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

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2020**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from _____________ to _____________**

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

**Prologis, Inc.**
**Prologis, L.P.**
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Maryland (Prologis, Inc.)**<br>**Delaware (Prologis, L.P.)**<br>**(State or other jurisdiction of incorporation or organization)** | **94-3281941 (Prologis, Inc.)**<br>**94-3285362 (Prologis, L.P.)**<br>**(I.R.S. Employer Identification No.)** |
| **Pier 1, Bay 1, San Francisco, California**<br>**(Address or principal executive offices)** | **94111**<br>**(Zip Code)** |

**(415) 394-9000**
**(Registrants' telephone number, including area code)**
**(Former name, former address and former fiscal year, if changed since last report)**

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

| | Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|---|
| Prologis, Inc. | Common Stock, $0.01 par value | PLD | New York Stock Exchange |
| Prologis, L.P. | 3.000% Notes due 2022 | PLD/22 | New York Stock Exchange |
| Prologis, L.P. | 3.375% Notes due 2024 | PLD/24 | 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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing for the past 90 days.

| | | | | |
|---|---|---|---|---|
| Prologis, Inc. | Yes | ☒ | No | ☐ |
| Prologis, L.P. | Yes | ☒ | No | ☐ |

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter periods that the registrant was required to submit such files).

| | | | | |
|---|---|---|---|---|
| Prologis, Inc. | Yes | ☒ | No | ☐ |
| Prologis, L.P. | Yes | ☒ | No | ☐ |

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Prologis, Inc.:
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

Prologis, L.P.:
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

| | | | | |
|---|---|---|---|---|
| Prologis, Inc. | Yes | ☐ | No | ☒ |
| Prologis, L.P. | Yes | ☐ | No | ☒ |

The number of shares of Prologis, Inc.'s common stock outstanding at October 23, 2020, was approximately 739,223,000.

## EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2020, of Prologis, Inc. and Prologis, L.P. Unless stated otherwise or the context otherwise requires, references to “Prologis, Inc.” or the “Parent” mean Prologis, Inc. and its consolidated subsidiaries; and references to “Prologis, L.P.” or the “Operating Partnership” or the “OP” mean Prologis, L.P., and its consolidated subsidiaries. The terms “the Company,” “Prologis,” “we,” “our” or “us” means the Parent and the OP collectively.

The Parent is a real estate investment trust (a “REIT”) and the general partner of the OP. At September 30, 2020, the Parent owned 97.30% common general partnership interest in the OP and 100% of the preferred units in the OP. The remaining 2.70% common limited partnership interests are owned by unaffiliated investors and certain current and former directors and officers of the Parent.

We operate the Parent and the OP as one enterprise. The management of the Parent consists of the same members as the management of the OP. These members are officers of the Parent and employees of the OP or one of its subsidiaries. As sole general partner, the Parent has control of the OP through complete responsibility and discretion in the day-to-day management and therefore, consolidates the OP for financial reporting purposes. Because the only significant asset of the Parent is its investment in the OP, the assets and liabilities of the Parent and the OP are the same on their respective financial statements.

We believe combining the quarterly reports on Form 10-Q of the Parent and the OP into this single report results in the following benefits:

- enhances investors’ understanding of the Parent and the OP by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation as a substantial portion of the Company’s disclosure applies to both the Parent and the OP; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

It is important to understand the few differences between the Parent and the OP in the context of how we operate the Company. The Parent does not conduct business itself, other than acting as the sole general partner of the OP and issuing public equity from time to time. The OP holds substantially all the assets of the business, directly or indirectly. The OP conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by the Parent, which are contributed to the OP in exchange for partnership units, the OP generates capital required by the business through the OP’s operations, incurrence of indebtedness and issuance of partnership units to third parties.

The presentation of noncontrolling interests, stockholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of the Parent and those of the OP. The differences in the presentations between stockholders’ equity and partners’ capital result from the differences in the equity and capital issuances in the Parent and in the OP.

The preferred stock, common stock, additional paid-in capital, accumulated other comprehensive income (loss) and distributions in excess of net earnings of the Parent are presented as stockholders’ equity in the Parent’s consolidated financial statements. These items represent the common and preferred general partnership interests held by the Parent in the OP and are presented as general partner’s capital within partners’ capital in the OP’s consolidated financial statements. The common limited partnership interests held by the limited partners in the OP are presented as noncontrolling interest within equity in the Parent’s consolidated financial statements and as limited partners’ capital within partners’ capital in the OP’s consolidated financial statements.

To highlight the differences between the Parent and the OP, separate sections in this report, as applicable, individually discuss the Parent and the OP, including separate financial statements and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the Parent and the OP, this report refers to actions or holdings as being actions or holdings of Prologis.

**PROLOGIS**

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## PART I. FINANCIAL INFORMATION

### ITEM 1. Financial Statements

**PROLOGIS, INC.**

**CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(In thousands, except per share data)**

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Investments in real estate properties | $ 49,106,359 | $ 35,224,414 |
| Less accumulated depreciation | 6,229,744 | 5,437,662 |
| Net investments in real estate properties | 42,876,615 | 29,786,752 |
| Investments in and advances to unconsolidated entities | 7,310,960 | 6,237,371 |
| Assets held for sale or contribution | 1,757,187 | 720,685 |
| Net investments in real estate | 51,944,762 | 36,744,808 |
| | | |
| Lease right-of-use assets | 455,704 | 486,330 |
| Cash and cash equivalents | 940,193 | 1,088,855 |
| Other assets | 2,418,939 | 1,711,857 |
| **Total assets** | **$ 55,759,598** | **$ 40,031,850** |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Liabilities:** | | |
| Debt | $ 16,518,126 | $ 11,905,877 |
| Lease liabilities | 448,534 | 471,634 |
| Accounts payable and accrued expenses | 1,119,124 | 704,954 |
| Other liabilities | 1,184,507 | 877,601 |
| Total liabilities | 19,270,291 | 13,960,066 |
| | | |
| **Equity:** | | |
| Prologis, Inc. stockholders’ equity: | | |
| Series Q preferred stock at stated liquidation preference of $50 per share; $0.01 par value; 1,279 and 1,379 shares issued and outstanding and 100,000 preferred shares authorized at September 30, 2020 and December 31, 2019, respectively | 63,948 | 68,948 |
| Common stock; $0.01 par value; 738,965 shares and 631,797 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively | 7,390 | 6,318 |
| Additional paid-in capital | 35,456,223 | 25,719,427 |
| Accumulated other comprehensive loss | (1,184,465 ) | (990,398 ) |
| Distributions in excess of net earnings | (2,245,921 ) | (2,151,168 ) |
| Total Prologis, Inc. stockholders’ equity | 32,097,175 | 22,653,127 |
| Noncontrolling interests | 4,392,132 | 3,418,657 |
| Total equity | 36,489,307 | 26,071,784 |
| **Total liabilities and equity** | **$ 55,759,598** | **$ 40,031,850** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**PROLOGIS, INC.**

**CONSOLIDATED STATEMENTS OF INCOME**
**(Unaudited)**
**(In thousands, except per share amounts)**

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Rental | $ 980,148 | $ 710,465 | $ 2,803,321 | $ 2,107,961 |
| Strategic capital | 98,993 | 230,467 | 516,242 | 393,416 |
| Development management and other | 3,632 | 1,249 | 7,575 | 3,228 |
| Total revenues | 1,082,773 | 942,181 | 3,327,138 | 2,504,605 |
| **Expenses:** | | | | |
| Rental | 245,490 | 180,864 | 705,217 | 550,070 |
| Strategic capital | 45,791 | 63,404 | 173,910 | 138,668 |
| General and administrative | 74,348 | 65,199 | 208,701 | 201,176 |
| Depreciation and amortization | 400,738 | 282,254 | 1,144,903 | 850,639 |
| Other | 3,020 | 2,294 | 25,573 | 9,643 |
| Total expenses | 769,387 | 594,015 | 2,258,304 | 1,750,196 |
| **Operating income before gains on real estate transactions, net** | 313,386 | 348,166 | 1,068,834 | 754,409 |
| Gains on dispositions of development properties and land, net | 134,207 | 63,935 | 383,373 | 303,317 |
| Gains on other dispositions of investments in real estate, net | 108,927 | 59,379 | 184,357 | 232,400 |
| **Operating income** | 556,520 | 471,480 | 1,636,564 | 1,290,126 |
| **Other income (expense):** | | | | |
| Earnings from unconsolidated entities, net | 73,972 | 46,302 | 216,844 | 151,524 |
| Interest expense | (80,711) | (60,244) | (237,651) | (179,873) |
| Interest and other income (expense), net | (5,866) | 654 | (4,469) | 12,876 |
| Foreign currency and derivative gains (losses), net | (100,974) | 59,492 | (48,481) | 70,267 |
| Losses on early extinguishment of debt, net | (98,266) | (13,585) | (164,606) | (16,086) |
| Total other income (expense) | (211,845) | 32,619 | (238,363) | 38,708 |
| **Earnings before income taxes** | 344,675 | 504,099 | 1,398,201 | 1,328,834 |
| Total income tax expense | 12,154 | 13,086 | 89,578 | 53,230 |
| **Consolidated net earnings** | 332,521 | 491,013 | 1,308,623 | 1,275,604 |
| Less net earnings attributable to noncontrolling interests | 29,827 | 38,867 | 108,703 | 89,636 |
| **Net earnings attributable to controlling interests** | 302,694 | 452,146 | 1,199,920 | 1,185,968 |
| Less preferred stock dividends | 1,652 | 1,507 | 4,921 | 4,498 |
| Loss on preferred stock repurchase | 2,347 | - | 2,347 | - |
| **Net earnings attributable to common stockholders** | **$ 298,695** | **$ 450,639** | **$ 1,192,652** | **$ 1,181,470** |
| Weighted average common shares outstanding – Basic | 738,194 | 630,929 | 724,876 | 630,356 |
| Weighted average common shares outstanding – Diluted | 764,619 | 655,259 | 750,971 | 654,818 |
| **Net earnings per share attributable to common stockholders – Basic** | **$ 0.40** | **$ 0.71** | **$ 1.65** | **$ 1.87** |
| **Net earnings per share attributable to common stockholders – Diluted** | **$ 0.40** | **$ 0.71** | **$ 1.63** | **$ 1.86** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**PROLOGIS, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Unaudited)**
**(In thousands)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Consolidated net earnings | $ 332,521 | $ 491,013 | $ 1,308,623 | $ 1,275,604 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation gains (losses), net | (45,576 ) | 30,053 | (180,162 ) | 42,471 |
| Unrealized gains (losses) on derivative contracts, net | 2,379 | (616 ) | (19,696 ) | (6,974 ) |
| Comprehensive income | 289,324 | 520,450 | 1,108,765 | 1,311,101 |
| Net earnings attributable to noncontrolling interests | (29,827 ) | (38,867 ) | (108,703 ) | (89,636 ) |
| Other comprehensive loss (income) attributable to noncontrolling interests | 861 | (574 ) | 5,791 | (1,072 ) |
| **Comprehensive income attributable to common stockholders** | **$ 260,358** | **$ 481,009** | **$ 1,005,853** | **$ 1,220,393** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## PROLOGIS, INC.

## CONSOLIDATED STATEMENTS OF EQUITY
### (Unaudited)
### (In thousands)

### Three Months Ended September 30, 2020 and 2019

| | Preferred Stock | Common Stock: Number of Shares | Common Stock: Par Value | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Distributions in Excess of Net Earnings | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at July 1, 2020** | $ 68,948 | 738,732 | $ 7,387 | $ 35,424,401 | $ (1,142,129) | $ (2,115,679) | $ 4,503,281 | $ 36,746,209 |
| Consolidated net earnings | - | - | - | - | - | 302,694 | 29,827 | 332,521 |
| Effect of equity compensation plans | - | 9 | 1 | 14,274 | - | - | 20,905 | 35,180 |
| Issuance of units related to acquisitions | - | - | - | - | - | - | 48,533 | 48,533 |
| Repurchase of preferred stock | (5,000) | - | - | 147 | - | (2,347) | - | (7,200) |
| Redemption of noncontrolling interests | - | 224 | 2 | 9,698 | - | - | (78,734) | (69,034) |
| Foreign currency translation losses, net | - | - | - | - | (44,637) | - | (939) | (45,576) |
| Unrealized gains on derivative contracts, net | - | - | - | - | 2,301 | - | 78 | 2,379 |
| Reallocation of equity | - | - | - | 7,707 | - | - | (7,707) | - |
| Dividends ($0.58 per common share) and other distributions | - | - | - | (4) | - | (430,589) | (123,112) | (553,705) |
| **Balance at September 30, 2020** | **$ 63,948** | **738,965** | **$ 7,390** | **$ 35,456,223** | **$ (1,184,465)** | **$ (2,245,921)** | **$ 4,392,132** | **$ 36,489,307** |
| | | | | | | | | |
| **Balance at July 1, 2019** | $ 68,948 | 631,054 | $ 6,311 | $ 25,651,666 | $ (1,079,109) | $ (2,317,008) | $ 3,446,625 | $ 25,777,433 |
| Consolidated net earnings | - | - | - | - | - | 452,146 | 38,867 | 491,013 |
| Effect of equity compensation plans | - | 51 | 1 | 11,938 | - | - | 14,261 | 26,200 |
| Capital contributions | - | - | - | - | - | - | 5 | 5 |
| Purchase of noncontrolling interests | - | - | - | 2,557 | - | - | (3,932) | (1,375) |
| Redemption of noncontrolling interests | - | 638 | 5 | 22,158 | - | - | (31,770) | (9,607) |
| Foreign currency translation gains, net | - | - | - | - | 29,469 | - | 584 | 30,053 |
| Unrealized losses on derivative contracts, net | - | - | - | - | (606) | - | (10) | (616) |
| Reallocation of equity | - | - | - | 5,333 | - | - | (5,333) | - |
| Dividends ($0.53 per common share) and other distributions | - | - | - | - | - | (336,599) | (40,930) | (377,529) |
| **Balance at September 30, 2019** | **$ 68,948** | **631,743** | **$ 6,317** | **$ 25,693,652** | **$ (1,050,246)** | **$ (2,201,461)** | **$ 3,418,367** | **$ 25,935,577** |

### Nine Months Ended September 30, 2020 and 2019

| | Preferred Stock | Common Stock: Number of Shares | Common Stock: Par Value | Additional Paid-in Capital | Accumulated Other Comprehensive Income (Loss) | Distributions in Excess of Net Earnings | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2020** | $ 68,948 | 631,797 | $ 6,318 | $ 25,719,427 | $ (990,398) | $ (2,151,168) | $ 3,418,657 | $ 26,071,784 |
| Consolidated net earnings | - | - | - | - | - | 1,199,920 | 108,703 | 1,308,623 |
| Effect of equity compensation plans | - | 655 | 7 | 21,096 | - | - | 63,905 | 85,008 |
| Liberty Transaction, net of issuance costs | - | 106,723 | 1,067 | 9,801,373 | - | - | 211,086 | 10,013,526 |
| Issuance of units related to acquisitions | - | - | - | - | - | - | 48,533 | 48,533 |
| Repurchase of common shares | - | (539) | (5) | (34,824) | - | - | - | (34,829) |
| Repurchase of preferred stock | (5,000) | - | - | 147 | - | (2,347) | - | (7,200) |
| Capital contributions | - | - | - | - | - | - | 916,974 | 916,974 |
| Redemption of noncontrolling interests | - | 329 | 3 | 14,249 | - | - | (126,029) | (111,777) |
| Foreign currency translation losses, net | - | - | - | - | (174,903) | - | (5,259) | (180,162) |
| Unrealized losses on derivative contracts, net | - | - | - | - | (19,164) | - | (532) | (19,696) |
| Reallocation of equity | - | - | - | (64,752) | - | - | 64,752 | - |
| Dividends ($1.74 per common share) and other distributions | - | - | - | (493) | - | (1,292,326) | (308,658) | - (1,601,477) |
| **Balance at September 30, 2020** | **$ 63,948** | **738,965** | **$ 7,390** | **$ 35,456,223** | **$ (1,184,465)** | **$ (2,245,921)** | **$ 4,392,132** | **$ 36,489,307** |
| | | | | | | | | |
| **Balance at January 1, 2019** | $ 68,948 | 629,616 | $ 6,296 | $ 25,685,987 | $ (1,084,671) | $ (2,378,467) | $ 3,502,795 | $ 25,800,888 |
| Consolidated net earnings | - | - | - | - | - | 1,185,968 | 89,636 | 1,275,604 |
| Effect of equity compensation plans | - | 942 | 10 | 22,480 | - | - | 51,582 | 74,072 |
| Capital contributions | - | - | - | - | - | - | 9,076 | 9,076 |
| Purchase of noncontrolling interests | - | - | - | 2,557 | - | - | (3,932) | (1,375) |
| Redemption of noncontrolling interests | - | 1,185 | 11 | 31,630 | - | - | (137,132) | (105,491) |
| Contribution to Brazil venture | - | - | - | - | - | - | (12,630) | (12,630) |
| Foreign currency translation gains, net | - | - | - | - | 41,206 | - | 1,265 | 42,471 |
| Unrealized losses on derivative contracts, net | - | - | - | - | (6,781) | - | (193) | (6,974) |
| Reallocation of equity | - | - | - | (48,985) | - | - | 48,985 | - |
| Dividends ($1.59 per common share) and other distributions | - | - | - | (17) | - | (1,008,962) | (131,085) | (1,140,064) |
| **Balance at September 30, 2019** | **$ 68,948** | **631,743** | **$ 6,317** | **$ 25,693,652** | **$ (1,050,246)** | **$ (2,201,461)** | **$ 3,418,367** | **$ 25,935,577** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**PROLOGIS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In thousands)**

| | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|
| **Operating activities:** | | |
| Consolidated net earnings | $ 1,308,623 | $ 1,275,604 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Straight-lined rents and amortization of above and below market leases | (88,637) | (77,157) |
| Equity-based compensation awards | 86,360 | 72,467 |
| Depreciation and amortization | 1,144,903 | 850,639 |
| Earnings from unconsolidated entities, net | (216,844) | (151,524) |
| Operating distributions from unconsolidated entities | 355,395 | 269,992 |
| Decrease (increase) in operating receivables from unconsolidated entities | 71,979 | (99,762) |
| Amortization of debt discounts and debt issuance costs, net | 5,568 | 12,642 |
| Gains on dispositions of development properties and land, net | (383,373) | (303,317) |
| Gains on other dispositions of investments in real estate, net | (184,357) | (232,400) |
| Unrealized foreign currency and derivative losses (gains), net | 58,645 | (51,373) |
| Losses on early extinguishment of debt, net | 164,606 | 16,086 |
| Deferred income tax expense (benefit) | (6,564) | 9,769 |
| Increase in accounts receivable, lease right-of-use assets and other assets | (33,189) | (25,849) |
| Increase in accounts payable and accrued expenses, lease liabilities and other liabilities | 50,220 | 81,843 |
| Net cash provided by operating activities | 2,333,335 | 1,647,660 |
| **Investing activities:** | | |
| Real estate development | (1,501,089) | (1,271,656) |
| Real estate acquisitions | (700,793) | (660,836) |
| Liberty Transaction, net of cash acquired | (24,550) | - |
| IPT Transaction, net of cash acquired | (1,665,359) | - |
| Tenant improvements and lease commissions on previously leased space | (142,168) | (128,413) |
| Property improvements | (91,355) | (89,132) |
| Proceeds from dispositions and contributions of real estate properties | 1,684,633 | 1,769,296 |
| Investments in and advances to unconsolidated entities | (345,310) | (256,727) |
| Return of investment from unconsolidated entities | 206,741 | 360,106 |
| Proceeds from repayment of notes receivable backed by real estate | 4,312 | - |
| Proceeds from the settlement of net investment hedges | 2,352 | 23,640 |
| Payments on the settlement of net investment hedges | (7,236) | (28,524) |
| Net cash used in investing activities | (2,579,822) | (282,246) |
| **Financing activities:** | | |
| Proceeds from issuance of common stock | 1,869 | 5,899 |
| Repurchase and retirement of common stock | (34,829) | - |
| Repurchase of preferred stock | (7,200) | - |
| Dividends paid on common and preferred stock | (1,292,326) | (1,008,962) |
| Noncontrolling interests contributions | 916,974 | 9,076 |
| Noncontrolling interests distributions | (308,658) | (131,085) |
| Settlement of noncontrolling interests | (111,777) | (106,866) |
| Tax paid with shares withheld | (23,227) | (21,933) |
| Debt and equity issuance costs paid | (51,723) | (15,011) |
| Net payments on credit facilities | (142,498) | (56,452) |
| Repurchase of and payments on debt | (6,156,328) | (3,279,771) |
| Proceeds from the issuance of debt | 7,303,761 | 3,921,728 |
| Net cash provided by (used in) financing activities | 94,038 | (683,377) |
| | | |
| Effect of foreign currency exchange rate changes on cash | 3,787 | (899) |
| Net increase (decrease) in cash and cash equivalents | (148,662) | 681,138 |
| Cash and cash equivalents, beginning of period | 1,088,855 | 343,856 |
| Cash and cash equivalents, end of period | **$ 940,193** | **$ 1,024,994** |

See Note 13 for information on noncash investing and financing activities and other information.

