, substantially all of the Partnership's outstanding unsecured notes were exchanged for notes of corresponding series newly issued by Prologis, L.P.

During the nine months ended September 30, 2022, the General Partner incurred \$112.9 million of transaction costs related to the Merger, which were recorded in general and administrative expense in our Consolidated Statements of Operations.



Unaudited Pro Forma Condensed Combined Financial Statements of Prologis, Inc. and Prologis, L.P. as of September 30, 2022, for the nine months ended September 30, 2022 and for the year ended December 31, 2021

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

On June 11, 2022, Prologis, Inc., Prologis, L.P. (“Prologis OP” and, together with Prologis, Inc., “Prologis,” “we,” “our” or “us”), Compton Merger Sub LLC, a Delaware limited liability company and wholly owned subsidiary of Prologis, Inc. (“Prologis Merger Sub”) and Compton Merger Sub OP LLC, a Delaware limited liability company and wholly owned subsidiary of Prologis OP (“Prologis OP Merger Sub”) entered into an Agreement and Plan of Merger (the “merger agreement”) with Duke Realty Corporation, an Indiana corporation (“Duke Realty”), and Duke Realty Limited Partnership, an Indiana limited partnership (“Duke Realty OP”). On October 3, 2022, the merger agreement was consummated, and subject to the terms and conditions set forth therein: (i) Duke Realty merged with and into Prologis Merger Sub, with Prologis Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Prologis, Inc. (the “company merger”); (ii) thereafter, Prologis, Inc. caused all of the outstanding equity interests of Prologis Merger Sub to be contributed to Prologis OP in exchange for the issuance by Prologis OP of Prologis OP common units to Prologis, Inc. and/or its subsidiaries as directed by Prologis, Inc.; and (iii) thereafter, Prologis OP Merger Sub merged with and into Duke Realty OP, with Duke Realty OP surviving the merger and becoming a wholly owned subsidiary of Prologis OP (the “partnership merger” and, together with the company merger, the “mergers”).

Under the terms of the merger agreement, at the effective time of the company merger, each issued and outstanding share of common stock, par value \$0.01 per share, of Duke Realty (“Duke Realty common stock”), as of immediately prior to the company merger was automatically converted into the right to receive 0.475 of a newly issued share of common stock, par value \$0.01 per share, of Prologis, Inc. (“Prologis common stock”), without interest, plus the right, if any, to receive cash in lieu of fractional shares of Prologis common stock into which such shares of Duke Realty common stock would have been converted pursuant to the merger agreement. At the effective time of the partnership merger, each issued and outstanding common unit of Duke Realty OP as of immediately prior to the partnership merger was converted into 0.475 of a newly issued common unit of Prologis OP. The 0.475 exchange ratio was fixed and was not adjusted to reflect changes in the stock prices of Prologis common stock or Duke Realty common stock prior to closing. Changes in the price of Prologis common stock prior to the mergers affected the market value of the merger consideration that Duke Realty shareholders and Duke Realty OP unitholders were entitled to receive upon the closing of the mergers.

On October 3, 2022, we acquired Duke Realty and Duke Realty OP for approximately \$23 billion through the issuance of equity based on the value of the Prologis, Inc. common stock issued using the closing price on September 30, 2022 and the assumption of debt.

After consideration of all applicable factors pursuant to the business combination accounting rules, we accounted for the mergers as an asset acquisition under United States Generally Accepted Accounting Principles and as a result the transaction costs will be capitalized to the basis of the acquired properties.

Description of Presentation

Prologis, Inc. is a real estate investment trust (a “REIT”) and the general partner of Prologis OP. We operate Prologis, Inc. and Prologis OP as one enterprise. The management of Prologis, Inc. consists of the same members as the management of Prologis OP. As sole general partner, Prologis, Inc. has control of Prologis OP through complete responsibility and discretion in the day-to-day management and therefore, consolidates Prologis OP for financial reporting purposes. Because the only significant asset of Prologis, Inc. is its investment in Prologis OP, the assets and liabilities of Prologis, Inc. and Prologis OP are the same on their respective financial statements. Prologis OP holds substantially all the assets of the business, directly or indirectly.

The presentation of noncontrolling interests, stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of Prologis, Inc. and those of Prologis OP. The differences in the presentations between stockholders’ equity and partners’ capital result from the differences in the equity and capital issuances in Prologis, Inc. and Prologis OP. Unless otherwise indicated the Notes to the Unaudited Pro Forma Condensed Combined Financial Statements apply to both Prologis, Inc. and Prologis OP.