The accompanying notes are an integral part of these Consolidated Financial Statements.

## PROLOGIS, L.P.

## CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| Investments in real estate properties | $ 49,106,359 | $ 35,224,414 |
| Less accumulated depreciation | 6,229,744 | 5,437,662 |
| Net investments in real estate properties | 42,876,615 | 29,786,752 |
| Investments in and advances to unconsolidated entities | 7,310,960 | 6,237,371 |
| Assets held for sale or contribution | 1,757,187 | 720,685 |
| Net investments in real estate | 51,944,762 | 36,744,808 |
| | | |
| Lease right-of-use assets | 455,704 | 486,330 |
| Cash and cash equivalents | 940,193 | 1,088,855 |
| Other assets | 2,418,939 | 1,711,857 |
| **Total assets** | **$ 55,759,598** | **$ 40,031,850** |
| | | |
| **LIABILITIES AND CAPITAL** | | |
| **Liabilities:** | | |
| Debt | $ 16,518,126 | $ 11,905,877 |
| Lease liabilities | 448,534 | 471,634 |
| Accounts payable and accrued expenses | 1,119,124 | 704,954 |
| Other liabilities | 1,184,507 | 877,601 |
| Total liabilities | 19,270,291 | 13,960,066 |
| | | |
| **Capital:** | | |
| Partners' capital: | | |
| General partner – preferred | 63,948 | 68,948 |
| General partner – common | 32,033,227 | 22,584,179 |
| Limited partners – common | 541,626 | 355,076 |
| Limited partners – Class A common | 347,510 | 288,187 |
| Total partners' capital | 32,986,311 | 23,296,390 |
| Noncontrolling interests | 3,502,996 | 2,775,394 |
| Total capital | 36,489,307 | 26,071,784 |
| **Total liabilities and capital** | **$ 55,759,598** | **$ 40,031,850** |

The accompanying notes are an integral part of these Consolidated Financial Statements

## PROLOGIS, L.P.

## CONSOLIDATED STATEMENTS OF INCOME
### (Unaudited)
### (In thousands, except per unit amounts)

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Rental | $ 980,148 | $ 710,465 | $ 2,803,321 | $ 2,107,961 |
| Strategic capital | 98,993 | 230,467 | 516,242 | 393,416 |
| Development management and other | 3,632 | 1,249 | 7,575 | 3,228 |
| Total revenues | 1,082,773 | 942,181 | 3,327,138 | 2,504,605 |
| **Expenses:** | | | | |
| Rental | 245,490 | 180,864 | 705,217 | 550,070 |
| Strategic capital | 45,791 | 63,404 | 173,910 | 138,668 |
| General and administrative | 74,348 | 65,199 | 208,701 | 201,176 |
| Depreciation and amortization | 400,738 | 282,254 | 1,144,903 | 850,639 |
| Other | 3,020 | 2,294 | 25,573 | 9,643 |
| Total expenses | 769,387 | 594,015 | 2,258,304 | 1,750,196 |
| | | | | |
| **Operating income before gains on real estate transactions, net** | 313,386 | 348,166 | 1,068,834 | 754,409 |
| Gains on dispositions of development properties and land, net | 134,207 | 63,935 | 383,373 | 303,317 |
| Gains on other dispositions of investments in real estate, net | 108,927 | 59,379 | 184,357 | 232,400 |
| **Operating income** | 556,520 | 471,480 | 1,636,564 | 1,290,126 |
| | | | | |
| **Other income (expense):** | | | | |
| Earnings from unconsolidated entities, net | 73,972 | 46,302 | 216,844 | 151,524 |
| Interest expense | (80,711 ) | (60,244 ) | (237,651 ) | (179,873 ) |
| Interest and other income (expense), net | (5,866 ) | 654 | (4,469 ) | 12,876 |
| Foreign currency and derivative gains (losses), net | (100,974 ) | 59,492 | (48,481 ) | 70,267 |
| Losses on early extinguishment of debt, net | (98,266 ) | (13,585 ) | (164,606 ) | (16,086 ) |
| Total other income (expense) | (211,845 ) | 32,619 | (238,363 ) | 38,708 |
| **Earnings before income taxes** | 344,675 | 504,099 | 1,398,201 | 1,328,834 |
| Total income tax expense | 12,154 | 13,086 | 89,578 | 53,230 |
| **Consolidated net earnings** | 332,521 | 491,013 | 1,308,623 | 1,275,604 |
| Less net earnings attributable to noncontrolling interests | 21,453 | 25,509 | 74,709 | 54,018 |
| **Net earnings attributable to controlling interests** | 311,068 | 465,504 | 1,233,914 | 1,221,586 |
| Less preferred unit distributions | 1,652 | 1,507 | 4,921 | 4,498 |
| Loss on preferred unit repurchase | 2,347 | - | 2,347 | - |
| **Net earnings attributable to common unitholders** | **$ 307,069** | **$ 463,997** | **$ 1,226,646** | **$ 1,217,088** |
| | | | | |
| Weighted average common units outstanding – Basic | 750,971 | 641,229 | 737,489 | 641,077 |
| Weighted average common units outstanding – Diluted | 764,619 | 655,259 | 750,971 | 654,818 |
| | | | | |
| **Net earnings per unit attributable to common unitholders – Basic** | **$ 0.40** | **$ 0.71** | **$ 1.65** | **$ 1.87** |
| | | | | |
| **Net earnings per unit attributable to common unitholders – Diluted** | **$ 0.40** | **$ 0.71** | **$ 1.63** | **$ 1.86** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

## PROLOGIS, L.P.

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**(Unaudited)**
**(In thousands)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Consolidated net earnings | $ 332,521 | $ 491,013 | $ 1,308,623 | $ 1,275,604 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation gains (losses), net | (45,576 ) | 30,053 | (180,162 ) | 42,471 |
| Unrealized gains (losses) on derivative contracts, net | 2,379 | (616 ) | (19,696 ) | (6,974 ) |
| Comprehensive income | 289,324 | 520,450 | 1,108,765 | 1,311,101 |
| Net earnings attributable to noncontrolling interests | (21,453 ) | (25,509 ) | (74,709 ) | (54,018 ) |
| Other comprehensive loss (income) attributable to noncontrolling interests | (217 ) | 245 | 405 | (88 ) |
| **Comprehensive income attributable to common unitholders** | **$ 267,654** | **$ 495,186** | **$ 1,034,461** | **$ 1,256,995** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**PROLOGIS, L.P.**

**CONSOLIDATED STATEMENTS OF CAPITAL**
**(Unaudited)**
**(In thousands)**

### Three Months Ended September 30, 2020 and 2019

| | General Partner | | | | Limited Partners | | | | Non- | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred | | Common | | Common | | Class A Common | | controlling | Total |
| | Units | Amount | Units | Amount | Units | Amount | Units | Amount | Interests | Capital |
| **Balance at July 1, 2020** | 1,379 | $ 68,948 | 738,732 | $ 32,173,980 | 12,914 | $ 563,403 | 8,608 | $ 350,078 | $ 3,589,800 | $ 36,746,209 |
| Consolidated net earnings | - | - | - | 302,694 | - | 5,158 | - | 3,216 | 21,453 | 332,521 |
| Effect of equity compensation plans | - | - | 9 | 14,275 | 22 | 20,905 | - | - | - | 35,180 |
| Issuance of units related to acquisitions | - | - | - | - | 461 | 48,533 | - | - | - | 48,533 |
| Repurchase of preferred units | (100 ) | (5,000 ) | - | (2,200 ) | - | - | - | - | - | (7,200 ) |
| Redemption of limited partners units | - | - | 224 | 9,700 | (903 ) | (78,215 ) | (13 ) | (519 ) | - | (69,034 ) |
| Foreign currency translation gains (losses), net | - | - | - | (44,637 ) | - | (676 ) | - | (480 ) | 217 | (45,576 ) |
| Unrealized gains on derivative contracts, net | - | - | - | 2,301 | - | 52 | - | 26 | - | 2,379 |
| Reallocation of capital | - | - | - | 7,707 | - | (8,454 ) | - | 747 | - | - |
| Distributions ($0.58 per common unit) and other | - | - | - | (430,593 ) | - | (9,080 ) | - | (5,558 ) | (108,474 ) | (553,705 ) |
| **Balance at September 30, 2020** | **1,279** | **$ 63,948** | **738,965** | **$ 32,033,227** | **12,494** | **$ 541,626** | **8,595** | **$ 347,510** | **$ 3,502,996** | **$ 36,489,307** |
| | | | | | | | | | | |
| **Balance at July 1, 2019** | 1,379 | $ 68,948 | 631,054 | $ 22,261,860 | 10,402 | $ 366,960 | 8,849 | $ 293,482 | $ 2,786,183 | $ 25,777,433 |
| Consolidated net earnings | - | - | - | 452,146 | - | 7,518 | - | 5,840 | 25,509 | 491,013 |
| Effect of equity compensation plans | - | - | 51 | 11,939 | 35 | 14,261 | - | - | - | 26,200 |
| Capital contributions | - | - | - | - | - | - | - | - | 5 | 5 |
| Purchase of noncontrolling interests | - | - | - | 2,557 | - | - | - | - | (3,932 ) | (1,375 ) |
| Redemption of noncontrolling interests | - | - | - | 1,790 | - | - | - | - | (1,790 ) | - |
| Redemption of limited partners units | - | - | 638 | 20,373 | (468 ) | (22,092 ) | (236 ) | (7,888 ) | - | (9,607 ) |
| Foreign currency translation gains (losses), net | - | - | - | 29,469 | - | 457 | - | 372 | (245 ) | 30,053 |
| Unrealized losses on derivative contracts, net | - | - | - | (606 ) | - | (5 ) | - | (5 ) | - | (616 ) |
| Reallocation of capital | - | - | - | 5,333 | - | (6,199 ) | - | 866 | - | - |
| Distributions ($0.53 per common unit) and other | - | - | - | (336,599 ) | - | (6,654 ) | - | (5,570 ) | (28,706 ) | (377,529 ) |
| **Balance at September 30, 2019** | **1,379** | **$ 68,948** | **631,743** | **$ 22,448,262** | **9,969** | **$ 354,246** | **8,613** | **$ 287,097** | **$ 2,777,024** | **$ 25,935,577** |

### Nine Months Ended September 30, 2020 and 2019

| | General Partner | | | | Limited Partners | | | | Non- | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred | | Common | | Common | | Class A Common | | controlling | Total |
| | Units | Amount | Units | Amount | Units | Amount | Units | Amount | Interests | Capital |
| **Balance at January 1, 2020** | 1,379 | $ 68,948 | 631,797 | $ 22,584,179 | 9,933 | $ 355,076 | 8,613 | $ 288,187 | $ 2,775,394 | $ 26,071,784 |
| Consolidated net earnings | - | - | - | 1,199,920 | - | 20,752 | - | 13,242 | 74,709 | 1,308,623 |
| Effect of equity compensation plans | - | - | 655 | 21,103 | 1,279 | 63,905 | - | - | - | 85,008 |
| Liberty Transaction, net of issuance costs | - | - | 106,723 | 9,802,440 | 2,288 | 210,190 | - | - | 896 | 10,013,526 |
| Issuance of units related to acquisitions | - | - | - | - | 461 | 48,533 | - | - | - | 48,533 |
| Repurchase of common units | - | - | (539 ) | (34,829 ) | - | - | - | - | - | (34,829 ) |
| Repurchase of preferred units | (100 ) | (5,000 ) | - | (2,200 ) | - | - | - | - | - | (7,200 ) |
| Capital contributions | - | - | - | - | - | - | - | - | 916,974 | 916,974 |
| Redemption of limited partners units | - | - | 329 | 14,252 | (1,467 ) | (125,307 ) | (18 ) | (722 ) | - | (111,777 ) |
| Foreign currency translation losses, net | - | - | - | (174,903 ) | - | (2,957 ) | - | (1,897 ) | (405 ) | (180,162 ) |
| Unrealized losses on derivative contracts, net | - | - | - | (19,164 ) | - | (324 ) | - | (208 ) | - | (19,696 ) |
| Reallocation of capital | - | - | - | (64,752 ) | - | (851 ) | - | 65,603 | - | - |
| Distributions ($1.74 per common unit) and other | - | - | - | (1,292,819 ) | - | (27,391 ) | - | (16,695 ) | (264,572 ) | (1,601,477 ) |
| **Balance at September 30, 2020** | **1,279** | **$ 63,948** | **738,965** | **$ 32,033,227** | **12,494** | **$ 541,626** | **8,595** | **$ 347,510** | **$ 3,502,996** | **$ 36,489,307** |
| | | | | | | | | | | |
| **Balance at January 1, 2019** | 1,379 | $ 68,948 | 629,616 | $ 22,229,145 | 10,516 | $ 371,281 | 8,849 | $ 295,045 | $ 2,836,469 | $ 25,800,888 |
| Consolidated net earnings | - | - | - | 1,185,968 | - | 20,095 | - | 15,523 | 54,018 | 1,275,604 |
| Effect of equity compensation plans | - | - | 942 | 22,490 | 1,493 | 51,582 | - | - | - | 74,072 |
| Capital contributions | - | - | - | - | - | - | | | 9,076 | 9,076 |
| Purchase of noncontrolling interests | - | - | - | 2,557 | - | - | - | - | (3,932 ) | (1,375 ) |
| Redemption of noncontrolling interests | - | - | - | (8,045 ) | - | - | - | | (13,048 ) | (21,093 ) |
| Redemption of limited partners units | - | - | 1,185 | 39,686 | (2,040 ) | (116,196 ) | (236 ) | (7,888 ) | - | (84,398 ) |
| Contribution to Brazil venture | - | - | - | - | - | - | - | - | (12,630 ) | (12,630 ) |
| Foreign currency translation gains, net | - | - | - | 41,206 | - | 650 | - | 527 | 88 | 42,471 |
| Unrealized losses on derivative contracts, net | - | - | - | (6,781 ) | - | (106 ) | - | (87 ) | - | (6,974 ) |
| Reallocation of capital | - | - | - | (48,985 ) | - | 47,993 | - | 992 | - | - |
| Distributions ($1.59 per common unit) and other | - | - | - | (1,008,979 ) | - | (21,053 ) | - | (17,015 ) | (93,017 ) | (1,140,064 ) |
| **Balance at September 30, 2019** | **1,379** | **$ 68,948** | **631,743** | **$ 22,448,262** | **9,969** | **$ 354,246** | **8,613** | **$ 287,097** | **$ 2,777,024** | **$ 25,935,577** |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**PROLOGIS, L.P.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2020** | **2019** |
| **Operating activities:** | | |
| Consolidated net earnings | $ 1,308,623 | $ 1,275,604 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Straight-lined rents and amortization of above and below market leases | (88,637 ) | (77,157 ) |
| Equity-based compensation awards | 86,360 | 72,467 |
| Depreciation and amortization | 1,144,903 | 850,639 |
| Earnings from unconsolidated entities, net | (216,844 ) | (151,524 ) |
| Operating distributions from unconsolidated entities | 355,395 | 269,992 |
| Decrease (increase) in operating receivables from unconsolidated entities | 71,979 | (99,762 ) |
| Amortization of debt discounts and debt issuance costs, net | 5,568 | 12,642 |
| Gains on dispositions of development properties and land, net | (383,373 ) | (303,317 ) |
| Gains on other dispositions of investments in real estate, net | (184,357 ) | (232,400 ) |
| Unrealized foreign currency and derivative losses (gains), net | 58,645 | (51,373 ) |
| Losses on early extinguishment of debt, net | 164,606 | 16,086 |
| Deferred income tax expense (benefit) | (6,564 ) | 9,769 |
| Increase in accounts receivable, lease right-of-use assets and other assets | (33,189 ) | (25,849 ) |
| Increase in accounts payable and accrued expenses, lease liabilities and other liabilities | 50,220 | 81,843 |
| Net cash provided by operating activities | 2,333,335 | 1,647,660 |
| **Investing activities:** | | |
| Real estate development | (1,501,089 ) | (1,271,656 ) |
| Real estate acquisitions | (700,793 ) | (660,836 ) |
| Liberty Transaction, net of cash acquired | (24,550 ) | - |
| IPT Transaction, net of cash acquired | (1,665,359 ) | - |
| Tenant improvements and lease commissions on previously leased space | (142,168 ) | (128,413 ) |
| Property improvements | (91,355 ) | (89,132 ) |
| Proceeds from dispositions and contributions of real estate properties | 1,684,633 | 1,769,296 |
| Investments in and advances to unconsolidated entities | (345,310 ) | (256,727 ) |
| Return of investment from unconsolidated entities | 206,741 | 360,106 |
| Proceeds from repayment of notes receivable backed by real estate | 4,312 | - |
| Proceeds from the settlement of net investment hedges | 2,352 | 23,640 |
| Payments on the settlement of net investment hedges | (7,236) | (28,524 ) |
| Net cash used in investing activities | (2,579,822 ) | (282,246 ) |
| **Financing activities:** | | |
| Proceeds from issuance of common partnership units in exchange for contributions from Prologis, Inc. | 1,869 | 5,899 |
| Repurchase and retirement of common units | (34,829 ) | - |
| Repurchase of preferred units | (7,200) | - |
| Distributions paid on common and preferred units | (1,336,412 ) | (1,047,030 ) |
| Noncontrolling interests contributions | 916,974 | 9,076 |
| Noncontrolling interests distributions | (264,572 ) | (93,017 ) |
| Settlement of noncontrolling interests | - | (22,468 ) |
| Redemption of common limited partnership units | (111,777 ) | (84,398 ) |
| Tax paid with shares of the Parent withheld | (23,227 ) | (21,933 ) |
| Debt and equity issuance costs paid | (51,723 ) | (15,011 ) |
| Net payments on credit facilities | (142,498 ) | (56,452 ) |
| Repurchase of and payments on debt | (6,156,328 ) | (3,279,771 ) |
| Proceeds from the issuance of debt | 7,303,761 | 3,921,728 |
| Net cash provided by (used in) financing activities | 94,038 | (683,377 ) |
| | | |
| Effect of foreign currency exchange rate changes on cash | 3,787 | (899 ) |
| Net increase (decrease) in cash and cash equivalents | (148,662 ) | 681,138 |
| Cash and cash equivalents, beginning of period | 1,088,855 | 343,856 |
| Cash and cash equivalents, end of period | **$ 940,193** | **$ 1,024,994** |

See Note 13 for information on noncash investing and financing activities and other information.

The accompanying notes are an integral part of these Consolidated Financial Statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

## NOTE 1. GENERAL

**Business**. Prologis, Inc. (or the "Parent") commenced operations as a fully integrated real estate company in 1997, elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and believes the current organization and method of operation will enable it to maintain its status as a REIT. The Parent is the general partner of Prologis, L.P. (or the "Operating Partnership" or "OP"). Through the OP, we are engaged in the ownership, acquisition, development and management of logistics facilities with a focus on key markets in 19 countries on four continents. We invest in real estate through wholly owned subsidiaries and other entities through which we co-invest with partners and investors. We maintain a significant level of ownership in these co-investment ventures, which may be consolidated or unconsolidated based on our level of control of the entity. Our current business strategy consists of two operating business segments: Real Estate Operations and Strategic Capital. Our Real Estate Operations segment represents the ownership and development of logistics properties. Our Strategic Capital segment represents the management of unconsolidated co-investment ventures and other ventures. See Note 12 for further discussion of our business segments. Unless otherwise indicated, the Notes to the Consolidated Financial Statements apply to both the Parent and the OP. The terms "the Company," "Prologis," "we," "our" or "us" means the Parent and OP collectively**.**

For each share of preferred or common stock the Parent issues, the OP issues a corresponding preferred or common partnership unit, as applicable, to the Parent in exchange for the contribution of the proceeds from the stock issuance. At September 30, 2020, the Parent owned a 97.30% common general partnership interest in the OP and 100% of the preferred units in the OP. The remaining 2.70% common limited partnership interests, which include Class A common limited partnership units ("Class A Units") in the OP, are owned by unaffiliated investors and certain current and former directors and officers of the Parent. Each partner's percentage interest in the OP is determined based on the number of OP units held, including the number of OP units into which Class A Units are convertible, compared to total OP units outstanding at each period end and is used as the basis for the allocation of net income or loss to each partner. At the end of each reporting period, a capital adjustment is made in the OP to reflect the appropriate ownership interest for each of the common unitholders. These adjustments are reflected in the line items *Reallocation of Equity* in the Consolidated Statements of Equity of the Parent and *Reallocation of Capital* in the Consolidated Statements of Capital of the OP.

As the sole general partner of the OP, the Parent has complete responsibility and discretion in the day-to-day management and control of the OP and we operate the Parent and the OP as one enterprise. The management of the Parent consists of the same members as the management of the OP. These members are officers of the Parent and employees of the OP or one of its subsidiaries. As general partner with control of the OP, the Parent is the primary beneficiary and therefore consolidates the OP. Because the Parent's only significant asset is its investment in the OP, the assets and liabilities of the Parent and the OP are the same on their respective financial statements.

**Basis of Presentation.** The accompanying Consolidated Financial Statements are prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") and are presented in our reporting currency, the U.S. dollar. All material intercompany transactions with consolidated entities have been eliminated.

The accompanying unaudited interim financial information has been prepared according to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in our annual financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with such rules and regulations. Our management believes that the disclosures presented in these financial statements are adequate to make the information presented not misleading. In our opinion, all adjustments and eliminations, consisting only of normal recurring adjustments, necessary to present fairly the financial position and results of operations for both the Parent and the OP for the reported periods have been included. The results of operations for such interim periods are not necessarily indicative of the results for the full year. The accompanying unaudited interim financial information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC, and other public information.

**New Accounting Pronouncements.**

*Accounting for Lease Concessions Related to the Effects of the Coronavirus ("COVID-19") Pandemic* In April 2020, the Financial Accounting Standards Board ("FASB") issued a Staff Question-and-Answer ("Q&A") to clarify whether lease concessions related to the effects of COVID-19 require the application of the lease modification guidance under the new lease standard, which we adopted on January 1, 2019. For rent deferrals granted during the nine months ended September 30, 2020, we are allowing customers to defer rental payments until a later date, generally later in 2020 or early 2021, in exchange for a note receivable, and we are continuing to recognize rental revenue during the period. In accordance with the Q&A, we are electing to not apply the lease modification guidance to concessions that result in deferred rent as the total cash flows required by the modified lease agreements are materially the same as the cash flows required under the original lease and there are no substantive changes to the consideration. As of October 19, 2020, we have granted deferral requests of $21.0 million related to consolidated properties during 2020. If we grant concessions to a customer that modify the terms and significantly change the underlying cash flows of the original lease for the remaining term, we will account for these changes as a lease modification in accordance with U.S. GAAP.

*Reference Rate Reform*. In March 2020, the FASB issued an Accounting Standard Update ("ASU") that provided practical expedients to address existing guidance on contract modifications and hedge accounting due to the expected market transition from the London Inter-bank Offered Rate ("LIBOR") and other interbank offered rates (together "IBORs") to alternative reference rates, such as the Secured Overnight Financing Rate In July 2017, the Financial Conduct Authority announced it intended to stop compelling banks to submit rates for the calculation of LIBOR after 2021. We refer to this transition as "reference rate reform."

The first practical expedient allows companies to elect to not apply certain modification accounting requirements to debt, derivative and lease contracts affected by reference rate reform if certain criteria are met. These criteria include the following: (i) the contract referenced an IBOR rate that is expected to be discontinued; (ii) the modified terms directly replace or have the potential to replace the IBOR rate that is expected to be discontinued; and (iii) any contemporaneous changes to other terms that change or have the potential to change the amount and timing of contractual cash flows must be related to the replacement of the IBOR rate. If the contract meets all three criteria, there is no requirement for remeasurement of the contract at the modification date or reassessment of the previous accounting determination.

The second practical expedient allows companies to change the reference rate and other critical terms related to the reference rate reform in derivative hedge documentation without having to dedesignate the hedging relationship. This allows for companies to continue applying hedge accounting to existing cash flow and net investment hedges.

The ASU was effective upon issuance on a prospective basis beginning January 1, 2020 and may be elected over time as reference rate reform activities occur. We have not modified any contracts to date, however, we will evaluate any debt, derivative and lease contracts that are modified in the future to ensure they are eligible for modification relief and apply the practical expedients as needed.

## NOTE 2. LIBERTY TRANSACTION

On February 4, 2020, we acquired Liberty Property Trust and Liberty Property Limited Partnership (collectively "Liberty" or the "Liberty Transaction").

The Liberty Transaction was completed for $13.0 billion through the issuance of equity based on the value of the Prologis common stock and units issued of $10.0 billion, the assumption of debt of $2.8 billion and transaction costs. In connection with the transaction, each issued and outstanding share or unit held by a Liberty stockholder or unitholder was converted automatically into 0.675 shares of Prologis common stock or common units of Prologis, L.P., respectively, including shares and units under Liberty's equity incentive plan that became fully vested at closing.

Through the Liberty Transaction, we acquired a portfolio primarily comprised of logistics real estate assets, including 519 industrial operating properties, aggregating 99.6 million square feet, which are highly complementary to our U.S. portfolio in terms of product quality, location and growth potential in our key markets. There was approximately 34 million square feet of non-strategic industrial properties acquired in the Liberty Transaction that we do not intend to operate long-term. Depending on the expected hold period, these assets are either classified as *Assets Held for Sale or Contribution* or other real estate investments within *Investments in Real Estate Properties* in the Consolidated Balance Sheets. In addition, we acquired an ownership interest in eight ventures that own industrial and office properties.

The aggregate equity consideration is calculated below (in millions, except price per share):

| | | |
|---|---|---|
| Number of Prologis shares and units issued upon conversion of Liberty shares and units at February 4, 2020 | | 109.01 |
| Multiplied by closing price of Prologis' common stock on February 3, 2020 | $ | 91.87 |
| **Fair value of Prologis shares and units issued** | **$** | **10,015** |

We accounted for the Liberty Transaction as an asset acquisition and as a result, the transaction costs of $115.8 million were capitalized to the basis of the acquired properties. Transaction costs included investment banker advisory fees, legal fees and other costs.

Under acquisition accounting, the total purchase price was allocated as follows to the Liberty real estate properties and related lease intangibles on a relative fair value basis and all other assets and liabilities assumed at fair value (in millions):

| | | |
|---|---|---|
| Net investments in real estate | $ | 12,631 |
| Intangible assets, net of intangible liabilities (1) | | 491 |
| Cash and other assets | | 240 |
| Debt | | (2,845 ) |
| Accounts payable, accrued expenses and other liabilities | | (385 ) |
| Noncontrolling interests | | (1 ) |
| **Total purchase price, including transaction costs** | **$** | **10,131** |

(1) Intangible assets of $640.5 million and intangible liabilities of $149.9 million were included within *Other Assets* and *Other Liabilities*, respectively, on the Consolidated Balance Sheets. The acquired lease intangibles from the Liberty Transaction will be amortized over the terms of the respective leases with a weighted average remaining lease term of 66 months.

## NOTE 3. REAL ESTATE

Investments in real estate properties consisted of the following (dollars and square feet in thousands):

| | Square Feet | | Number of Buildings | | | |
|---|---|---|---|---|---|---|
| | **Sep 30, 2020** (1) | **Dec 31, 2019** | **Sep 30, 2020** (1) | **Dec 31, 2019** | **Sep 30, 2020** (1) | **Dec 31, 2019** |
| Operating properties: | | | | | | |
| Buildings and improvements | 437,501 | 354,297 | 2,249 | 1,876 | $ 30,931,497 | $ 23,067,625 |
| Improved land | | | | | 11,692,392 | 8,220,208 |
| Development portfolio, including land costs: | | | | | | |
| Prestabilized | 8,165 | 9,133 | 28 | 28 | 739,773 | 784,584 |
| Properties under development | 19,195 | 26,893 | 52 | 77 | 1,292,465 | 1,084,683 |
| Land (2) | | | | | 1,754,583 | 1,101,646 |
| Other real estate investments (3) | | | | | 2,695,649 | 965,668 |
| Total investments in real estate properties | | | | | 49,106,359 | 35,224,414 |
| Less accumulated depreciation | | | | | 6,229,744 | 5,437,662 |
| **Net investments in real estate properties** | | | | | **$ 42,876,615** | **$ 29,786,752** |

(1) Includes the acquired real estate properties from the Liberty Transaction at September 30, 2020. See Note 2 for more information.

(2) At September 30, 2020 and December 31, 2019, our land is comprised of5,743 and 4,411 acres, respectively.

(3) Included in other real estate investments were: (i) non-strategic real estate assets, including industrial and office, acquired in the Liberty Transactionhat we do not intend to operate long-term; (ii) non-logistics real estate; (iii) land parcels that are ground leased to third parties; (iv) our corporate headquarters; (v) costs related to future development projects, including purchase options on land; (vi) earnest money deposits associated with potential acquisitions; and (vii) infrastructure costs related to projects we are developing on behalf of others.

### Acquisitions

The following table summarizes our real estate acquisition activity, excluding the Liberty Transaction as discussed in Note 2 (dollars and square feet in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** (1) | **2019** |
| Number of operating properties | 2 | 2 | 140 | 15 |
| Square feet | 194 | 80 | 20,470 | 1,083 |
| Acres of land | 156 | 186 | 611 | 651 |
| Acquisition cost of net investments in real estate | $ 188,717 | $ 184,077 | $ 2,730,377 | $ 701,264 |

(1) On January 8, 2020, our two U.S. co-investment ventures, Prologis Targeted U.S. Logistics Fund, L.P. (“USLF”) and Prologis U.S. Logistics Venture, LLC (“USLV”), acquired the wholly-owned real estate assets of Industrial Property Trust Inc. (“IPT”) for $2.0 billion each in a cash transaction, including transaction costs and the assumption and repayment of debt (the “IPT Transaction”). As USLV is a consolidated co-investment venture, the number of operating properties, square feet and acquisition cost are included in the consolidated acquisition activity. For further discussion on the acquisition by USLF, see Note 4, and by USLV, see Notes 6 and 8.

### Dispositions

The following table summarizes our dispositions of net investments in real estate (dollars and square feet in thousands):

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| **Dispositions of development properties and land, net (1)** | | | | |
| Number of properties | 12 | 5 | 32 | 17 |
| Square feet | 3,150 | 1,741 | 11,776 | 7,346 |
| Net proceeds | $ 410,398 | $ 212,398 | $ 1,384,227 | $ 1,067,808 |
| Gains on contributions and dispositions, net | $ 134,207 | $ 63,935 | $ 383,373 | $ 303,317 |
| **Total gains on dispositions of development properties and land, net** | **$ 134,207** | **$ 63,935** | **$ 383,373** | **$ 303,317** |
| | | | | |
| **Other dispositions of investments in real estate, net (2)** | | | | |
| Number of properties | 15 | 29 | 38 | 46 |
| Square feet | 2,558 | 4,130 | 6,635 | 11,517 |
| Net proceeds | $ 409,303 | $ 351,264 | $ 763,615 | $ 1,037,103 |
| Gains on contributions and dispositions, net | $ 108,927 | $ 59,379 | $ 184,357 | $ 97,378 |
| Gains on partial redemption of investment in an unconsolidated co-investment venture (3) | $ - | $ - | $ - | $ 135,022 |
| **Total gains on other dispositions of investments in real estate, net** | **$ 108,927** | **$ 59,379** | **$ 184,357** | **$ 232,400** |

(1) The gains we recognize in *Gains on the Dispositions of Development Properties and Land, Net* are primarily driven by the contribution of newly developed properties to our unconsolidated co-investment ventures.

(2) In January 2019, we formed Prologis Brazil Logistics Venture ("PBLV"), a Brazilian unconsolidated co-investment venture, with one partner. We contributed an initial portfolio of real estate properties to PBLV consisting of 14 operating properties totaling 6.9 million square feet and 371 acres of land. We received cash proceeds and units for our 20.0% equity interest.

(3) In February 2019, we redeemed a portion of our investment in a European unconsolidated co-investment venture.

## NOTE 4. UNCONSOLIDATED ENTITIES

### Summary of Investments

We have investments in entities through a variety of ventures. We co-invest in entities that own multiple properties with partners and investors and we provide asset and property management services to these entities, which we refer to as co-investment ventures. These entities may be consolidated or unconsolidated, depending on the structure, our partner's participation and other rights and our level of control of the entity. This note details our investments in unconsolidated co-investment ventures, which are related parties and are accounted for using the equity method of accounting. See Note 8 for more detail regarding our consolidated investments that are not wholly owned.

We also have investments in other ventures, generally with one partner and that we do not manage, which we account for using the equity method. We refer to our investments in both unconsolidated co-investment ventures and other ventures, collectively, as unconsolidated entities.

The following table summarizes our investments in and advances to our unconsolidated entities (in thousands):

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Unconsolidated co-investment ventures | $ 6,393,888 | $ 5,873,784 |
| Other ventures (1) | 917,072 | 363,587 |
| **Total** | **$ 7,310,960** | **$ 6,237,371** |

(1) In February 2020, we completed the Liberty Transaction and acquired an equity method investment in eight ventures.

### Unconsolidated Co-Investment Ventures

The following table summarizes the *Strategic Capital Revenues* we recognized in the Consolidated Statements of Income related to our unconsolidated co-investment ventures (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Recurring fees | $ 80,403 | $ 67,888 | $ 231,263 | $ 195,542 |
| Transactional fees | 15,827 | 14,094 | 47,879 | 41,272 |
| Promote revenue (1) | - | 148,191 | 228,421 | 155,474 |
| **Total strategic capital revenues from unconsolidated co-investment ventures (2)** | **$ 96,230** | **$ 230,173** | **$ 507,563** | **$ 392,288** |

(1) Includes promote revenue earned from our unconsolidated co-investment venture in the U.S. in June 2020 and in Europe in September 2019

(2) These amounts exclude strategic capital revenues from other ventures.

The following table summarizes the key property information, financial position and operating information of our unconsolidated co-investment ventures (not our proportionate share) and the amounts we recognized in the Consolidated Financial Statements related to these ventures (dollars and square feet in millions):

| | U.S. | | Other Americas (2) | | Europe | | Asia | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| *As of:* | Sep 30, 2020 (1) | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 |
| **Key property information:** | | | | | | | | | | |
| Ventures | 1 | 1 | 2 | 2 | 3 | 3 | 3 | 3 | **9** | **9** |
| Operating properties | 699 | 605 | 225 | 214 | 769 | 731 | 165 | 144 | **1,858** | **1,694** |
| Square feet | 116 | 99 | 49 | 44 | 185 | 176 | 67 | 59 | **417** | **378** |
| **Financial position:** | | | | | | | | | | |
| Total assets ($) | 10,755 | 8,408 | 2,862 | 2,707 | 15,940 | 14,677 | 9,729 | 8,758 | **39,286** | **34,550** |
| Third-party debt ($) | 3,344 | 2,130 | 776 | 769 | 3,772 | 3,213 | 3,708 | 3,296 | **11,600** | **9,408** |
| Total liabilities ($) | 3,939 | 2,514 | 811 | 801 | 5,251 | 4,575 | 4,183 | 3,751 | **14,184** | **11,641** |
| Our investment balance ($) (3) | 1,889 | 1,728 | 794 | 658 | 2,935 | 2,800 | 776 | 688 | **6,394** | **5,874** |
| Our weighted average ownership (4) | 26.3 % | 27.3 % | 41.1 % | 39.1 % | 30.0 % | 30.2 % | 15.2 % | 15.1 % | **26.3 %** | **27.1 %** |

| | U.S. | | Other Americas (2) | | Europe | | Asia | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Information:** | Sep 30, 2020 (1) | Sep 30, 2019 | Sep 30, 2020 | Sep 30, 2019 | Sep 30, 2020 | Sep 30, 2019 | Sep 30, 2020 | Sep 30, 2019 | Sep 30, 2020 | Sep 30, 2019 |
| *For the three months ended:* | | | | | | | | | | |
| Total revenues ($) | 237 | 187 | 70 | 66 | 303 | 276 | 148 | 134 | **758** | **663** |
| Net earnings ($) | 29 | 38 | 23 | 18 | 80 | 70 | 152 | 27 | **284** | **153** |
| Our earnings from unconsolidated co-investment ventures, net ($) | 9 | 11 | 8 | 6 | 27 | 22 | 23 | 4 | **67** | **43** |
| *For the nine months ended:* | | | | | | | | | | |
| Total revenues ($) | 702 | 546 | 204 | 200 | 874 | 815 | 429 | 378 | **2,209** | **1,939** |
| Net earnings ($) | 103 | 90 | 69 | 73 | 230 | 225 | 210 | 89 | **612** | **477** |
| Our earnings from unconsolidated co-investment ventures, net ($) | 28 | 27 | 26 | 27 | 75 | 74 | 32 | 14 | **161** | **142** |

(1) In January 2020, USLF acquired a portfolio of 108 operating properties, aggregating 18.3 million square feet, in the IPT Transaction for cash consideration of $2.0 billion, including transaction costs and the assumption and repayment of debt.