Pro Forma Information

The following Unaudited Pro Forma Condensed Combined Financial Statements combine the historical consolidated financial statements of Prologis and Duke Realty, including Pro Forma Balance Sheets and Statements of Income, which we refer to as the “Pro Forma Financial Statements”.

The accompanying Pro Forma Balance Sheets at September 30, 2022 have been prepared as if the mergers had occurred as of September 30, 2022. The accompanying Pro Forma Statements of Income for the nine months ended September 30, 2022 and the year ended December 31, 2021 have been prepared as if the mergers had occurred as of January 1, 2021.

During the period from January 1, 2021 to September 30, 2022, Prologis and Duke Realty acquired and disposed of various real estate assets. None of the assets acquired and disposed of by the respective companies during this period, individually or in the aggregate, or acquisitions and dispositions considered probable of closing as of the date of the Pro Forma Financial Statements, exceeded the significance level that requires the presentation of pro forma financial information pursuant to Regulation S-X, Article 11. As such, the following Pro Forma Statements of Income for the nine months ended September 30, 2022 and the year ended December 31, 2021 do not include pro forma adjustments to present the impact of these insignificant acquisitions and dispositions as if they occurred on January 1, 2021.

Pro forma adjustments, and the assumptions on which they are based, are described in the accompanying Notes to Pro Forma Financial Statements, which are referred to in this section as the accompanying notes.

The pro forma adjustments and the purchase price allocation as presented are based on estimates and certain information that is currently available. Under acquisition accounting, the total cost or total consideration exchanged is allocated to the real estate properties and related lease intangibles on a relative fair value basis. All other assets acquired and liabilities assumed, including debt, and real estate assets that we do not intend to operate long-term are recorded at fair value. The total consideration and assignment of fair values to Duke Realty's assets and liabilities has not been finalized and is subject to change and the actual amounts could vary from the Pro Forma Financial Statements.

The Pro Forma Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). All significant adjustments that can be factually supported, are directly attributable to the mergers and are expected to have a continuing impact within the SEC regulations covering the preparation of the Pro Forma Financial Statements, have been made. The Pro Forma Financial Statements are presented for illustrative purposes only and are not necessarily indicative of the combined operating results or financial position that would have occurred if such transactions had been consummated on the dates and in accordance with the assumptions described herein, nor are they necessarily indicative of future operating results or financial position. We expect that the mergers will create significant corporate general and administrative as well as property operating cost savings. There can be no assurance that we will be successful in achieving these anticipated cost savings. Therefore, the Pro Forma Financial Statements included herein do not give effect to any synergies, potential cost reductions or other operating efficiencies that we expect to result from the mergers based on management's plans or intent after the mergers.

You are urged to read the Pro Forma Financial Statements below together with Prologis' and Duke Realty's publicly available historical consolidated financial statements and accompanying notes.

Merger Consideration

For purposes of the Pro Forma Financial Statements, Prologis has assumed a total purchase price of \$23.2 billion through the issuance of equity based on the value of Prologis common stock and units issued of \$18.8 billion, the assumption of debt of \$4.2 billion and transaction costs. The aggregate equity consideration consists of shares of Prologis common stock and Prologis OP common units issued in exchange for shares of Duke Realty common stock and Duke Realty OP common units and is calculated as follows (in millions, except price per share/unit):

Number of shares of Prologis common stock and Prologis OP common units issued upon conversion of shares of Duke Realty common stock and Duke Realty OP common units at September 30, 2022 ⁽¹⁾	184.80
Multiplied by price of Prologis common stock on September 30, 2022 ⁽²⁾	\$101.60
Estimated fair value of shares of Prologis common stock and Prologis OP common units to be issued	\$18,776
Estimated transaction costs ⁽³⁾	240
Estimated aggregate consideration	<u>\$19,016</u>

- (1) Duke Realty shareholders and Duke Realty OP unitholders received 0.475 of a newly issued share of Prologis common stock or 0.475 of a newly issued Prologis OP common unit, respectively, for each share of Duke Realty common stock or Duke Realty OP common unit, respectively, that they owned as of immediately prior to the consummation of the mergers.
- (2) Pursuant to accounting rules, the purchase price was based on the price of the Prologis common stock on September 30, 2022, with the consummation of the mergers before the market opened on October 3, 2022.
- (3) For purposes of the Pro Forma Financial Statements, estimated transaction costs for the mergers include the direct costs incurred to acquire the real estate assets. These costs were capitalized by Prologis. Termination and severance costs for the acceleration of unvested Duke Realty equity awards and Duke Realty OP LTIP units under Duke Realty's equity incentive plans that were fully vested at closing are included in the estimated fair value of Prologis common stock and Prologis OP common units to be issued.

The Pro Forma Financial Statements included herein do not give effect to any synergies, potential cost reductions or other operating efficiencies that we expect to result from the mergers based on management's plans or intent after the mergers.

PROLOGIS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS

September 30, 2022

(In thousands)

	Historical (A)		Transaction Accounting Adjustments		Pro Forma Combined
	Prologis	Duke Realty			
ASSETS					
Investments in real estate properties	\$55,954,870	\$12,194,182	\$12,069,774	(B)	\$80,218,826
Less accumulated depreciation	8,558,576	1,865,947	(1,865,947)	(C)	8,558,576
Net investments in real estate properties	47,396,294	10,328,235	13,935,721		71,660,250
Investments in and advances to unconsolidated entities	8,659,129	209,939	373,933	(D)	9,243,001
Assets held for sale or contribution	614,356	—	—	(E)	614,356
Net investments in real estate	56,669,779	10,538,174	14,309,654		81,517,607
Cash and cash equivalents	636,282	93,621	—		729,903
Other assets	3,639,468	954,840	169,750	(F)	4,764,058
Total assets	\$60,945,529	\$11,586,635	\$14,479,404		\$87,011,568
LIABILITIES AND EQUITY					
Liabilities:					
Debt	\$18,139,299	\$ 4,633,393	\$ (455,521)	(G)	\$22,317,171
Accounts payable and accrued expenses	1,318,378	281,938	—		1,600,316
Other liabilities	1,881,531	379,582	2,208,666	(H)	4,469,779
Total liabilities	21,339,208	5,294,913	1,753,145		28,387,266
Equity:					
Stockholders' equity:					
Series Q preferred shares	63,948	—	—		63,948
Common stock	7,404	3,850	(2,023)	(I)	9,231
Additional paid-in capital	35,606,319	6,266,959	12,526,594	(I)	54,399,872
Accumulated other comprehensive loss	(71,626)	(25,343)	25,343	(I)	(71,626)
Distributions in excess of net earnings	(312,945)	(53,683)	53,683	(I)	(312,945)
Total stockholders' equity	35,293,100	6,191,783	12,603,597		54,088,480
Noncontrolling interests	3,323,541	4,385	(1,945)	(J)	3,325,981
Limited partnership unitholders	989,680	95,554	124,607	(I)	1,209,841
Total equity	39,606,321	6,291,722	12,726,259		58,624,302
Total liabilities and equity	\$60,945,529	\$11,586,635	\$14,479,404		\$87,011,568

PROLOGIS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME

For the nine months ended September 30, 2022

(In thousands, except per share data)

	Historical (A)		Transaction Accounting Adjustments		Pro Forma Combined
	Prologis	Duke Realty			
Revenues:					
Rental	\$3,322,159	\$ 866,824	\$ 243,909	(K)	\$4,432,892
Strategic capital	884,916	3,602	—		888,518
Development management and other	15,025	1,521	—		16,546
Total revenues	<u>4,222,100</u>	<u>871,947</u>	<u>243,909</u>		<u>5,337,956</u>
Expenses:					
Rental	830,846	227,614	—	(L)	1,058,460
Strategic capital	239,418	3,277	—		242,695
General and administrative	245,663	174,744	—	(L)	420,407
Depreciation and amortization	1,200,410	285,409	261,205	(M)	1,747,024
Other	28,214	2,966	—		31,180
Total expenses	<u>2,544,551</u>	<u>694,010</u>	<u>261,205</u>		<u>3,499,766</u>
Operating income before gains on real estate transactions, net	1,677,549	177,937	(17,296)		1,838,190
Gains on dispositions of development properties and land, net	390,686	3,117	—		393,803
Gains on other dispositions of investments in real estate, net	585,854	242,637	—		828,491
Operating income	<u>2,654,089</u>	<u>423,691</u>	<u>(17,296)</u>		<u>3,060,484</u>
Other income (expense):					
Earnings from unconsolidated entities, net	241,481	13,900	(8,150)	(N)	247,231
Interest expense	(188,241)	(62,113)	(23,317)	(O)	(273,671)
Foreign currency and derivative gains and interest and other income, net	364,623	2,816	—		367,439
Losses on early extinguishment of debt, net	(18,895)	(21,948)	—		(40,843)
Total other income (expense)	<u>398,968</u>	<u>(67,345)</u>	<u>(31,467)</u>		<u>300,156</u>
Earnings before income taxes	3,053,057	356,346	(48,763)		3,360,640
Total income tax expense	(117,725)	(7,371)	—		(125,096)
Consolidated net earnings	2,935,332	348,975	(48,763)		3,235,544
Less net earnings attributable to noncontrolling interests	157,690	3,826	(462)	(P)	161,054
Net earnings attributable to controlling interests	2,777,642	345,149	(48,301)		3,074,490
Less preferred stock dividends	4,600	—	—		4,600
Net earnings attributable to common stockholders	<u>\$2,773,042</u>	<u>\$ 345,149</u>	<u>\$ (48,301)</u>		<u>\$3,069,890</u>
Weighted average common shares outstanding – Basic	740,585	384,066			923,246 (Q)
Weighted average common shares outstanding – Diluted	766,019	389,539			950,820 (Q)
Net earnings per share attributable to common stockholders – Basic	<u>\$ 3.74</u>	<u>\$ 0.90</u>			<u>\$ 3.33</u>
Net earnings per share attributable to common stockholders – Diluted	<u>\$ 3.72</u>	<u>\$ 0.90</u>			<u>\$ 3.32</u>