(2) PBLV and our other Brazilian joint ventures are combined as one venture for the purpose of this table.

(3) Prologis' investment balance is presented at our adjusted basis derived from the ventures' U.S. GAAP information. The difference between our ownership interest of a venture's equity and our investment balance at September 30, 2020 and December 31, 2019, results principally from four types of transactions: (i) deferred gains from the contribution of property to a venture prior to January 1, 2018; (ii) recording additional costs associated with our investment in the venture; (iii) receivables, principally for fees and promotes ($100.2 million and $152.0 million, respectively); and (iv) customer security deposits retained subsequent to property contributions to Nippon Prologis REIT, Inc.

(4) Represents our weighted average ownership interest in all unconsolidated co-investment ventures based on each entity's contribution of total assets before depreciation, net of other liabilities.

### Equity Commitments Related to Certain Unconsolidated Co-Investment Ventures

At September 30, 2020, our remaining equity commitments were $336.6 million, primarily for Prologis China Logistics Venture. Our equity commitments expire from 2021 to 2028.

## NOTE 5. ASSETS HELD FOR SALE OR CONTRIBUTION

We have investments in certain real estate properties that met the criteria to be classified as held for sale or contribution at September 30, 2020 and December 31, 2019. At the time of classification, these properties were expected to be sold to third parties or were recently stabilized and expected to be contributed to unconsolidated co-investment ventures within twelve months. The amounts included in *Assets Held for Sale or Contribution* represented real estate investment balances and the related assets and liabilities for each property.

Assets held for sale or contribution, including certain properties acquired through the Liberty Transaction and the IPT Transaction, consisted of the following (dollars and square feet in thousands):

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Number of operating properties | 141 | 28 |
| Square feet | 22,247 | 9,371 |
| Total assets held for sale or contribution | $ 1,757,187 | $ 720,685 |
| Total liabilities associated with assets held for sale or contribution – included in *Other Liabilities* | $ 35,473 | $ 41,994 |

## NOTE 6. DEBT

All debt is incurred by the OP or its consolidated subsidiaries. The following table summarizes our debt (dollars in thousands):

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Weighted Average Interest Rate (1) | Amount Outstanding (2) | Weighted Average Interest Rate (1) | Amount Outstanding (2) |
| Credit facilities | 0.4 % | $ 39,733 | 0.4 % | $ 184,255 |
| Senior notes (3) | 2.1 % | 14,108,021 | 2.4 % | 9,660,570 |
| Term loans and unsecured other (3) | 0.8 % | 1,723,473 | 0.9 % | 1,441,882 |
| Secured mortgage (3)(4) | 3.6 % | 646,899 | 3.4 % | 619,170 |
| **Total** | **2.0 %** | **$ 16,518,126** | **2.2 %** | **$ 11,905,877** |

(1) The interest rates presented represent the effective interest rates (including amortization of debt issuance costs and the noncash premiums or discounts) at the end of the period for the debt outstanding and include the impact of designated interest rate swaps, which effectively fix the interest rate on certain variable rate debt.

(2) We borrow in the functional currencies of the countries where we invest. Included in the outstanding balances were borrowings denominated in the following currencies:

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Amount Outstanding | % of Total | Amount Outstanding | % of Total |
| British pound sterling | $ 1,126,684 | 6.8 % | $ 656,549 | 5.5 % |
| Canadian dollar | 271,752 | 1.6 % | 279,730 | 2.3 % |
| Euro | 6,297,942 | 38.2 % | 6,128,986 | 51.5 % |
| Japanese yen | 2,695,105 | 16.3 % | 2,329,381 | 19.6 % |
| U.S. dollar | 6,126,643 | 37.1 % | 2,511,231 | 21.1 % |
| **Total** | **$ 16,518,126** | | **$ 11,905,877** | |

(3) Through the Liberty Transaction, we assumed $2.5 billion of senior notes, $246.9 million of secured mortgage debt and a $100.1 million term loan with a weighted average stated interest rate of 3.8%. We subsequently paid down $1.8 billion of the assumed debt with senior notes we issued at lower rates in February 2020. See below for additional activity on debt assumed in the Liberty Transaction and the extinguishment of a significant portion of the debt subsequent to acquisition.

(4) Through the IPT Transaction, USLV assumed $341.8 million of secured mortgage debt, all of which was paid down at closing. See below forthe early extinguishment of debt in the IPT Transaction.

### Credit Facilities

We have a global senior credit facility (the “Global Facility”) under which we may draw in British pounds sterling, Canadian dollars, euro, Japanese yen, Mexican pesos and U.S. dollars on a revolving basis up to $3.5 billion (subject to currency fluctuations). Pricing under the Global Facility, including the spread over LIBOR, facility fees and letter of credit fees, varies based on the public debt ratings of the OP. The Global Facility is scheduled to mature in January 2023; however, we may extend the maturity date for six months on two occasions, subject to the satisfaction of certain conditions and payment of extension fees. We have the ability to increase the Global Facility to $4.5 billion, subject to currency fluctuations and obtaining additional lender commitments.

We also have a Japanese yen revolver (the “Revolver”) that we upsized in July 2020 with total commitments of ¥55.0 billion ($520.3 million at September 30, 2020). We have the ability to increase the borrowing capacity of the Revolver to ¥75.0 billion ($709.5 million at September 30, 2020), subject to obtaining additional lender commitments. Pricing under the Revolver, including the spread over Yen LIBOR, facility fees and letter of credit fees, varies based on the public debt ratings of the OP. At September 30, 2020, the Revolver was scheduled to mature in July 2024; however, we may extend the maturity date for one year, subject to the satisfaction of certain conditions and payment of extension fees.

We refer to the Global Facility and the Revolver, collectively, as our “Credit Facilities.”

### Senior Notes

The following table summarizes the issuances and redemptions of senior notes during the nine months ended September 30, 2020 (principal in thousands):

| Initial Borrowing Date | Aggregate Principal: Borrowing Currency | | Aggregate Principal: USD (1) | | Weighted Average Stated Interest Rate at the Issuance Date | Maturity Dates |
|---|---|---|---|---|---|---|
| February (2)(3) | € | 1,350,000 | $ | 1,485,405 | 0.6% | February 2022 – 2035 |
| February (2) | $ | 2,200,000 | $ | 2,200,000 | 2.4% | April 2027 – 2050 |
| February | £ | 250,000 | $ | 322,490 | 1.9% | February 2035 |
| June (3)(4) | ¥ | 41,200,000 | $ | 386,314 | 1.0% | June 2027 – 2050 |
| August (3)(5) | $ | 1,250,000 | $ | 1,250,000 | 1.6% | October 2030 – 2050 |
| September | ¥ | 19,700,000 | $ | 186,835 | 1.0% | September 2032 – 2040 |

| Redemption Date | Aggregate Principal: Borrowing Currency | | Aggregate Principal: USD (1) | | Stated Interest Rate at the Redemption Date | Maturity Dates |
|---|---|---|---|---|---|---|
| January | € | 400,000 | $ | 445,880 | 0.0% | January 2020 |
| March (2) | € | 700,000 | $ | 783,090 | 1.4% | May 2021 |
| June (4) | € | 212,598 | $ | 238,067 | 3.0% | January 2022 |
| June (4) | € | 100,486 | $ | 112,524 | 3.4% | February 2024 |
| September (5) | $ | 850,000 | $ | 850,000 | 4.3% | August 2023 |

(1) The exchange rate used to calculate into U.S. dollars was the spot rate at the settlement date.

(2) We utilized the proceeds from these issuances to redeem $1.8 billion of debt assumed in the Liberty Transaction, primarily senior notes as discussed above, and our €700.0 million ($783.1 million) senior notes due in May 2021. The remainder of the proceeds were used for the repayment of other debt and general corporate purposes.

(3) Approximately $1.5 billion of the proceeds from the issuance of these notes are to fund sustainable and environmentally beneficial projects and buildings in accordance with our green bond framework.

(4) We utilized the proceeds from the issuance of the Japanese yen senior notes to redeem €212.6 million ($238.1 million) and €100.5 million ($112.5 million) of the euro senior notes due in January 2022 and February 2024, respectively, through a tender offer.

(5) We utilized the proceeds from this issuance to redeem $850.0 million of senior notes due in August 2023.

In February 2020, we completed an exchange offer for two series of Liberty's senior notes for an aggregate amount of $750.0 million, with $689.8 million, or 92.0%, of the aggregate principal amount being validly tendered for exchange. These senior notes are in the aggregate principal amounts of $400.0 million due in October 2026 with an interest rate of 3.3% and $350.0 million due in February 2029 with an interest rate of 4.4%. The senior notes were exchanged for notes issued by a wholly owned subsidiary and guaranteed by the OP. As a result of the exchange offer, we have no separate remaining financial reporting obligations or financial covenants associated with the senior notes assumed in the Liberty Transaction. All other terms of the exchanged Liberty senior notes remained substantially the same.

### Term Loans

During the nine months ended September 30, 2020, we extended the maturity of the multi-currency term loan ("2017 Term Loan") by one year until May 2021. We may extend the maturity for one additional year, subject to the satisfaction of certain conditions and the payment of an extension fee. During the nine months ended September 30, 2020 and 2019, we borrowed a net $250.0 million and paid down a net $496.5 million on the 2017 Term Loan, respectively.

### Liquidity

The following table summarizes information about our available liquidity at September 30, 2020 (in millions):

| | |
|---|---|
| Aggregate lender commitments | |
| Credit Facilities | $ 4,052 |
| Available term loans | 250 |
| Less: | |
| Borrowings outstanding | 40 |
| Outstanding letters of credit | 29 |
| **Current availability** | **4,233** |
| Cash and cash equivalents | 940 |
| **Total liquidity** | **$ 5,173** |

### Long-Term Debt Maturities

Scheduled principal payments due on our debt for the remainder of 2020 and for each year through the period ended December 31, 2024, and thereafter were as follows at September 30, 2020 (in thousands):

| | Unsecured | | | | |
|---|---|---|---|---|---|
| **Maturity** | **Credit Facilities** | **Senior Notes** | **Term Loans and Other** | **Secured Mortgage** | **Total** |
| 2020 (1) | $ - | $ - | $ - | $ 2,115 | $ 2,115 |
| 2021 (1)(2) | - | - | 260,467 | 28,531 | 288,998 |
| 2022 | - | 743,535 | - | 11,919 | 755,454 |
| 2023 | - | - | 127,347 | 33,894 | 161,241 |
| 2024 (3) | 39,733 | 701,911 | - | 265,753 | 1,007,397 |
| Thereafter | - | 12,721,675 | 1,343,354 | 304,100 | 14,369,129 |
| Subtotal | 39,733 | 14,167,121 | 1,731,168 | 646,312 | 16,584,334 |
| Unamortized net premiums | - | 11,935 | - | 2,645 | 14,580 |
| Unamortized debt issuance costs | - | (71,035) | (7,695) | (2,058) | (80,788) |
| **Total** | **$ 39,733** | **$ 14,108,021** | **$ 1,723,473** | **$ 646,899** | **$ 16,518,126** |

(1) We expect to repay the amounts maturing in the next twelve months with cash generated from operations, proceeds from dispositions of real estate properties, or as necessary, with borrowings on our Credit Facilities.

(2) Included in the 2021 maturities is the 2017 Term Loan that can be extended until 2022.

(3) Included in the 2024 maturities is the Revolver that can be extended until 2025.

### Early Extinguishment of Debt

During the nine months ended September 30, 2020, we recognized $164.6 million of losses upon the redemption of higher interest rate euro and U.S. dollar senior notes prior to maturity as described above, and the extinguishment of debt assumed in the Liberty Transaction and the IPT Transaction, which represented the excess of the prepayment penalties over the premium recorded upon assumption of the debt. During the nine months ended September 30, 2019, we recognized $16.1 million in losses on early extinguishment of debt, primarily from the redemption of euro senior notes.

### Financial Debt Covenants

We have $14.1 billion of senior notes and $1.7 billion of term loans outstanding at September 30, 2020 that were subject to certain financial covenants under their related indentures. We are also subject to financial covenants under our Credit Facilities and certain secured mortgage debt. At September 30, 2020, we were in compliance with all of our financial debt covenants.

### Guarantee of Finance Subsidiary Debt

We have finance subsidiaries as part of our operations in Europe (Prologis Euro Finance LLC), Japan (Prologis Yen Finance LLC) and the U.K. (Prologis Sterling Finance LLC) in order to mitigate our foreign currency risk by borrowing in the currencies in which we invest. These entities are 100% indirectly owned by the OP and all unsecured debt issued or to be issued by each entity is or will be fully and unconditionally guaranteed by the OP. There are no restrictions or limits on the OP's ability to obtain funds from its subsidiaries by dividend or loan. In reliance on Rule 3-10 of Regulation S-X, the separate financial statements of Prologis Euro Finance LLC, Prologis Yen Finance LLC and Prologis Sterling Finance LLC are not provided.

## NOTE 7. STOCKHOLDER'S EQUITY OF PROLOGIS, INC.

### Share Purchase Program

In March 2020, the Board of Directors authorized a new share purchase program for the repurchase of outstanding shares of our common stock on the open market or in privately negotiated transactions for an aggregate purchase price of up to $1.0 billion. In March 2020, we repurchased and retired 0.5 million shares of common stock for an aggregate price of $34.8 million at a weighted average price of $64.66 per share on the open market.

### Shares Authorized

In April 2020, our stockholders approved an amendment to our Articles of Incorporation that increased the number of authorized shares from 1.0 billion to 2.0 billion shares of common stock.

### Common Stock

In May 2020, we entered into a new at-the-market program that allows us to sell up to $1.5 billion in aggregate gross sales proceeds of shares of common stock through twenty designated agents. These agents earn a fee of up to 2% of the gross sales price per share of common stock as agreed to on a transaction-by-transaction basis. We have not issued any shares of common stock under this new program.

### Preferred Stock

In August 2020, we repurchased 0.1 million shares of Series Q preferred stock and recognized a loss of $2.3 million, which primarily represented the difference between the repurchase price and the carrying value of the preferred stock, net of the original issuance costs.

## NOTE 8. NONCONTROLLING INTERESTS

### Prologis, L.P.

We report noncontrolling interests related to several entities we consolidate but of which we do not own 100% of the equity. These entities include two real estate partnerships that have issued limited partnership units to third parties. Depending on the specific partnership agreements, these limited partnership units are redeemable for cash or, at our option, into shares of the Parent's common stock, generally at a rate of one share of common stock to one limited partnership unit We also consolidate certain entities in which we do not own 100% of the equity, but the equity of these entities is not exchangeable into our common stock.

### Prologis, Inc.

The noncontrolling interests of the Parent include the noncontrolling interests described above for the OP, as well as the limited partnership units in the OP that are not owned by the Parent. The outstanding limited partnership units receive quarterly cash distributions equal to the quarterly dividends paid on our common stock pursuant to the terms of the applicable partnership agreements.

The following table summarizes our ownership percentages and noncontrolling interests and the consolidated entities' total assets and liabilities (dollars in thousands):

| | Our Ownership Percentage | | Noncontrolling Interests | | Total Assets | | Total Liabilities | |
|---|---|---|---|---|---|---|---|---|
| | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 |
| Prologis U.S. Logistics Venture (1) | 55.0% | 55.0% | $ 3,405,276 | $ 2,677,846 | $ 7,707,131 | $ 6,077,016 | $ 147,625 | $ 99,397 |
| Other consolidated entities (2) | various | various | 97,720 | 97,548 | 1,031,980 | 849,620 | 72,555 | 85,186 |
| **Prologis, L.P.** | | | **3,502,996** | **2,775,394** | **8,739,111** | **6,926,636** | **220,180** | **184,583** |
| Limited partners in Prologis, L.P. (3)(4) | | | 889,136 | 643,263 | - | - | - | - |
| **Prologis, Inc.** | | | **$ 4,392,132** | **$ 3,418,657** | **$ 8,739,111** | **$ 6,926,636** | **$ 220,180** | **$ 184,583** |

(1) As discussed in Note 3, in January 2020, USLV acquired a portfolio of 127 operating properties, aggregating 19.0 million square feet, in the IPT Transaction for $2.0 billion, including transaction costs and the assumption and repayment of debt. Our partner contributed their share of the purchase price to fund the acquisition.

(2) Includes our two partnerships that have issued limited partnership units to third parties, as discussed above, along with various other consolidated entities. The limited partnership units outstanding at September 30, 2020 and December 31, 2019 were exchangeable into cash or, at our option, 0.3 million shares of the Parent's common stock.

(3) We had 8.6 million Class A Units that were convertible into 8.0 million and 8.1 million limited partnership units of the OP at September 30, 2020 and December 31, 2019, respectively.

(4) At September 30, 2020 and December 31, 2019, excluding the Class A Units, there were limited partnership units in the OP that were exchangeable into cash or, at our option, 8.6 million and 6.2 million shares of the Parent's common stock, respectively. We issued 2.3 million limited partnership units in the Liberty Transaction and 0.5 million limited partnership units as partial consideration for the acquisition of other properties in 2020. Also included are the vested OP Long-Term Incentive Plan Units associated with our long-term compensation plan. See further discussion of LTIP Units in Note 9.

## NOTE 9. LONG-TERM COMPENSATION

### Equity-Based Compensation Plans and Programs

#### 2020 Long-Term Incentive Plan

In April 2020, our stockholders approved the 2020 Long-Term Incentive Plan ("2020 LTIP"), which replaced the 2012 Long-Term Incentive Plan ("2012 LTIP"). After approval of the 2020 LTIP, no further awards could be made under the 2012 LTIP and outstanding awards previously granted under the 2012 LTIP will remain outstanding in accordance with the awards' terms.