PROLOGIS, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME

For the year ended December 31, 2021

(In thousands, except per share data)

	Historical (A)		Transaction Accounting Adjustments	Pro Forma Combined
	Prologis	Duke Realty		
Revenues:				
Rental	\$4,147,994	\$1,096,635	\$ 401,181 (K)	\$5,645,810
Strategic capital	590,750	3,206	—	593,956
Development management and other	20,696	6,082	—	26,778
Total revenues	<u>4,759,440</u>	<u>1,105,923</u>	<u>401,181</u>	<u>6,266,544</u>
Expenses:				
Rental	1,041,316	320,566	— (L)	1,361,882
Strategic capital	207,171	2,399	—	209,570
General and administrative	293,167	69,554	— (L)	362,721
Depreciation and amortization	1,577,942	362,148	441,077 (M)	2,381,167
Other	22,435	7,424	—	29,859
Total expenses	<u>3,142,031</u>	<u>762,091</u>	<u>441,077</u>	<u>4,345,199</u>
Operating income before gains on real estate transactions, net	1,617,409	343,832	(39,896)	1,921,345
Gains on dispositions of development properties and land, net	817,017	12,917	—	829,934
Gains on other dispositions of investments in real estate, net	772,570	585,685	—	1,358,255
Operating income	<u>3,206,996</u>	<u>942,434</u>	<u>(39,896)</u>	<u>4,109,534</u>
Other income (expense):				
Earnings from unconsolidated entities, net	404,255	32,804	(13,062) (N)	423,997
Interest expense	(266,228)	(84,843)	(32,639) (O)	(383,710)
Foreign currency and derivative gains and interest and other income, net	165,278	7,673	—	172,951
Losses on early extinguishment of debt, net	(187,453)	(17,901)	—	(205,354)
Total other income (expense)	<u>115,852</u>	<u>(62,267)</u>	<u>(45,701)</u>	<u>7,884</u>
Earnings before income taxes	3,322,848	880,167	(85,597)	4,117,418
Total income tax expense	(174,258)	(18,549)	—	(192,807)
Consolidated net earnings	3,148,590	861,618	(85,597)	3,924,611
Less net earnings attributable to noncontrolling interests	208,867	8,723	(854) (P)	216,736
Net earnings attributable to controlling interests	2,939,723	852,895	(84,743)	3,707,875
Less preferred stock dividends	6,152	—	—	6,152
Net earnings attributable to common stockholders	<u>\$2,933,571</u>	<u>\$ 852,895</u>	<u>\$ (84,743)</u>	<u>\$3,701,723</u>
Weighted average common shares outstanding – Basic	739,363	377,673		922,024 (Q)
Weighted average common shares outstanding – Diluted	764,762	383,476		949,563 (Q)
Net earnings per share attributable to common stockholders –Basic	\$ 3.97	\$ 2.25		\$ 4.01
Net earnings per share attributable to common stockholders – Diluted	\$ 3.94	\$ 2.25		\$ 3.99

PROLOGIS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS

September 30, 2022

(In thousands)

	Historical (A)		Transaction Accounting Adjustments		Pro Forma Combined
	Prologis	Duke Realty			
ASSETS					
Investments in real estate properties	\$55,954,870	\$12,194,182	\$12,069,774	(B)	\$80,218,826
Less accumulated depreciation	8,558,576	1,865,947	(1,865,947)	(C)	8,558,576
Net investments in real estate properties	47,396,294	10,328,235	13,935,721		71,660,250
Investments in and advances to unconsolidated entities	8,659,129	209,939	373,933	(D)	9,243,001
Assets held for sale or contribution	614,356	—	—	(E)	614,356
Net investments in real estate	56,669,779	10,538,174	14,309,654		81,517,607
Cash and cash equivalents	636,282	93,621	—		729,903
Other assets	3,639,468	954,840	169,750	(F)	4,764,058
Total assets	\$60,945,529	\$11,586,635	\$14,479,404		\$87,011,568
LIABILITIES AND CAPITAL					
Liabilities:					
Debt	\$18,139,299	\$ 4,633,393	\$ (455,521)	(G)	\$22,317,171
Accounts payable and accrued expenses	1,318,378	281,938	—		1,600,316
Other liabilities	1,881,531	379,582	2,208,666	(H)	4,469,779
Total liabilities	21,339,208	5,294,913	1,753,145		28,387,266
Capital:					
Partners' capital	36,282,780	6,287,337	12,728,204	(I)	55,298,321
Noncontrolling interests	3,323,541	4,385	(1,945)	(J)	3,325,981
Total capital	39,606,321	6,291,722	12,726,259		58,624,302
Total liabilities and capital	\$60,945,529	\$11,586,635	\$14,479,404		\$87,011,568

PROLOGIS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME

For the nine months ended September 30, 2022

(In thousands, except per unit data)

	Historical (A)		Transaction Accounting Adjustments		Pro Forma Combined
	Prologis	Duke Realty			
Revenues:					
Rental	\$3,322,159	\$ 866,824	\$ 243,909	(K)	\$4,432,892
Strategic capital	884,916	3,602	—		888,518
Development management and other	15,025	1,521	—		16,546
Total revenues	<u>4,222,100</u>	<u>871,947</u>	<u>243,909</u>		<u>5,337,956</u>
Expenses:					
Rental	830,846	227,614	—	(L)	1,058,460
Strategic capital	239,418	3,277	—		242,695
General and administrative	245,663	174,744	—	(L)	420,407
Depreciation and amortization	1,200,410	285,409	261,205	(M)	1,747,024
Other	28,214	2,966	—		31,180
Total expenses	<u>2,544,551</u>	<u>694,010</u>	<u>261,205</u>		<u>3,499,766</u>
Operating income before gains on real estate transactions, net	1,677,549	177,937	(17,296)		1,838,190
Gains on dispositions of development properties and land, net	390,686	3,117	—		393,803
Gains on other dispositions of investments in real estate, net	585,854	242,637	—		828,491
Operating income	<u>2,654,089</u>	<u>423,691</u>	<u>(17,296)</u>		<u>3,060,484</u>
Other income (expense):					
Earnings from unconsolidated entities, net	241,481	13,900	(8,150)	(N)	247,231
Interest expense	(188,241)	(62,113)	(23,317)	(O)	(273,671)
Foreign currency and derivative gains and interest and other income, net	364,623	2,816	—		367,439
Losses on early extinguishment of debt, net	(18,895)	(21,948)	—		(40,843)
Total other income (expense)	<u>398,968</u>	<u>(67,345)</u>	<u>(31,467)</u>		<u>300,156</u>
Earnings before income taxes	3,053,057	356,346	(48,763)		3,360,640
Total income tax expense	(117,725)	(7,371)	—		(125,096)
Consolidated net earnings	2,935,332	348,975	(48,763)		3,235,544
Less net earnings attributable to noncontrolling interests	79,257	269	103	(P)	79,629
Net earnings attributable to controlling interests	2,856,075	348,706	(48,866)		3,155,915
Less preferred unit distributions	4,600	—	—		4,600
Net earnings attributable to common unitholders	<u>\$2,851,475</u>	<u>\$ 348,706</u>	<u>\$ (48,866)</u>		<u>\$3,151,315</u>
Weighted average common units outstanding – Basic	753,515	388,005			938,316 (Q)
Weighted average common units outstanding – Diluted	766,019	389,539			950,820 (Q)
Net earnings per unit attributable to common unitholders – Basic	\$ 3.74	\$ 0.90			\$ 3.33
Net earnings per unit attributable to common unitholders – Diluted	\$ 3.72	\$ 0.90			\$ 3.32

PROLOGIS, L.P.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME

For the year ended December 31, 2021

(In thousands, except per unit data)