The 2020 LTIP provides for grants of awards to officers, directors, employees and consultants of the Parent or its subsidiaries. Awards can be in the form of: full value awards, stock appreciation rights, and stock options (non-qualified options and incentive stock options). Full value awards generally consist of: (i) common stock; (ii) restricted stock units ("RSUs"); (iii) OP LTIP units ("LTIP Units") and (iv) Prologis Outperformance Plan ("POP") OP LTIP units ("POP LTIP Units"). The equity-based compensation plans and programs under which awards can be made were not changed under the 2020 LTIP. See the discussion below regarding these programs. Awards may be made under the 2020 LTIP until it is terminated by the Board or until the ten-year anniversary of the effective date of the plan.

#### Prologis Outperformance Plan ("POP")

We allocate participation points or a percentage of the compensation pool to participants under our POP corresponding to three-year performance periods beginning every January 1. The fair value of the awards is measured at the grant date and amortized over the period from the grant date to the date at which the awards vest, which ranges from three to ten years. The performance hurdle ("Outperformance Hurdle") at the end of the initial three-year performance period requires our three-year compound annualized total stockholder return ("TSR") to exceed a threshold set at the three-year compound annualized TSR for the Morgan Stanley Capital International ("MSCI") US REIT Index for the same period plus 100 basis points. If the Outperformance Hurdle is met, a compensation pool will be formed equal to 3% of the excess value created, subject to a maximum as defined for each performance period. Generally, POP awards cannot be paid at a time when our absolute TSR is negative in accordance with the terms of POP. Therefore, if after seven years our TSR has not been positive, the awards will be forfeited.

We granted participation points for the 2020 – 2022 performance period in January 2020, with a fair value of $28.8 million using a Monte Carlo valuation model that assumed a risk-free interest rate of 1.7% and an expected volatility of 16.0%. The 2020 – 2022 performance period has an absolute maximum cap of $100 million. If an award is earned at the end of the initial three-year performance period, then 20% of the POP award is paid and the remaining 80% is subject to additional seven-year cliff vesting. The 20% that is paid at the end of the three-year performance period is subject to an additional three-year holding requirement.

The Outperformance Hurdle was met for the 2017 – 2019 performance period, which resulted in awards being earned at December 31, 2019. Initial awards of $75.0 million in aggregate were awarded in January 2020 in the form of 0.3 million shares of common stock and 0.5 million POP LTIP Units and LTIP Units. Participants are not able to sell or transfer equity awards received until three years after the end of the initial period. One-third of the remaining compensation pool in excess of the $75 million aggregate initial award amounts can be earned at the end of each of the three years following the end of the initial three-year performance period if our performance meets or exceeds the MSCI US REIT Index at the end of each of such three years. Vesting for the 2017 – 2019 performance period for our Named Executive Officers ("NEOs") follows the construct of the 2020 – 2022 performance period as described above, such that 20% of any amounts earned were awarded in January 2020 subject to a three-year holding period, and 80% of amounts earned at December 31, 2019 will cliff vest at the end of the seventh year following the initial three-year performance period.

### Other Equity-Based Compensation Plans and Programs

Our other equity-based compensation plans and programs include (i) the Prologis Promote Plan ("PPP"); (ii) the annual long-term incentive ("LTI") equity award program ("Annual LTI Award"); and (iii) the annual bonus exchange program. Awards under these plans and programs may be issued in the form of RSUs of the Parent or LTIP Units of the OP at the eligible participant's election. RSUs and LTIP Units are valued based on the market price of the Parent's common stock on the date the award is granted and the grant date value is charged to compensation expense over the service period.

### Summary of Award Activity

#### RSUs

The following table summarizes the activity for RSUs for the nine months ended September 30, 2020 (units in thousands):

| | Unvested RSUs | Weighted Average Grant Date Fair Value |
|---|---|---|
| Balance at January 1, 2020 | 1,165 | $ 68.44 |
| Granted | 482 | 94.76 |
| Vested and distributed | (510) | 62.99 |
| Forfeited | (63) | 77.80 |
| **Balance at September 30, 2020** | **1,074** | **$ 80.52** |

#### LTIP Units

The following table summarizes the activity for LTIP Units for the nine months ended September 30, 2020 (units in thousands):

| | Vested LTIP Units | Unvested LTIP Units | Unvested Weighted Average Grant Date Fair Value |
|---|---|---|---|
| Balance at January 1, 2020 | 3,714 | 2,678 | $ 60.06 |
| Granted | - | 1,087 | 96.59 |
| Vested LTIP Units | 976 | (976) | 63.47 |
| Vested POP LTIP Units (1) | 303 | - | N/A |
| Unvested POP LTIP Units (1) | - | 345 | 19.03 |
| Conversion to common limited partnership units | (1,110) | - | N/A |
| **Balance at September 30, 2020** | **3,883** | **3,134** | **$ 67.09** |

(1) Vested and unvested units were based on the POP performance criteria being met for the 2017 – 2019 performance period and represented the earned award amounts. Vested and unvested units are included in the award discussion above. These amounts also include awards earned for prior performance periods related to the compensation pool in excess of the initial award.

## NOTE 10. EARNINGS PER COMMON SHARE OR UNIT

We determine basic earnings per share or unit based on the weighted average number of shares of common stock or units outstanding during the period. We compute diluted earnings per share or unit based on the weighted average number of shares or units outstanding combined with the incremental weighted average effect from all outstanding potentially dilutive instruments.

The computation of our basic and diluted earnings per share and unit was as follows (in thousands, except per share and unit amounts):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Prologis, Inc.** | **2020** | **2019** | **2020** | **2019** |
| Net earnings attributable to common stockholders – Basic | $ 298,695 | $ 450,639 | $ 1,192,652 | $ 1,181,470 |
| Net earnings attributable to exchangeable limited partnership units (1) | 8,440 | 13,422 | 34,252 | 35,838 |
| Adjusted net earnings attributable to common stockholders – Diluted | **$ 307,135** | **$ 464,061** | **$ 1,226,904** | **$ 1,217,308** |
| | | | | |
| Weighted average common shares outstanding – Basic | 738,194 | 630,929 | 724,876 | 630,356 |
| Incremental weighted average effect on exchange of limited partnership units (1) | 21,110 | 18,760 | 20,960 | 19,403 |
| Incremental weighted average effect of equity awards | 5,315 | 5,570 | 5,135 | 5,059 |
| Weighted average common shares outstanding – Diluted (2) | **764,619** | **655,259** | **750,971** | **654,818** |
| | | | | |
| **Net earnings per share attributable to common stockholders:** | | | | |
| **Basic** | **$ 0.40** | **$ 0.71** | **$ 1.65** | **$ 1.87** |
| **Diluted** | **$ 0.40** | **$ 0.71** | **$ 1.63** | **$ 1.86** |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Prologis, L.P.** | **2020** | **2019** | **2020** | **2019** |
| Net earnings attributable to common unitholders | $ 307,069 | $ 463,997 | $ 1,226,646 | $ 1,217,088 |
| Net earnings attributable to Class A Units | (3,216 ) | (5,840 ) | (13,242 ) | (15,523 ) |
| Net earnings attributable to common unitholders – Basic | 303,853 | 458,157 | 1,213,404 | 1,201,565 |
| Net earnings attributable to Class A Units | 3,216 | 5,840 | 13,242 | 15,523 |
| Net earnings attributable to exchangeable other limited partnership units | 66 | 64 | 258 | 220 |
| Adjusted net earnings attributable to common unitholders – Diluted | **$ 307,135** | **$ 464,061** | **$ 1,226,904** | **$ 1,217,308** |
| | | | | |
| Weighted average common partnership units outstanding – Basic | 750,971 | 641,229 | 737,489 | 641,077 |
| Incremental weighted average effect on exchange of Class A Units | 8,034 | 8,154 | 8,048 | 8,282 |
| Incremental weighted average effect on exchange of other limited partnership units | 299 | 306 | 299 | 400 |
| Incremental weighted average effect of equity awards of Prologis, Inc. | 5,315 | 5,570 | 5,135 | 5,059 |
| Weighted average common units outstanding – Diluted (2) | **764,619** | **655,259** | **750,971** | **654,818** |
| | | | | |
| **Net earnings per unit attributable to common unitholders:** | | | | |
| **Basic** | **$ 0.40** | **$ 0.71** | **$ 1.65** | **$ 1.87** |
| **Diluted** | **$ 0.40** | **$ 0.71** | **$ 1.63** | **$ 1.86** |

(1) The exchangeable limited partnership units include the units as discussed in Note 8. Earnings allocated to the exchangeable OP units not held by the Parent have been included in the numerator and exchangeable common units have been included in the denominator for the purpose of computing diluted earnings per share for all periods as the per share and unit amount is the same.

(2) Our total weighted average potentially dilutive shares and units outstanding consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| Class A Units | 8,034 | 8,154 | 8,048 | 8,282 |
| Other limited partnership units | 299 | 306 | 299 | 400 |
| Equity awards | 7,643 | 8,141 | 7,749 | 8,154 |
| **Prologis, L.P.** | **15,976** | **16,601** | **16,096** | **16,836** |
| Common limited partnership units | 12,777 | 10,300 | 12,613 | 10,721 |
| **Prologis, Inc.** | **28,753** | **26,901** | **28,709** | **27,557** |

## NOTE 11. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

### Derivative Financial Instruments

In the normal course of business, our operations are exposed to market risks, including the effect of changes in foreign currency exchange rates and interest rates. We may enter into derivative financial instruments to offset these underlying market risks. There have been no significant changes in our policy or strategy from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

The following table presents the fair value of our derivative financial instruments recognized within *Other Assets* and *Other Liabilities* on the Consolidated Balance Sheets (in thousands):

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Asset | Liability | Asset | Liability |
| **Undesignated derivatives** | | | | |
| Foreign currency contracts | | | | |
| Forwards | | | | |
| Brazilian real | $ 1,717 | $ - | $ 181 | $ 49 |
| British pound sterling | 3,156 | 457 | 731 | 3,823 |
| Canadian dollar | 842 | 1,121 | 523 | 1,855 |
| Chinese renminbi | - | 317 | - | 81 |
| Euro | 769 | 6,828 | 7,135 | 2,034 |
| Japanese yen | 3,623 | 135 | 3,889 | 97 |
| Swedish krona | 31 | 1,824 | - | 797 |
| **Designated derivatives** | | | | |
| Foreign currency contracts | | | | |
| Net investment hedges | | | | |
| British pound sterling | 5,433 | - | 807 | 13,189 |
| Canadian dollar | 3,432 | - | - | 1,926 |
| Interest rate swaps | | | | |
| Cash flow hedges | | | | |
| Euro | 11 | - | - | - |
| U.S. dollar | - | 233 | - | - |
| **Total fair value of derivatives** | **$ 19,014** | **$ 10,915** | **$ 13,266** | **$ 23,851** |

### Undesignated Derivative Financial Instruments

#### Foreign Currency Contracts

The following table summarizes the activity of our undesignated foreign currency contracts for the nine months ended September 30 (in millions, except for weighted average forward rates and number of active contracts):

| | 2020 | | | | | | | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CAD | EUR | GBP | JPY | SEK | Other | Total | BRL | CAD | EUR | GBP | JPY | MXN | SEK | Total |
| Notional amounts at January 1 ($) | 120 | 581 | 178 | 182 | 31 | 15 | **1,107** | 5 | 55 | 314 | 118 | 177 | - | - | **669** |
| New contracts ($) | 29 | 845 | 294 | 82 | 10 | 32 | **1,292** | 493 | 150 | 470 | 1,045 | 54 | 9 | 26 | **2,247** |
| Matured, expired or settled contracts ($) | (32) | (1,099) | (311) | (66) | (9) | (31) | **(1,548)** | (496) | (126) | (228) | (1,031) | (60) | (9) | - | **(1,950)** |
| **Notional amounts at September 30 ($)** | **117** | **327** | **161** | **198** | **32** | **16** | **851** | **2** | **79** | **556** | **132** | **171** | **-** | **26** | **966** |
| **Weighted average forward rate at September 30** | **1.34** | **1.17** | **1.31** | **102.80** | **9.35** | | | **3.82** | **1.31** | **1.15** | **1.32** | **103.80** | **-** | **9.39** | |
| **Active contracts at September 30** | **48** | **55** | **47** | **48** | **31** | | | **1** | **29** | **46** | **38** | **38** | **-** | **12** | |

The following table summarizes the undesignated derivative financial instruments exercised and associated realized and unrealized gains (losses) in *Foreign Currency and Derivative Gains (Losses), Net* in the Consolidated Statements of Income (in millions, except for number of exercised contracts):

| | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2019 |
|---|---|---|---|---|
| Exercised contracts | 28 | 34 | 101 | 82 |
| Realized gains on the matured, expired or settled contracts | $ 1 | $ 11 | $ 11 | $ 18 |
| Unrealized gains (losses) on the change in fair value of outstanding contracts | $ (27) | $ 9 | $ 7 | $ 13 |

## Designated Derivative Financial Instruments

### Foreign Currency Contracts

The following table summarizes the activity of our foreign currency contracts designated as net investment hedges for the nine months ended September 30 (in millions, except for weighted average forward rates and number of active contracts):

| | 2020 | | | 2019 | | | | |
|---|---|---|---|---|---|---|---|---|
| | CAD | GBP | Total | BRL | CAD | EUR | GBP | Total |
| Notional amounts at January 1 ($) | 97 | 387 | **484** | 460 | 100 | - | 127 | **687** |
| New contracts ($) | 298 | 324 | **622** | 489 | 97 | 420 | 515 | **1,521** |
| Matured, expired or settled contracts ($) | (48) | (576) | **(624)** | (949) | (100) | (420) | (259) | **(1,728)** |
| **Notional amounts at September 30 ($)** | **347** | **135** | **482** | **-** | **97** | **-** | **383** | **480** |
| | | | | | | | | |
| **Weighted average forward rate at September 30** | **1.32** | **1.35** | | **-** | **1.32** | **-** | **1.28** | |
| **Active contracts at September 30** | **6** | **1** | | **-** | **2** | **-** | **6** | |

### Interest Rate Swaps

The following table summarizes the activity of our interest rate swaps designated as cash flow hedges for the nine months ended September 30 (in millions):

| | 2020 | | 2019 |
|---|---|---|---|
| | EUR | USD | EUR |
| Notional amounts at January 1 ($) | - | - | 500 |
| New contracts ($) (1)(2)(3)(4) | 165 | 1,500 | - |
| Matured, expired or settled contracts ($) (2)(4) | - | (1,250) | - |
| **Notional amounts at September 30 ($)** | **165** | **250** | **500** |

(1) During the first quarter of 2020, we entered into one interest rate swap contract with an aggregate notional amount of €150.0 million ($165.0 million) to effectively fix the interest rate on our euro senior notes bearing a floating rate of Euribor plus 0.3% issued in February 2020.

(2) During the first quarter of 2020, we entered into four treasury lock contracts with an aggregate notional amount of $750.0 million to effectively fix the interest rate on the forecasted issuance of U.S. dollar senior notes, which were then issued in February 2020. Subsequent to issuance, we recorded a loss of $16.8 million associated with these derivatives that will be amortized out of *Accumulated Other Comprehensive Income/Loss* to *Interest Expense*, in accordance with our policy.

(3) During the second quarter of 2020, we entered into two interest rate swap contracts with an aggregate notional amount of $250.0 million to effectively fix the interest rate on the outstanding balance of our 2017 Term Loan bearing a floating rate of 1-month USD LIBOR plus 0.9%.

(4) During the third quarter of 2020, we entered into two treasury lock contracts with an aggregate notional amount of $500.0 million to effectively fix the interest rate on the forecasted issuance of U.S. dollar senior notes, which were then issued in August 2020. The loss associated with the settlement of the derivatives upon issuance of the senior notes was not significant.

### Designated Nonderivative Financial Instruments

The following table summarizes our debt and accrued interest, designated as a hedge of our net investment in international subsidiaries (in millions):

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| British pound sterling | $ 1,002 | $ 329 |
| Euro | $ - | $ 850 |

The following table summarizes the recognized unrealized gains (losses) in *Foreign Currency and Derivative Gains (Losses), Net* on the remeasurement of the unhedged portion of our debt and accrued interest (in millions):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Unrealized gains (losses) on the unhedged portion | $ (77) | $ 40 | $ (51) | $ 41 |

### Other Comprehensive Income (Loss)

The change in *Other Comprehensive Income (Loss)* in the Consolidated Statements of Comprehensive Income during the periods presented is due to the translation into U.S. dollars from the consolidation of the financial statements of our consolidated subsidiaries whose functional currency is not the U.S. dollar. The change in fair value of the effective portion of our derivative financial instruments that have been designated as net investment hedges and cash flow hedges and the translation of the hedged portion of our debt, as discussed above, are also included in *Other Comprehensive Income (Loss).*

The following table presents these changes in *Other Comprehensive Income (Loss)* (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Derivative net investment hedges | $ (4,234) | $ 15,642 | $ 18,290 | $ 4,654 |
| Debt designated as nonderivative net investment hedges | (46,570) | 154,948 | 2,439 | 187,572 |
| Cumulative translation adjustment | 5,228 | (140,537) | (200,891) | (149,755) |
| Total foreign currency translation gains (losses), net | $ (45,576) | $ 30,053 | $ (180,162) | $ 42,471 |
| | | | | |
| Cash flow hedges (1)(2) | $ 1,581 | $ 1,206 | $ (12,857) | $ 3,464 |
| Our share of derivatives from unconsolidated co-investment ventures | 798 | (1,822) | (6,839) | (10,438) |
| Total unrealized gains (losses) on derivative contracts, net | $ 2,379 | $ (616) | $ (19,696) | $ (6,974) |
| **Total change in other comprehensive income (loss)** | **$ (43,197)** | **$ 29,437** | **$ (199,858)** | **$ 35,497** |

(1) We estimate an additional expense of $5.1 million will be reclassified to *Interest Expense* over the next 12 months from September 30, 2020, due to the amortization of previously settled derivatives designated as cash flow hedges.

(2) Included in the nine months ended September 30, 2020 was $16.8 million in losses associated with the termination of the four treasury lock contracts.

### Fair Value Measurements

There have been no significant changes in our policy from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

#### Fair Value Measurements on a Recurring Basis

At September 30, 2020 and December 31, 2019, other than the derivatives discussed previously, we did not have any significant financial assets or financial liabilities that were measured at fair value on a recurring basis in the Consolidated Financial Statements. All of our derivatives held at September 30, 2020 and December 31, 2019, were classified as Level 2 of the fair value hierarchy.

#### Fair Value Measurements on Nonrecurring Basis

Acquired properties and assets we expect to sell or contribute are significant nonfinancial assets that met the criteria to be measured at fair value on a nonrecurring basis. At September 30, 2020 and December 31, 2019, we estimated the fair value of our properties using Level 2 or Level 3 inputs from the fair value hierarchy. See more information on our acquired properties in Notes 2 and 3 and assets held for sale or contribution in Note 5.

### Fair Value of Financial Instruments

At September 30, 2020 and December 31, 2019, the carrying amounts of certain financial instruments, including cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses were representative of their fair values.