	Historical (A)		Transaction Accounting Adjustments		Pro Forma Combined
	Prologis	Duke Realty			
Revenues:					
Rental	\$4,147,994	\$1,096,635	\$ 401,181	(K)	\$5,645,810
Strategic capital	590,750	3,206	—		593,956
Development management and other	20,696	6,082	—		26,778
Total revenues	<u>4,759,440</u>	<u>1,105,923</u>	<u>401,181</u>		<u>6,266,544</u>
Expenses:					
Rental	1,041,316	320,566	—	(L)	1,361,882
Strategic capital	207,171	2,399	—		209,570
General and administrative	293,167	69,554	—	(L)	362,721
Depreciation and amortization	1,577,942	362,148	441,077	(M)	2,381,167
Other	22,435	7,424	—		29,859
Total expenses	<u>3,142,031</u>	<u>762,091</u>	<u>441,077</u>		<u>4,345,199</u>
Operating income before gains on real estate transactions, net	1,617,409	343,832	(39,896)		1,921,345
Gains on dispositions of development properties and land, net	817,017	12,917	—		829,934
Gains on other dispositions of investments in real estate, net	<u>772,570</u>	<u>585,685</u>	<u>—</u>		<u>1,358,255</u>
Operating income	<u>3,206,996</u>	<u>942,434</u>	<u>(39,896)</u>		<u>4,109,534</u>
Other income (expense):					
Earnings from unconsolidated entities, net	404,255	32,804	(13,062)	(N)	423,997
Interest expense	(266,228)	(84,843)	(32,639)	(O)	(383,710)
Foreign currency and derivative gains and interest and other income, net	165,278	7,673	—		172,951
Losses on early extinguishment of debt, net	<u>(187,453)</u>	<u>(17,901)</u>	<u>—</u>		<u>(205,354)</u>
Total other income (expense)	<u>115,852</u>	<u>(62,267)</u>	<u>(45,701)</u>		<u>7,884</u>
Earnings before income taxes	<u>3,322,848</u>	<u>880,167</u>	<u>(85,597)</u>		<u>4,117,418</u>
Total income tax expense	<u>(174,258)</u>	<u>(18,549)</u>	<u>—</u>		<u>(192,807)</u>
Consolidated net earnings	<u>3,148,590</u>	<u>861,618</u>	<u>(85,597)</u>		<u>3,924,611</u>
Less net earnings attributable to noncontrolling interests	<u>127,075</u>	<u>369</u>	<u>137</u>	(P)	<u>127,581</u>
Net earnings attributable to controlling interests	<u>3,021,515</u>	<u>861,249</u>	<u>(85,734)</u>		<u>3,797,030</u>
Less preferred unit distributions	<u>6,152</u>	<u>—</u>	<u>—</u>		<u>6,152</u>
Net earnings attributable to common unitholders	<u>\$3,015,363</u>	<u>\$ 861,249</u>	<u>\$ (85,734)</u>		<u>\$3,790,878</u>
Weighted average common units outstanding – Basic					
	<u>751,973</u>	<u>381,381</u>			<u>936,774</u> (Q)
Weighted average common units outstanding – Diluted					
	<u>764,762</u>	<u>383,476</u>			<u>949,563</u> (Q)
Net earnings per unit attributable to common unitholders – Basic	<u>\$ 3.97</u>	<u>\$ 2.25</u>			<u>\$ 4.01</u>
Net earnings per unit attributable to common unitholders – Diluted	<u>\$ 3.94</u>	<u>\$ 2.25</u>			<u>\$ 3.99</u>

Notes to the Pro Forma Financial Statements

(1) Preliminary Purchase Price Allocation

The following allocation of the purchase price of Duke Realty is based on the estimate of the fair value of the tangible and intangible assets and liabilities of Duke Realty at September 30, 2022. The allocation of the purchase price was based on the fair value of such assets and liabilities as of the actual consummation date of the mergers. The final allocation of the purchase price may be different from the estimates used in the Pro Forma Financial Statements.

The purchase price of Duke Realty of \$19.0 billion (as calculated in the manner described above) is allocated to the tangible and intangible assets acquired and assumed liabilities based on the following preliminary basis at September 30, 2022 (dollar amounts in thousands):

Investments in real estate properties, net	\$24,263,956
Investments in and advances to unconsolidated entities	583,872
Cash and other assets, including lease intangible assets	1,218,211
Debt	(4,177,872)
Accounts payable, accrued expenses and other liabilities, including lease intangible liabilities	(2,870,186)
Noncontrolling interests	(2,440)
Total estimated purchase price, including transaction costs	<u>\$19,015,541</u>

(2) Historical Financial Statements

(A) In order to conform to the current Prologis presentation, we condensed and reclassified certain amounts presented in the historical financial statements of Prologis and Duke Realty.