The differences in the fair value of our debt from the carrying value in the table below were the result of differences in interest rates or borrowing spreads that were available to us at September 30, 2020 and December 31, 2019, as compared with those in effect when the debt was issued or assumed, including low borrowing spreads due to our credit ratings. The senior notes and many of the issuances of secured mortgage debt contain prepayment penalties or yield maintenance provisions that could make the cost of refinancing the debt at lower rates exceed the benefit that would be derived from doing so.

The following table reflects the carrying amounts and estimated fair values of our debt (in thousands):

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Credit Facilities | $ 39,733 | $ 39,733 | $ 184,255 | $ 184,255 |
| Senior notes | 14,108,021 | 15,053,871 | 9,660,570 | 10,228,715 |
| Term loans and unsecured other | 1,723,473 | 1,744,580 | 1,441,882 | 1,463,841 |
| Secured mortgage | 646,899 | 687,135 | 619,170 | 651,047 |
| **Total** | **$ 16,518,126** | **$ 17,525,319** | **$ 11,905,877** | **$ 12,527,858** |

The fair value of the senior notes increased during the nine months ended September 30, 2020 due to the decrease in bond yields in the market as compared to the higher weighted average interest rates on our senior notes.

## NOTE 12. BUSINESS SEGMENTS

Our current business strategy includes two operating segments: Real Estate Operations and Strategic Capital. We generate revenues, earnings, net operating income and cash flows through our segments, as follows:

- **Real Estate Operations.** This operating segment represents the ownership and development of operating properties and is the largest component of our revenue and earnings. We collect rent from our customers through operating leases, including reimbursements for the majority of our property operating costs. Each operating property is considered to be an individual operating segment with similar economic characteristics; these properties are combined within the reportable business segment based on geographic location. Our Real Estate Operations segment also includes development activities that lead to rental operations, including land held for development and properties currently under development. Within this line of business, we utilize the following: (i) our land bank; (ii) the development expertise of our local teams; and (iii) our customer relationships. Land we own and lease to customers under ground leases, along with land and buildings we lease, is also included in this segment.

- **Strategic Capital.** This operating segment represents the management of unconsolidated co-investment ventures. We generate strategic capital revenues primarily from our unconsolidated co-investment ventures through asset management and property management services and we earn additional revenues by providing leasing, acquisition, construction, development, financing, legal and disposition services. Depending on the structure of the venture and the returns provided to our partners, we also earn revenues through promotes periodically during the life of a venture or upon liquidation. Each unconsolidated co-investment venture we manage is considered to be an individual operating segment with similar economic characteristics; these ventures are combined within the reportable business segment based on geographic location.

Reconciliations are presented below for: (i) each reportable business segment's revenues from external customers to *Total Revenues*; (ii) each reportable business segment's net operating income from external customers to *Operating Income* and *Earnings Before Income Taxes*; and (iii) each reportable business segment's assets to *Total Assets*. Our chief operating decision makers rely primarily on net operating income and similar measures to make decisions about allocating resources and assessing segment performance. The applicable components of *Total Revenues*, *Operating Income*, *Earnings Before Income Taxes* and *Total Assets* are allocated to each reportable business segment's revenues, net operating income and assets. Items that are not directly assignable to a segment, such as certain corporate income and expenses, are not allocated but reflected as reconciling items.

The following reconciliations are presented in thousands:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | |
| Real estate operations segment: | | | | |
| U.S. | $ 933,916 | $ 667,889 | $ 2,660,178 | $ 1,969,191 |
| Other Americas | 21,132 | 22,723 | 66,947 | 70,435 |
| Europe | 19,558 | 9,517 | 53,048 | 30,337 |
| Asia | 9,174 | 11,585 | 30,723 | 41,226 |
| Total real estate operations segment | 983,780 | 711,714 | 2,810,896 | 2,111,189 |
| Strategic capital segment: | | | | |
| U.S. | 29,322 | 21,537 | 320,181 | 62,341 |
| Other Americas | 8,851 | 8,276 | 27,558 | 29,800 |
| Europe | 36,959 | 180,365 | 101,081 | 242,742 |
| Asia | 23,861 | 20,289 | 67,422 | 58,533 |
| Total strategic capital segment | 98,993 | 230,467 | 516,242 | 393,416 |
| **Total revenues** | **1,082,773** | **942,181** | **3,327,138** | **2,504,605** |
| Segment net operating income: | | | | |
| Real estate operations segment: | | | | |
| U.S. (1) | 699,255 | 497,686 | 1,976,985 | 1,450,393 |
| Other Americas | 15,288 | 16,698 | 48,561 | 51,616 |
| Europe | 14,207 | 5,597 | 33,017 | 18,029 |
| Asia | 6,520 | 8,575 | 21,543 | 31,438 |
| Total real estate operations segment | 735,270 | 528,556 | 2,080,106 | 1,551,476 |
| Strategic capital segment: | | | | |
| U.S. (1) | 5,184 | (10,129) | 222,390 | 992 |
| Other Americas | 6,276 | 4,402 | 17,803 | 19,179 |
| Europe | 26,775 | 162,646 | 66,483 | 205,020 |
| Asia | 14,967 | 10,144 | 35,656 | 29,557 |
| Total strategic capital segment | 53,202 | 167,063 | 342,332 | 254,748 |
| Total segment net operating income | 788,472 | 695,619 | 2,422,438 | 1,806,224 |
| Reconciling items: | | | | |
| General and administrative expenses | (74,348) | (65,199) | (208,701) | (201,176) |
| Depreciation and amortization expenses | (400,738) | (282,254) | (1,144,903) | (850,639) |
| Gains on dispositions of development properties and land, net | 134,207 | 63,935 | 383,373 | 303,317 |
| Gains on other dispositions of investments in real estate, net | 108,927 | 59,379 | 184,357 | 232,400 |
| **Operating income** | **556,520** | **471,480** | **1,636,564** | **1,290,126** |
| Earnings from unconsolidated entities, net | 73,972 | 46,302 | 216,844 | 151,524 |
| Interest expense | (80,711) | (60,244) | (237,651) | (179,873) |
| Interest and other income (expense), net | (5,866) | 654 | (4,469) | 12,876 |
| Foreign currency and derivative gains (losses), net | (100,974) | 59,492 | (48,481) | 70,267 |
| Losses on early extinguishment of debt, net | (98,266) | (13,585) | (164,606) | (16,086) |
| **Earnings before income taxes** | **$ 344,675** | **$ 504,099** | **$ 1,398,201** | **$ 1,328,834** |

| | | September 30, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Segment assets: | | | | |
| Real estate operations segment: | | | | |
| U.S. | $ | 41,605,862 | $ | 27,999,868 |
| Other Americas | | 1,074,504 | | 1,332,237 |
| Europe | | 1,615,194 | | 1,379,579 |
| Asia | | 1,052,497 | | 879,072 |
| Total real estate operations segment | | 45,348,057 | | 31,590,756 |
| Strategic capital segment: (2) | | | | |
| U.S. | | 13,575 | | 14,529 |
| Europe | | 25,280 | | 25,280 |
| Asia | | 351 | | 359 |
| Total strategic capital segment | | 39,206 | | 40,168 |
| Total segment assets | | 45,387,263 | | 31,630,924 |
| | | | | |
| Reconciling items: | | | | |
| Investments in and advances to unconsolidated entities | | 7,310,960 | | 6,237,371 |
| Assets held for sale or contribution | | 1,757,187 | | 720,685 |
| Lease right-of-use assets | | 112,319 | | 111,439 |
| Cash and cash equivalents | | 940,193 | | 1,088,855 |
| Other assets | | 251,676 | | 242,576 |
| Total reconciling items | | 10,372,335 | | 8,400,926 |
| **Total assets** | **$** | **55,759,598** | **$** | **40,031,850** |

(1) This includes compensation, personnel costs and PPP awards for employees who were located in the U.S. but also support other geographies.

(2) Represents management contracts and goodwill recorded in connection with business combinations associated with the Strategic Capital segment. Goodwill was $25.3 million at September 30, 2020 and December 31, 2019.

## NOTE 13. SUPPLEMENTAL CASH FLOW INFORMATION

Our significant noncash investing and financing activities for the nine months ended September 30, 2020 and 2019 included the following:

- We completed the Liberty Transaction on February 4, 2020 for $13.0 billion through the issuance of equity and the assumption of debt. See Note 2 for more information on this transaction. Additionally, our two U.S. co-investment ventures, USLF and USLV completed the IPT Transaction on January 8, 2020 for $2.0 billion each in a cash transaction, including the assumption and repayment of debt. See Note 6 for more information on the assumption of debt.

- We recognized *Lease Right-of-Use Assets* and *Lease Liabilities* on the Consolidated Balance Sheets, including any new leases, renewals and modifications after January 1, 2020 of $6.6 million each, and $483.9 million and $475.1 million, respectively, after January 1, 2019, related to leases in which we are the lessee. Amounts in 2019 are primarily due to our adoption of the new lease standard on January 1, 2019.

- We capitalized $18.0 million and $16.6 million in 2020 and 2019, respectively, of equity-based compensation expense.

- We received $399.2 million and $294.7 million in 2020 and 2019, respectively, of ownership interests in certain unconsolidated co-investment ventures as a portion of our proceeds from the contribution of properties to these entities, as disclosed in Note 4. Included in 2019 was our initial 20.0% investment in PBLV in exchange for our contribution of the initial portfolio of properties to PBLV upon formation.

- An unconsolidated co-investment venture in the U.S. declared a distribution of $45.6 million, which we subsequently reinvested and increased our ownership in 2020.

- We received $23.7 million of equity interests in PCCLF for the contribution of real estate properties from Prologis China Logistics Venture II, LP in 2020.

- We issued 0.3 million and 1.2 million shares in 2020 and 2019, respectively, of the Parent’s common stock upon redemption of an equal number of common limited partnership units in the OP.

- We issued 0.5 million common limited partnership units for $48.5 million as partial consideration for the acquisition of properties in 2020. See Note 8 for more information.

We paid $230.9 million and $201.6 million for interest, net of amounts capitalized, for the nine months ended September 30, 2020 and 2019, respectively.

We paid $82.3 million and $53.4 million for income taxes, net of refunds, for the nine months ended September 30, 2020 and 2019, respectively.

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors
Prologis, Inc.:

*Results of Review of Interim Financial Information*

We have reviewed the consolidated balance sheet of Prologis, Inc. and subsidiaries (the Company) as of September 30, 2020, the related consolidated statements of income, comprehensive income, and equity for the three-month and nine-month periods ended September 30, 2020 and 2019, the related consolidated statements of cash flows for the nine-month periods ended September 30, 2020 and 2019, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 10, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

*Basis for Review Results*

This consolidated interim financial information is the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Denver, Colorado
October 27, 2020

**Report of Independent Registered Public Accounting Firm**

To the Partners of Prologis, L.P. and the Board of Directors of Prologis, Inc.:

*Results of Review of Interim Financial Information*

We have reviewed the consolidated balance sheet of Prologis, L.P. and subsidiaries (the Company) as of September 30, 2020, the related consolidated statements of income, comprehensive income, and capital for the three-month and nine-month periods ended September 30, 2020 and 2019, the related consolidated statements of cash flows for the nine-month periods ended September 30, 2020 and 2019, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of income, comprehensive income, capital, and cash flows for the year then ended (not presented herein); and in our report dated February 10, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

*Basis for Review Results*

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Denver, Colorado
October 27, 2020

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the Consolidated Financial Statements and related Notes included in Item 1 of this report and our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the United States ("U.S.") Securities and Exchange Commission ("SEC").

The statements in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," and "estimates" including variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, development activity, contribution and disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained, and therefore actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic and political climates; (ii) changes in global financial markets, interest rates and foreign currency exchange rates; (iii) increased or unanticipated competition for our properties; (iv) risks associated with acquisitions, dispositions and development of properties; (v) maintenance of real estate investment trust ("REIT") status, tax structuring and changes in income tax laws and rates; (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings; (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures; (viii) risks of doing business internationally, including currency risks; (ix) environmental uncertainties, including risks of natural disasters; (x) risks related to the coronavirus ("COVID-19") pandemic; and (xi) those additional factors discussed under Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019 and in Item 1A. in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020. We undertake no duty to update any forward-looking statements appearing in this report except as may be required by law.

Prologis, Inc. is a self-administered and self-managed REIT and is the sole general partner of Prologis, L.P. through which it holds substantially all of its assets. We operate Prologis, Inc. and Prologis, L.P. as one enterprise and, therefore, our discussion and analysis refers to Prologis, Inc. and its consolidated subsidiaries, including Prologis, L.P., collectively. We invest in real estate through wholly owned subsidiaries and other entities through which we co-invest with partners and investors. We have a significant ownership in the co-investment ventures, which may be consolidated or unconsolidated based on our level of control of the entities.

We operate and manage our business on an owned and managed ("O&M") basis and therefore evaluate the operating performance of the properties for our O&M portfolio, which includes our consolidated properties and properties owned by our unconsolidated co-investment ventures. We make operating decisions based on our total O&M portfolio, as we manage these properties regardless of ownership. We also evaluate our results based on our proportionate economic ownership of each property included in the O&M portfolio ("our share") as it represents the financial results of our share of the O&M portfolio.

Included in our discussion below are references to funds from operations ("FFO") and net operating income ("NOI"), neither of which are measurements calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). See below for a reconciliation of *Net Earnings Attributable to Common Stockholders/Unitholders* in the Consolidated Statements of Income to our FFO measures and a reconciliation of NOI to *Operating Income,* the most directly comparable GAAP measure.

### MANAGEMENT'S OVERVIEW

As the global leader in logistics real estate, Prologis has a presence in 19 countries across four continents. We own, manage and develop well-located, high-quality logistics facilities, with a focus on the consumption side of the global supply chain. Our local teams actively manage our portfolio, which encompasses leasing and property management, capital deployment and opportunistic dispositions, generally allowing us to recycle capital to self-fund our development and acquisition activities. The majority of our properties in the U.S. are wholly owned, while our properties outside the U.S. are primarily held in co-investment ventures that have the benefit of mitigating our exposure to foreign currency movements.

Our portfolio is focused on the world's most vibrant centers of commerce and our scale allows us to respond to our customers' needs for the highest-quality buildings across these locations. As e-commerce increasingly moves to the forefront of the global supply chain, it drives demand for logistics real estate close to the end consumer. Over time, we have invested in properties located within infill and urban areas in our largest global markets with immediate access to the consumer population; these are our Last Touch® facilities. This positioning gives us the unique ability to provide our customers with the right solutions in their supply chains that, in turn, allows them to meet end consumer expectations. As we look to the future of logistics real estate, we strive to innovate through the development of multistory logistics facilities, creating community workforce programs to develop skilled labor, leveraging technology to invest in data driven operational efficiencies and utilizing our scale to negotiate better pricing on common products and services that our customers need. Our customers turn to us because they know that a strategic relationship with Prologis is a competitive advantage.

On January 8, 2020, our two U.S. co-investment ventures, Prologis U.S. Logistics Venture, LLC ("USLV") and Prologis Targeted U.S. Logistics Fund ("USLF") acquired the wholly-owned real estate assets of Industrial Property Trust Inc. ("IPT") for $2.0 billion each, that we refer to as the "IPT Transaction" and is detailed in Notes 3, 4, 6 and 8 to the Consolidated Financial Statements. Our aggregate investment in the acquisitions was $1.6 billion. The portfolio included 235 industrial operating properties, aggregating 37 million square feet.

On February 4, 2020, we acquired Liberty Property Trust and Liberty Property Limited Partnership (collectively "Liberty") through a merger transaction that we refer to as the "Liberty Transaction" and is detailed in Note 2 to the Consolidated Financial Statements. The Liberty portfolio was primarily comprised of logistics real estate assets, including 519 industrial operating properties, aggregating 100 million square feet, which were highly complementary to our U.S. portfolio in terms of product quality, location and growth potential. The portfolio also included development in progress, land for future logistics facilities and office properties. The acquisition expanded our presence in target markets such as Lehigh Valley, Chicago, Houston, Central Pennsylvania, New Jersey and Southern California. The total acquisition price was $13.0 billion through the issuance of equity based on the value of the Prologis common stock issued using the closing price on February 3, 2020 and the assumption of debt, and includes transaction costs. As a result of the closely aligned portfolios and similar business strategy, we integrated the IPT and Liberty properties while adding minimal property management expenses and further scaling our operations.

On a combined basis, there were 42 million square feet of non-strategic industrial properties with a gross book value of approximately $3 billion acquired in both the Liberty Transaction and the IPT Transaction that we do not intend to operate long-term. Depending on the expected hold period, these assets were either classified as *Assets Held for Sale or Contribution* or other real estate investments within *Investments in Real Estate Properties* at the time of acquisition in the Consolidated Balance Sheets.

At September 30, 2020, our total O&M portfolio at 100%, including properties and development projects (based on gross book value and total expected investment ("TEI")), totaled $94.5 billion across 976 million square feet (91 million square meters) and four continents. Our share of the total O&M portfolio was $59.3 billion. We lease modern logistics facilities to a diverse base of approximately 5,500 customers.

Our business comprises two operating segments: Real Estate Operations and Strategic Capital.

Below is information summarizing consolidated activity within our segments (in millions):


(1) NOI from Real Estate Operations is calculated directly from the Consolidated Financial Statements as *Rental Revenues* and *Development Management and Other Revenues* less *Rental Expenses* and *Other Expenses.*

(2) A developed property moves into the operating portfolio when it meets our definition of stabilization, which is the earlier of one year after completion or 90% occupancy. Amounts represent our TEI, which is comprised of the estimated cost of development or expansion, including land, construction and leasing costs.

## Real Estate Operations

**Rental.** Rental operations comprise the largest component of our operating segments and generally contribute 85% to 90% of our consolidated revenues, earnings and FFO. We collect rent from our customers through long-term operating leases, including reimbursements for the majority of our property operating costs. We expect to generate long-term internal growth by increasing rents, maintaining high occupancy rates and controlling expenses. The primary driver of our revenue growth will be rolling in-place leases to current market rents. We believe our active portfolio management, combined with the skills of our property, leasing, maintenance, capital, energy, sustainability and risk management teams allow us to maximize NOI across our portfolio. A significant amount of our rental revenue, NOI and cash flows are generated in the U.S.

**Development.** Given the scarcity of modern logistics facilities in urban centers, we believe our development business allows us to build what our customers need. We develop properties to meet these needs, deepen our market presence and refresh our portfolio quality. We believe we have a competitive advantage due to (i) the strategic locations of our land bank; (ii) the development expertise of our local teams; and (iii) the depth of our customer relationships. Successful development and redevelopment efforts provide significant earnings growth as projects lease up and generate income and increase the net asset value of our Real Estate Operations segment. Based on our current estimates, our consolidated land, including options, has the potential to support the development of $12.7 billion of TEI of new logistics space. Generally, we develop properties in the U.S. for long-term hold and outside the U.S. for contribution to our unconsolidated co-investment ventures.

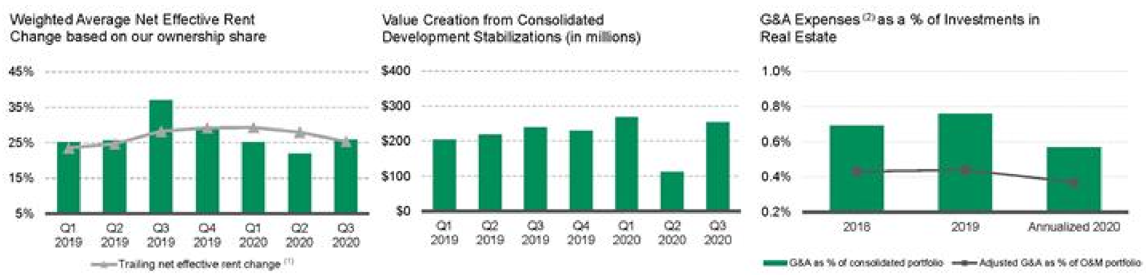
### Strategic Capital

Our strategic capital segment allows us to partner with some of the world's largest institutional investors to grow our business through private capital. We also access capital in this segment through two publicly traded vehicles: Nippon Prologis REIT, Inc. in Japan and FIBRA Prologis in Mexico. We align our interests with those of our partners by holding significant ownership interests in all of our unconsolidated co-investment ventures (ranging from 15% to 50%), which generally allows us to reduce our exposure to foreign currency movements for investments outside the U.S.

This segment produces stable, long-term cash flows and generally contributes 10% to 15% of our recurring consolidated revenues, earnings and FFO. We generate strategic capital revenues from our unconsolidated co-investment ventures, principally through asset and property management services. These revenues are principally earned from perpetual open-ended or long-term ventures. We earn additional revenues by providing leasing, acquisition, construction, development, financing, legal and disposition services. In certain ventures, we also have the ability to earn revenues through incentive fees ("promotes" or "promote revenue") periodically during the life of a venture or upon liquidation. We plan to profitably grow this business by increasing our assets under management in existing or new ventures. Most of the strategic capital revenues are generated outside the U.S. NOI in this segment is calculated directly from our Consolidated Financial Statements as *Strategic Capital Revenues* less *Strategic Capital Expenses* and excludes property-related NOI.

## FUTURE GROWTH

We believe the quality and scale of our global portfolio, the expertise of our team, the depth of our customer relationships and the strength of our balance sheet give us unique competitive advantages to grow revenues, NOI, earnings, FFO and cash flows.




(1) Calculated using the trailing twelve months immediately prior to the period ended.

(2) *General and Administrative ("G&A") Expenses* is a line item in the Consolidated Financial Statements. Adjusted G&A expenses is calculated from the Consolidated Financial Statements as *G&A Expenses* and *Strategic Capital Expenses*, less expenses under the Prologis Promote Plan ("PPP") and property-level management expenses for the properties owned by the ventures. Annualized 2020 represents G&A and adjusted G&A expenses for the year ended December 31, 2020 based on the nine months ended September 30, 2020.

- **Rent Growth**. Despite the COVID-19 pandemic and the current economic environment,we now expect market rents to increase. In addition, due to strong market rent growth over the last several years, our in-place leases have considerable upside potential. We estimate that our leases are approximately 12% below current market rent on the basis of our weighted average ownership at September 30, 2020. Therefore, even if market rents remain flat, a lease renewal will translate into increased future rental income on a consolidated basis or through the earnings we recognize from our unconsolidated co-investment ventures based on our ownership. We have experienced positive rent change on rollover (comparing the net effective rent ("NER") of the new lease to the prior lease for the same space) every quarter since 2013. We expect this positive rent change trend to continue for several more years due to our current in-place rents being below market.

- **Value Creation from Development.** A successful development and redevelopment program involves maintaining control of well-located and entitled land. We believe the carrying value of our land bank is below its current fair value. Due to the strategic nature of our land bank and development expertise of our teams, we expect to realize future value creation as we build out the land bank. We measure the estimated value of a development project as the margin above our anticipated cost to develop. We calculate the margin by comparing the estimated yield on the investment to capitalization rates from our underwriting models. As properties under development stabilize, we expect to realize the value creation principally through contributions to the unconsolidated co-investment ventures and increases in the NOI of our operating portfolio.

- **Economies of Scale from Growth**. We use adjusted G&A expenses as a percentage of the real estate basis of the O&M portfolio to measure and manage our overhead costs. We have the systems and infrastructure in place to grow both our consolidated portfolio and O&M portfolio with limited incremental G&A expense. We believe we can continue to grow NOI and strategic capital revenues organically and through accretive development and acquisition activity while further reducing G&A as a percentage of our investments in real estate. As noted in the graph above, the acquisitions of the Liberty and IPT portfolios are key examples of this effort, where we increased our O&M portfolio by approximately $17 billion in the first quarter of 2020 and had minimal increases to G&A expenses, resulting in lower G&A expenses as a percentage of the real estate basis.

- **Staying "Ahead of What's Next™"**. We are working on initiatives to create value beyond the real estate by reengineering our customers' experience, utilizing our scale to streamline our procurement activities and negotiating better pricing on products and services for us and our customers, as well as delivering enhancements to our business through innovation, data analytics and digitization efforts.

## SUMMARY OF 2020

Our operating results remain strong in the COVID-19 environment and, in combination with what we see in our proprietary data, the pace of rent collections and dialogue with our customers, our outlook continues to improve as we enter the fourth quarter. However, with the continued uncertainty across the globe until we put COVID-19 behind us, we cannot predict the impact on our business and future financial condition and operating results.

We have experienced minimal impacts from the current environment on our O&M portfolio operating fundamentals in 2020. This is the result of the high quality and location of our real estate portfolio, favorable market fundamentals in the logistics real estate sector, our significant in-place-to-market rent spreads on leases and rent collections that are ahead of 2019 levels. Leasing activity has remained strong for the O&M portfolio throughout 2020 with the commencement of 113 million square feet of leases, including 42 million square feet in the third quarter. Net effective rent change on rollover for the O&M portfolio was 22.8% for the third quarter and the average number of days from lease proposal to commencement has decreased since 2019 as some customers have increased the pace of activity. E-commerce continues to grow well above its historical average and customers that serve essential daily needs are thriving. Customers that have been negatively impacted by the current economy represent a minimal percentage of our annual rent.

As of October 19, 2020, we have collected 99.0% of rent due in the third quarter of 2020 and 93.4% of October rents for the O&M portfolio, which includes the deferral of rents for the third quarter and October of 0.6% and 0.1%, respectively. We have received requests from certain customers for rent concessions and for those granted, it is the deferral of the rent payment to a later period in 2020 or early 2021 that had no impact on revenue recognition. As of October 19, 2020, we have granted $40.0 million of rental deferral requests for the O&M portfolio in 2020 or 61 basis points of annualized rental revenue. We have received 94.8% of deferred rents due as of October 19, 2020. Although COVID-19 continues to have a minimal impact on our rent collections and bad debt is trending lower than we initially anticipated, we may experience an increase in bad debt.

Our capital deployment and disposition activities have continued throughout this time and we expect the volume of these activities to accelerate in the fourth quarter. By the end of the year, we expect to restart the majority of the speculative development projects that we suspended in the first quarter.

Our business continuity, communication plans and technology are allowing all functions of our business to work smoothly during this time. Generally, our employees have continued working remotely or in certain locations in our offices under protocols to keep a safe working environment. We have not had any lay-offs and we have extended financial assistance to employees in need. Our local property and leasing teams have continued to maintain our properties and work with our customers to help them navigate the new environment while following established measures to keep them and our customers safe. In addition, we are providing assistance across the globe in the form of direct cash grants, supplies and donation of over one million square feet through our Space for Good program. Also, we contributed $5 million to the Prologis Foundation for donations to COVID-19 relief organizations during 2020.

We completed the following significant activities in 2020 as described in the Notes to the Consolidated Financial Statements:

- In January, our U.S. co-investment ventures, USLV and USLF, acquired the wholly owned real estate assets of IPT for $2.0 billion each, including the assumption and repayment of debt. As USLV is a consolidated co-investment venture, our Results of Operations section includes a discussion of the acquired properties. USLF is an unconsolidated co-investment venture and therefore the acquisition is included in the discussion of our O&M Operating Portfolio. For further discussion on the acquisition by USLF, see Note 4, and for USLV, see Notes 6 and 8.

- In February, we completed the Liberty Transaction for $13.0 billion through the issuance of equity and the assumption of debt. We assumed $2.8 billion of debt with a weighted average stated interest rate of 3.8%. We paid down $1.8 billion of the assumed debt with senior notes we issued at lower rates in February 2020, as detailed below. See Note 2 to the Consolidated Financial Statements for more information on the Liberty Transaction.

- We earned promotes aggregating $228 million ($162 million net of related expenses), primarily in June from our unconsolidated co-investment venture in the U.S., which was recorded in *Strategic Capital Revenues*.
- We generated net proceeds of $2.1 billion and realized net gains of $568 million, principally from the contribution of properties to our unconsolidated co-investment ventures in the U.S., Europe, Mexico and Japan and dispositions to third parties in the U.S.
- We have total available liquidity of $5.2 billion, including current aggregate availability on our global senior credit facility and Japanese yen revolver of $4.0 billion, multi-currency term loan of $250 million and unrestricted cash balances of $940 million. We have no significant debt due until 2022.
- Additionally, we completed the following financing activities that resulted in extending our weighted average remaining maturity to 11 years and lowering our weighted average effective interest rate to approximately 2.0% (principal in millions):

| | Aggregate Principal | | | | | |
|---|---|---|---|---|---|---|
| **Initial Borrowing Date** | **Borrowing Currency** | | **USD (1)** | | **Weighted Average Stated Interest Rate at Issuance Date** | **Maturity Dates** |
| February (2) | € | 1,350 | $ | 1,485 | 0.6% | February 2022 – 2035 |
| February | $ | 2,200 | $ | 2,200 | 2.4% | April 2027 – 2050 |
| February | £ | 250 | $ | 322 | 1.9% | February 2035 |
| June (2) | ¥ | 41,200 | $ | 386 | 1.0% | June 2027 – 2050 |
| August (2) | $ | 1,250 | $ | 1,250 | 1.6% | October 2030 – 2050 |
| September | ¥ | 19,700 | $ | 187 | 1.0% | September 2032 – 2040 |

| | Aggregate Principal | | | | | |
|---|---|---|---|---|---|---|
| **Redemption Date** | **Borrowing Currency** | | **USD (1)** | | **Stated Interest Rate at the Redemption Date** | **Maturity Date** |
| January | € | 400 | $ | 446 | 0.0% | January 2020 |
| March | € | 700 | $ | 783 | 1.4% | May 2021 |
| June | € | 213 | $ | 238 | 3.0% | January 2022 |
| June | € | 100 | $ | 113 | 3.4% | February 2024 |
| September | $ | 850 | $ | 850 | 4.3% | August 2023 |

(1) The exchange rate used to calculate into U.S. dollars was the spot rate at the settlement date.

(2) Approximately $1.5 billion of the proceeds from the issuance of these notes are to fund sustainable and environmentally beneficial projects and buildings in accordance with our green bond framework.

In February 2020, we completed an exchange offer for two series of Liberty's senior notes for an aggregate amount of $750 million, with $690 million, or 92.0%, of the aggregate principal amount being validly tendered for exchange. These senior notes are in the aggregate principal amounts of $400 million due in October 2026 with an interest rate of 3.3% and $350 million due in February 2029 with an interest rate of 4.4%. The senior notes were exchanged for notes issued by a wholly owned subsidiary and guaranteed by the OP. All other terms of the exchanged Liberty senior notes remained substantially the same.

Throughout this discussion, we reflect amounts in U.S. dollars, our reporting currency. Included in these amounts are consolidated and unconsolidated investments denominated in foreign currencies, principally the British pound sterling, euro and Japanese yen that are impacted by fluctuations in exchange rates when translated to U.S. dollars. We mitigate our exposure to foreign currency fluctuations by investing outside the U.S. through co-investment ventures, borrowing in the functional currency of our consolidated subsidiaries and utilizing derivative financial instruments.

## RESULTS OF OPERATIONS – NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

We evaluate our business operations based on the NOI of our two operating segments: Real Estate Operations and Strategic Capital. NOI by segment is a non-GAAP performance measure that is calculated using revenues and expenses directly from our financial statements. We consider NOI by segment to be an appropriate supplemental measure of our performance because it helps management and investors understand our operating results.

Below is a reconciliation of our NOI by segment to *Operating Income* per the Consolidated Financial Statements for the nine months ended September 30 (in millions). Each segment's NOI is reconciled to the respective line items in the Consolidated Financial Statements in the respective segment discussion below.

| | 2020 | 2019 |
|---|---|---|
| Real Estate Operations – NOI | $ 2,080 | $ 1,551 |
| Strategic Capital – NOI | 342 | 255 |
| General and administrative expenses | (208 ) | (201 ) |
| Depreciation and amortization expenses | (1,145 ) | (851 ) |
| **Operating income before gains on real estate transactions, net** | 1,069 | 754 |
| Gains on dispositions of development properties and land, net | 384 | 303 |
| Gains on other dispositions of investments in real estate, net | 184 | 233 |
| **Operating income** | **$ 1,637** | **$ 1,290** |

See Note 12 to the Consolidated Financial Statements for more information on our segments and a reconciliation of each business segment's NOI to *Operating Income* and *Earnings Before Income Taxes.*

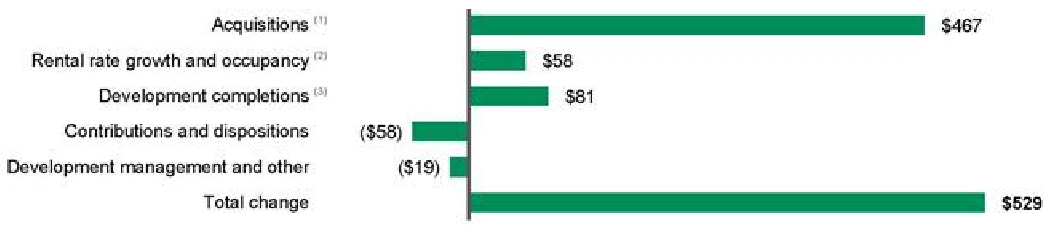
## Real Estate Operations

This operating segment principally includes rental revenue and rental expenses recognized from our consolidated properties. We allocate the costs of our property management and leasing functions to the Real Estate Operations segment through *Rental Expenses* and the Strategic Capital segment through *Strategic Capital Expenses* based on the square footage of the relative portfolios. The operating fundamentals in the markets in which we operate have continued to be strong. In addition, this segment is impacted by our development, acquisition and disposition activities.

Below are the components of Real Estate Operations revenues, expenses and NOI for the nine months ended September 30, derived directly from line items in the Consolidated Financial Statements (in millions):

| | 2020 | 2019 |
|---|---|---|
| Rental revenues | $ 2,803 | $ 2,108 |
| Development management and other revenues | 8 | 3 |
| Rental expenses | (705 ) | (550 ) |
| Other expenses | (26 ) | (10 ) |
| **Real Estate Operations – NOI** | **$ 2,080** | **$ 1,551** |

The change in Real Estate Operations NOI for the nine months ended September 30, 2020 from the same period in 2019, was impacted by the following items (in millions):

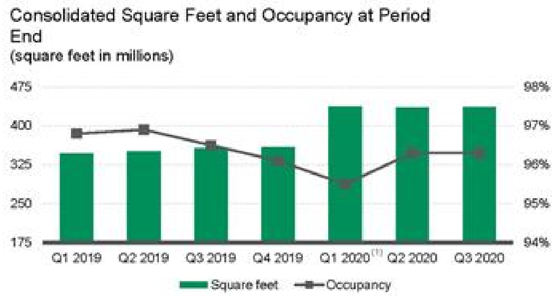



(1) Acquisition activity increased NOI in 2020, compared to 2019, principally due to the Liberty Transaction and the IPT Transaction.

(2) During both periods, we experienced positive rental rate growth. Rental rate growth (or rent change) is a combination of the rollover of existing leases to higher rental rates and contractual rent increases on existing leases. If a lease has a contractual rent increase driven by a metric that is not known at the time the lease commences, such as the consumer price index or a similar metric, the rent increase is not included in rent leveling and therefore, impacts the rental revenue we recognize. See below for key metrics on rent change on rollover and occupancy for the consolidated operating portfolio.

(3) We calculate changes in NOI from development completions period over period by comparing the change in NOI generated on the pool of developments that were completed on or after January 1, 2019 through September 30, 2020.

Below are key operating metrics of our consolidated operating portfolio, excluding non-strategic industrial properties.





(1) The increase in consolidated square feet in the first quarter of 2020 is a result of properties acquired in the Liberty Transaction and the IPT Transaction.

The decrease in occupancy in the first quarter of 2020 was driven principally by significantly higher lease roll and changes in the composition of the operating portfolio as a result of deployment activity.

(2) Consolidated square feet of leases commenced and weighted average net effective rent change were calculated for leases with initial terms of one year or greater.

(3) Calculated using the trailing twelve months immediately prior to the period ended.

### Development Activity

The following table summarizes consolidated development activity for the nine months ended September 30 (dollars and square feet in millions):

| | 2020 | 2019 |
|---|---|---|
| **Starts:** | | |
| Number of new development projects during the period | 15 | 37 |
| Square feet | 5 | 11 |
| TEI | $ 708 | $ 1,064 |
| Percentage of build-to-suits based on TEI | 61.9 % | 50.8 % |
| | | |
| **Stabilizations:** | | |
| Number of development projects stabilized during the period | 45 | 52 |
| Square feet | 16 | 19 |
| TEI | $ 1,539 | $ 1,809 |
| Weighted average stabilized yield (1) | 6.5 % | 6.3 % |
| Estimated value at completion | $ 2,172 | $ 2,470 |
| Estimated weighted average margin | 41.2 % | 36.5 % |

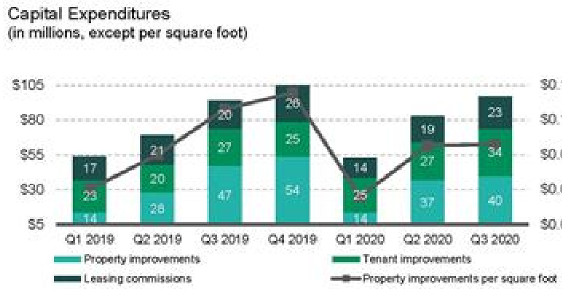
(1) We calculate the weighted average stabilized yield as estimated NOI assuming stabilized occupancy divided by TEI.

In the first quarter of 2020, we suspended several recently started speculative development projects for the short-term. During the third quarter of 2020, two previously suspended development projects moved back into the active consolidated development portfolio. At September 30, 2020, the outstanding suspended development projects have a TEI of $316 million and remain within our consolidated development portfolio at period end. We expect our development activities to increase in the fourth quarter.

At September 30, 2020, our active consolidated development portfolio, including properties under development and prestabilized properties, is expected to be completed before December 2021 with a TEI of $3.0 billion, leaving $1.1 billion remaining to be spent, and was 71.3% leased.