(3) Duke Realty Transaction Accounting Adjustments

Adjustments for Pro Forma Condensed Combined Balance Sheets:

Unless otherwise indicated, the pro forma adjustments apply to both Prologis, Inc. and Prologis OP.

- (B) Duke Realty's real estate assets have been adjusted to their estimated fair value at September 30, 2022. We estimated the fair value of each property generally by applying a capitalization rate to the estimated net operating income. As the fair value of the properties acquired exceeded the estimated purchase price, we allocated the excess amount at a property-level based on the relative fair value of the property in comparison to the total portfolio. We determined the capitalization rates that were appropriate by market, based on recent appraisals, transactions or other market data. The fair value of land is generally based on relevant market data, such as a comparison of the subject site to similar parcels that have recently been sold or are currently being offered on the market for sale.
- (C) Duke Realty's historical accumulated depreciation balance was eliminated.
- (D) Duke Realty's investments in and advances to unconsolidated entities have been adjusted to their estimated fair value at September 30, 2022. The fair values for the investments were calculated using similar valuation methods as those used for consolidated real estate assets and debt.
- (E) At September 30, 2022, Duke Realty had no properties that were classified as held for sale. Prologis intends to dispose of certain of the acquired real estate assets from Duke Realty. There was no pro forma adjustment made to reflect Prologis' future intent to sell these properties.
- (F) Adjustments to Duke Realty's historical balance of other assets are as follows (in thousands):

Elimination of straight-line rent receivable	\$(206,742)
Elimination of previously acquired lease intangible assets and goodwill	(440,621)
Elimination of lease right-of-use assets	(71,730)
Elimination of deferred financing costs	(4,946)
Recognition of value of acquired lease intangible assets ⁽¹⁾	818,963
Recognition of value of acquired lease right-of-use assets ⁽²⁾	74,826
Total	<u>\$ 169,750</u>

- (1) The fair value of acquired lease intangible assets includes leasing commissions, foregone rent and above market leases. We recognize an asset for leasing commissions based on our estimate of the cost to lease space in the applicable markets. Foregone rents include the value of the revenue and recovery of costs foregone during a reasonable lease-up period, as if the space was vacant, in each of the applicable markets. An asset was recognized for acquired leases with in-place rents that are higher than our best estimate of current market rents in each of the applicable markets.

- (2) Duke Realty's lease right-of-use assets for ground and office space leases, in which Duke Realty is the lessee, were adjusted to their estimated value at September 30, 2022. We estimated the value of each lease by calculating the present value of the future minimum rental payments at September 30, 2022 using Prologis' weighted average incremental borrowing rate of 5.2%. The weighted average remaining lease term for these leases was forty-four years at September 30, 2022.
- (G) Duke Realty's debt balances have been adjusted to their estimated fair value at September 30, 2022. Fair value was estimated based on contractual future cash flows discounted using borrowing spreads and market interest rates that would have been available to us for the issuance of debt with similar terms and remaining maturities.
- (H) Adjustments to Duke Realty's historical balance of other liabilities are as follows (in thousands):

Elimination of deferred revenue	\$ (50,136)
Elimination of previously acquired lease intangible liabilities	(85,709)
Elimination of lease liabilities	(79,434)
Recognition of value of acquired lease intangible liabilities ⁽¹⁾	2,349,119
Recognition of value of acquired lease liabilities ⁽²⁾	74,826
Total	<u>\$2,208,666</u>

- (1) The fair value of acquired lease intangible liabilities includes a liability for acquired leases within-place rents that are lower than our best estimate of current market rents in each of the applicable markets.
- (2) Duke Realty's lease liabilities for ground and office space leases, in which Duke Realty is the lessee, were adjusted to their estimated value at September 30, 2022. We estimated the value of each lease by calculating the present value of the future minimum rental payments at September 30, 2022 using Prologis' weighted average incremental borrowing rate of 5.2%. The weighted average remaining lease term for these leases was forty-four years at September 30, 2022.
- (I) Adjustments represent the elimination of historical Duke Realty balances and the issuance of Prologis common stock and Prologis OP common units in exchange for shares of Duke Realty common stock and Duke Realty OP common units, respectively, in the mergers. The adjustment for the Duke Realty OP unitholders is based on the Duke Realty OP unitholders' share of the total net asset pro forma adjustments at September 30, 2022. This adjustment reflected the Duke Realty OP unitholders' ownership percentage of 1.2% at September 30, 2022.
- (J) The adjustment for noncontrolling interests in the consolidated ventures at September 30, 2022 is based on the noncontrolling interests' share in the fair value adjustments for real estate and debt as described above.

Adjustments for Pro Forma Condensed Combined Statements of Income

The pro forma adjustments to the Pro Forma Condensed Combined Statements of Income assume that a purchase price allocation done as of January 1, 2021 was equivalent to amounts assigned based on the estimated purchase price allocation done at September 30, 2022 and reflected in the Pro Forma Condensed Combined Balance Sheets.

- (K) Rental revenue is adjusted to remove Duke Realty's historical straight-line rent and amortization of the net below market lease intangible liability of \$37.0 million and \$7.0 million, respectively, for the nine months ended September 30, 2022, and \$41.0 million and \$4.4 million, respectively, for the year ended December 31, 2021. Rental revenue is further adjusted to recognize acquired leases on a straight-line basis and the amortization of the net below market lease intangible liability of \$26.6 million and \$261.3 million, respectively, for the nine months ended September 30, 2022, and \$56.4 million and \$390.2 million, respectively, for the year ended December 31, 2021. For purposes of the above or below market rent adjustments, we estimated a weighted average remaining lease term associated with these leases of five years.
- (L) We expect that the mergers will create significant corporate general and administrative as well as property operating cost savings. There can be no assurance that we will be successful in achieving these anticipated cost savings. Therefore, the Pro Forma Financial Statements included herein do not give effect to any synergies, potential cost reductions or other operating efficiencies that we expect to result from the mergers based on management's plans or intent after the mergers.
- (M) Depreciation and amortization expense is adjusted to remove \$285.4 million and \$362.2 million of Duke Realty's historical depreciation and amortization expense and recognize \$546.6 million and \$803.3 million of depreciation and amortization expense for the nine months ended September 30, 2022, and the year ended December 31, 2021, respectively. For purposes of this adjustment, we estimated the various components of the real estate acquired and used an estimated average useful life of 30 years for operating properties and an estimated weighted average remaining lease term associated with in-place leases at September 30, 2022 that approximated five years.
- (N) We adjusted Duke Realty's investment in unconsolidated entities to fair value. As a result, we adjusted the equity in earnings that Duke Realty recognized from these entities to reflect the impact the amortization of these fair value adjustments would have had on earnings from these unconsolidated entities.

- (O) We adjusted Duke Realty's interest expense based on the fair value of debt. The adjustment to interest expense includes the removal of Duke Realty's historical interest expense, including amortization of deferred financing costs and debt premiums and discounts, and calculation of interest expense based on the estimated fair value of acquired debt, net of amounts capitalized. The weighted average interest rate associated with the debt at fair value was 4.9% at September 30, 2022 (see note G).
- (P) An adjustment was made to reflect the income allocated to noncontrolling interests in the ventures that Duke Realty consolidates to reflect the impact the amortization of these fair value adjustments would have had on the earnings of the noncontrolling interests or third parties. In addition, an adjustment was made to reflect the Duke Realty OP unitholders' ownership percentage of 1.2% in all of the pro forma adjustments described above.

(4) Combined Pro Forma Adjustments

- (Q) The unaudited pro forma adjustments to shares or units outstanding used in the calculation of basic earnings per share or unit attributable to common stockholders or unitholders and diluted earnings per share attributable to common stockholders or unitholders, after giving effect to the exchange ratios for the mergers, were as follows (in thousands):

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Prologis, Inc.		
Prologis weighted average common shares outstanding – Basic	740,585	739,363
Shares issued to Duke Realty shareholders – pro forma basis ⁽¹⁾	182,661	182,661
Weighted average common shares outstanding – Basic	923,246	922,024
Prologis weighted average common shares outstanding – Diluted	766,019	764,762
Shares issued to Duke Realty shareholders, including exchange of Duke Realty OP units – pro forma basis ⁽¹⁾	184,801	184,801
Weighted average common shares outstanding – Diluted	950,820	949,563
Prologis, L.P.		
Prologis weighted average common units outstanding – Basic	753,515	751,973
Units issued to Duke Realty OP unitholders – pro forma basis ⁽¹⁾	184,801	184,801
Weighted average common units outstanding – Basic	938,316	936,774
Prologis weighted average common units outstanding – Diluted	766,019	764,762
Units issued to Duke Realty OP unitholders – pro forma basis ⁽¹⁾	184,801	184,801
Weighted average common units outstanding – Diluted	950,820	949,563

- (1) The pro forma weighted average shares or units outstanding assumes the issuance of shares of Prologis common stock and Prologis OP common units in connection with the mergers throughout all periods presented.