### Capital Expenditures

We capitalize costs incurred in renovating, improving and leasing our operating properties as part of the investment basis or within other assets. The following graph summarizes our total capital expenditures, excluding development costs, of our consolidated operating properties during each quarter:




## Strategic Capital

This operating segment includes revenues from asset and property management, other fees for services performed and promote revenue earned from the unconsolidated entities. Revenues associated with the Strategic Capital segment fluctuate because of changes in the size of the portfolios through acquisitions and dispositions, the fair value of the properties and other transactional activity including foreign currency exchange rates and timing of promotes. These revenues are reduced by the direct costs associated with the asset and property-level management expenses for the properties owned by these ventures. We allocate the costs of our property management and leasing functions to the Strategic Capital segment through *Strategic Capital Expenses* and to the Real Estate Operations segment through *Rental Expenses* based on the square footage of the relative portfolios.

Below are the components of Strategic Capital revenues, expenses and NOI for the nine months ended September 30, derived directly from the line items in the Consolidated Financial Statements (in millions):

| | 2020 | 2019 |
|---|---|---|
| Strategic capital revenues | $ 516 | $ 393 |
| Strategic capital expenses | (174) | (138) |
| **Strategic Capital – NOI** | **$ 342** | **$ 255** |

Below is additional detail of our Strategic Capital revenues, expenses and NOI for the nine months ended September 30 (in millions):

| | U.S. (1) | | Other Americas | | Europe | | Asia | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Strategic capital revenues ($) | | | | | | | | | | |
| Recurring fees (2) | 79 | 54 | 24 | 23 | 87 | 79 | 49 | 40 | **239** | **196** |
| Transactional fees (3) | 14 | 8 | 4 | 2 | 13 | 14 | 18 | 18 | **49** | **42** |
| Promote revenue (4) | 227 | - | - | 5 | 1 | 150 | - | - | **228** | **155** |
| Total strategic capital revenues ($) | 320 | 62 | 28 | 30 | 101 | 243 | 67 | 58 | **516** | **393** |
| Strategic capital expenses ($) | (98) | (61) | (10) | (11) | (35) | (38) | (31) | (28) | **(174)** | **(138)** |
| **Strategic Capital – NOI ($)** | **222** | **1** | **18** | **19** | **66** | **205** | **36** | **30** | **342** | **255** |

(1) The U.S. expenses include compensation, personnel costs and PPP awards for employees who are based in the U.S. but also support other geographies.

(2) Recurring fees include asset and property management fees. The increase in the U.S. is primarily due to the IPT Transaction.

(3) Transactional fees include leasing commission, acquisition, disposition, development and other fees.

(4) We earn promote revenue directly from third-party investors in the co-investment ventures and occasionally from the venture. The promote is generally based on cumulative returns over a three-year period. Under either structure, when the promote is earned we recognize the third-party investors' share of the promote. Approximately 40% of the promote earned by us is paid to our employees as a combination of cash and stock awards pursuant to the terms of the PPP and expensed through *Strategic Capital Expenses*, as vested.

The following real estate investments were held through our unconsolidated co-investment ventures based on historical cost (dollars and square feet in millions):

| | U.S. | | Other Americas (2) | | Europe | | Asia | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep 30, 2020 (1) | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 | Sep 30, 2020 | Dec 31, 2019 |
| Ventures | 1 | 1 | 2 | 2 | 3 | 3 | 3 | 3 | **9** | **9** |
| Operating properties | 699 | 605 | 225 | 214 | 769 | 731 | 165 | 144 | **1,858** | **1,694** |
| Square feet | 116 | 99 | 49 | 44 | 185 | 176 | 67 | 59 | **417** | **378** |
| Total assets ($) | 10,755 | 8,408 | 2,862 | 2,707 | 15,940 | 14,677 | 9,729 | 8,758 | **39,286** | **34,550** |

(1) The increase in the U.S. is primarily due to the IPT Transaction.

(2) PBLV and our other Brazilian joint ventures are combined as one venture for the purpose of this table.

See Note 4 to the Consolidated Financial Statements for additional information on our unconsolidated co-investment ventures.

## G&A Expenses

G&A expenses were $208 million and $201 million for the nine months ended September 30, 2020 and 2019. Included in the nine months ended September 30, 2020 is a contribution of $5 million to the Prologis Foundation for donations to COVID-19 relief organizations. We capitalize certain internal costs, including salaries and related expenses, directly related to our development activities.

The following table summarizes capitalized G&A for the nine months ended September 30 (dollars in millions):

| | 2020 | 2019 |
|---|---|---|
| Building and land development activities | $ 57 | $ 51 |
| Operating building improvements and other | 17 | 15 |
| **Total capitalized G&A expenses** | **$ 74** | **$ 66** |
| Capitalized salaries and related costs as a percent of total salaries and related costs | 20.2 % | 19.5 % |

## Depreciation and Amortization Expenses

Depreciation and amortization expenses were $1.1 billion and $851 million for the nine months ended September 30, 2020 and 2019, respectively.

The following table highlights the key changes in depreciation and amortization expenses during the nine months ended September 30, 2020 from the same period in 2019 (in millions):


(1) Included in acquisitions are the operating properties and related intangible assets acquired in the Liberty Transaction and the IPT Transaction.

### Gains on Real Estate Transactions, Net

The following table summarizes our *Gains on Dispositions of Development Properties and Land, Net,*which primarily includes contributions to our unconsolidated entities, and *Gains on Other Dispositions of Investments in Real Estate, Ne*, which includes sales of operating properties and other real estate transactionsfor the nine months ended September 30, 2020 and 2019 (in millions):

| | 2020 | 2019 |
|---|---|---|
| **Gains on dispositions of development properties and land, net** | | |
| Contributions to unconsolidated entities and dispositions to third parties | $ 384 | $ 303 |
| **Total gains on dispositions of development properties and land, net** | **$ 384** | **$ 303** |
| | | |
| **Gains on other dispositions of investments in real estate, net** | | |
| Contributions to unconsolidated entities and dispositions to third parties | $ 184 | $ 98 |
| Gains on partial redemption of investment in an unconsolidated co-investment venture | - | 135 |
| **Total gains on other dispositions of investments in real estate, net** | **$ 184** | **$ 233** |

We utilized the proceeds from these transactions primarily to fund our capital investments during both periods. See Note 3 to the Consolidated Financial Statements for further information on the gains we recognized.

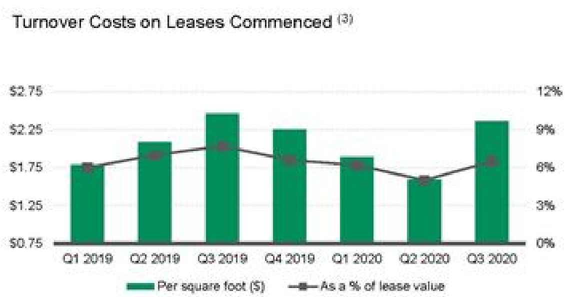
### Our Owned and Managed ("O&M") Operating Portfolio

We manage our business and review our operating fundamentals on an O&M basis, which includes properties wholly owned by us or owned by one of our co-investment ventures. We believe reviewing the fundamentals this way allows management to understand the entire impact to the financial statements, as it will affect both the Real Estate Operations and Strategic Capital segments, as well as the net earnings we recognize from our unconsolidated co-investment ventures based on our ownership. We do not control the unconsolidated co-investment ventures for purposes of GAAP and the presentation of the ventures' operating information does not represent a legal claim.

Our O&M operating portfolio does not include our development portfolio, value-added properties, non-industrial properties or properties we do not have the intent to hold long-term that are classified as either held for sale or within other real estate investments. Value-added properties are properties that are expected to be repurposed or redeveloped to a higher and better use and recently acquired properties that present opportunities to create greater value. See below for information on our O&M operating portfolio (square feet in millions):

| | September 30, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **Number of Properties** | **Square Feet** | **Percentage Occupied** | **Number of Properties** | **Square Feet** | **Percentage Occupied** |
| Consolidated | 2,237 | 437 | 96.3 % | 1,882 | 359 | 96.1 % |
| Unconsolidated | 1,833 | 413 | 94.8 % | 1,676 | 376 | 96.8 % |
| **Total** | **4,070** | **850** | **95.6 %** | **3,558** | **735** | **96.5 %** |

Below are the key operating metrics summarizing the leasing activity of our O&M operating portfolio.


(1) Square feet of leases commenced and weighted average net effective rent change were calculated for leases with initial terms of one year or greater. We retained more than 70% of our customers, based on the total square feet of leases commenced during these periods.

(2) Calculated using the trailing twelve months immediately prior to the period ended.

(3) Turnover costs are defined as leasing commissions and tenant improvements and represent the obligations incurred in connection with the lease commencement for leases greater than one year.

### Same Store Analysis

Our same store metrics are non-GAAP financial measures, which are commonly used in the real estate industry and expected from the financial community, on both a net effective and cash basis. We evaluate the performance of the operating properties we own and manage using a “same store” analysis because the population of properties in this analysis is consistent from period to period, which allows us and investors to analyze our ongoing business operations. We determine our same store metrics on property NOI, which is calculated as rental revenue less rental expense for the applicable properties in the same store population for both consolidated and unconsolidated properties based on our ownership interest, as further defined below.

We define our same store population for the three months ended September 30, 2020 as the properties in our O&M operating portfolio, including the property NOI for both consolidated properties and properties owned by the unconsolidated co-investment ventures, at January 1, 2019 and owned throughout the same three-month period in both 2019 and 2020. We believe the drivers of property NOI for the consolidated portfolio are generally the same for the properties owned by the ventures in which we invest and therefore we evaluate the same store metrics of the O&M portfolio based on Prologis’ ownership in the properties (“Prologis Share”). The same store population excludes properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period (January 1, 2019) and properties acquired or disposed of to third parties during the period. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the reported period-end exchange rate to translate from local currency into the U.S. dollar for both periods.

As non-GAAP financial measures, the same store metrics have certain limitations as an analytical tool and may vary among real estate companies. As a result, we provide a reconciliation of *Rental Revenues* less *Rental Expenses* (“Property NOI”) (from the Consolidated Financial Statements prepared in accordance with U.S. GAAP) to our Same Store Property NOI measures, as follows for the three months ended September 30 (dollars in millions):

| | 2020 | 2019 | Percentage Change |
|---|---|---|---|
| **Reconciliation of Consolidated Property NOI to Same Store Property NOI measures:** | | | |
| Rental revenues | $ 980 | $ 710 | |
| Rental expenses | (245) | (181) | |
| **Consolidated Property NOI** | **735** | **529** | |
| *Adjustments to derive same store results:* | | | |
| Property NOI from consolidated properties not included in same store portfolio and other adjustments (1)(2) | (256) | (55) | |
| Property NOI from unconsolidated co-investment ventures included in same store portfolio (1)(2) | 501 | 490 | |
| Third parties' share of Property NOI from properties included in same store portfolio (1)(2) | (405) | (399) | |
| **Prologis Share of Same Store Property NOI – Net Effective (2)** | **$ 575** | **$ 565** | **1.9 %** |
| Consolidated properties straight-line rent and fair value lease adjustments included in same store portfolio (3) | (10) | (13) | |
| Unconsolidated co-investment ventures straight-line rent and fair value lease adjustments included in same store portfolio (3) | (11) | (7) | |
| Third parties' share of straight-line rent and fair value lease adjustments included in same store portfolio (2)(3) | 10 | 7 | |
| **Prologis Share of Same Store Property NOI – Cash (2)(3)** | **$ 564** | **$ 552** | **2.2 %** |

(1) We exclude properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period and properties acquired or disposed of to third parties during the period. We also exclude net termination and renegotiation fees to allow us to evaluate the growth or decline in each property’s rental revenues without regard to one-time items that are not indicative of the property’s recurring operating performance. Net termination and renegotiation fees represent the gross fee negotiated to allow a customer to terminate or renegotiate their lease, offset by the write-off of the asset recorded due to the adjustment to straight-line rents over the lease term. Same Store Property NOI is adjusted to include an allocation of property management expenses for our consolidated properties based on the property management services provided to each property (generally, based on a percentage of revenues). On consolidation, these amounts are eliminated and the actual costs of providing property management services are recognized as part of our consolidated rental expense.

(2) We include the Property NOI for the same store portfolio for both consolidated properties and properties owned by the co-investment ventures based on our investment in the underlying properties. In order to calculate our share of Same Store Property NOI from the co-investment ventures in which we own less than 100%, we use the co-investment ventures’ underlying Property NOI for the same store portfolio and apply our ownership percentage at September 30, 2020 to the Property NOI for both periods,

including the properties contributed during the period. We adjust the total Property NOI from the same store portfolio of the co-investment ventures by subtracting the third parties' share of both consolidated and unconsolidated co-investment ventures.

During the periods presented, certain wholly owned properties were contributed to a co-investment venture and are included in the same store portfolio. Neither our consolidated results nor those of the co-investment ventures, when viewed individually, would be comparable on a same store basis because of the changes in composition of the respective portfolios from period to period (e.g. the results of a contributed property are included in our consolidated results through the contribution date and in the results of the venture subsequent to the contribution date based on our ownership interest at the end of the period). As a result, only line items labeled "Prologis Share of Same Store Property NOI" are comparable period over period.

(3) We further remove certain noncash items (straight-line rent and amortization of fair value lease adjustments) included in the financial statements prepared in accordance with U.S. GAAP to reflect a Same Store Property NOI – Cash measure.

We manage our business and compensate our executives based on the same store results of our O&M portfolio at 100% as we manage our portfolio on an ownership blind basis. We calculate those results by including 100% of the properties included in our same store portfolio.

## Other Components of Income (Expense)

### Earnings from Unconsolidated Entities, Net

We recognized net earnings from unconsolidated entities, which are accounted for using the equity method, of $217 million and $152 million for the nine months ended September 30, 2020 and 2019, respectively. The earnings we recognize can be impacted by: (i) variances in revenues and expenses of each venture; (ii) the size and occupancy rate of the portfolio of properties owned by each venture; (iii) gains or losses from the dispositions of properties and extinguishment of debt; (iv) our ownership interest in each venture; and (v) fluctuations in foreign currency exchange rates used to translate our share of net earnings to U.S. dollars.

See the discussion of our unconsolidated entities above in the Strategic Capital segment discussion and in Note 4 to the Consolidated Financial Statements for further breakdown of our share of net earnings recognized.

### Interest Expense

The following table details our net interest expense for the nine months ended September 30 (dollars in millions):

| | 2020 | 2019 |
|---|---|---|
| Gross interest expense | $ 264 | $ 205 |
| Amortization of debt discount and debt issuance costs, net | 5 | 13 |
| Capitalized amounts | (31) | (38) |
| **Net interest expense** | **$ 238** | **$ 180** |
| Weighted average effective interest rate during the period | 2.2 % | 2.5 % |

Interest expense increased due to higher debt balances in 2020 as compared to 2019, driven primarily by the debt assumed in the Liberty Transaction, reduced partially by lower interest rates as a result of our refinancing activities as discussed under the Summary of 2020 section.

See Note 6 to the Consolidated Financial Statements and the Liquidity and Capital Resources section below, for further discussion of our debt and borrowing costs.

### Foreign Currency and Derivative Gains (Losses), Net

We are exposed to foreign currency exchange risk related to investments in and earnings from our foreign investments. We use derivative financial instruments to manage foreign currency exchange rate risk. We recognize the change in fair value of the undesignated derivative contracts in unrealized gains and losses. Upon settlement of these transactions, we recognize realized gains or losses.

We primarily hedge our foreign currency risk by borrowing in the currencies in which we invest thereby providing a natural hedge. We may also issue debt in a currency that is not the same functional currency of the borrowing entity and we generally designate the debt as a nonderivative net investment hedge. We recognize the remeasurement and settlement of the unhedged portion of the debt and accrued interest in unrealized gains or losses. We also recognize the change in fair value and settlement of any undesignated derivative contracts to hedge the eventual payment of these borrowings in a foreign currency in unrealized gains or losses.

The following table details our foreign currency and derivative gains (losses), net for the nine months ended September 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| **Realized foreign currency and derivative gains, net:** | | |
| Gains on the settlement of undesignated derivatives | $ 11 | $ 18 |
| Gains on the settlement of transactions with third parties | - | 1 |
| Total realized foreign currency and derivative gains, net | 11 | 19 |
| | | |
| **Unrealized foreign currency and derivative gains (losses), net:** | | |
| Gains (losses) on the change in fair value of undesignated derivatives and unhedged debt | (44) | 54 |
| Losses on remeasurement of certain assets and liabilities | (15) | (3) |
| Total unrealized foreign currency and derivative gains (losses), net | (59) | 51 |
| **Total foreign currency and derivative gains (losses), net** | **$ (48)** | **$ 70** |

See Note 11 to the Consolidated Financial Statements for more information about our derivative and nonderivative transactions.

### Losses on Early Extinguishment of Debt, Net

During the nine months ended September 30, 2020, we recognized $165 million of losses principally due to the redemption of higher interest rate euro and U.S. dollar senior notes prior to maturity as described above and the extinguishment of debt assumed in the Liberty Transaction and the IPT Transaction, which represented the excess of the prepayment penalties over the premium recorded upon assumption of the debt. During the nine months ended September 30, 2019, we recognized $16 million in losses on early extinguishment of debt, primarily from the redemption of euro senior notes.

### Income Tax Expense

We recognize income tax expense related to our taxable REIT subsidiaries and in the local, state and foreign jurisdictions in which we operate. Our current income tax expense fluctuates from period to period based primarily on the timing of our taxable income, including gains on the disposition and contribution of properties. Deferred income tax expense (benefit) is generally a function of the period’s temporary differences and the utilization of net operating losses generated in prior years that had been previously recognized as deferred income tax assets in taxable subsidiaries.

The following table summarizes our income tax expense for the nine months ended September 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| **Current income tax expense:** | | |
| Income tax expense | $ 63 | $ 30 |
| Income tax expense on dispositions | 30 | 13 |
| Income tax expense on dispositions related to acquired tax liabilities | 4 | - |
| Total current income tax expense | 97 | 43 |
| | | |
| **Deferred income tax expense (benefit):** | | |
| Income tax expense (benefit) | (3) | 10 |
| Income tax benefit on dispositions related to acquired tax liabilities | (4) | - |
| Total deferred income tax expense (benefit) | (7) | 10 |
| **Total income tax expense** | **$ 90** | **$ 53** |

### Net Earnings Attributable to Noncontrolling Interests

This amount represents the third-party investors’ share of the earnings generated in consolidated entities in which we do not own 100% of the equity, reduced by the third-party share of fees or promotes earned by us during the period. We had net earnings attributable to noncontrolling interests of $109 million and $90 million for the nine months ended September 30, 2020 and 2019, respectively. Included in these amounts were $34 million and $36 million for the nine months ended September 30, 2020 and 2019, of net earnings attributable to the common limited partnership unitholders of Prologis, L.P.

See Note 8 to the Consolidated Financial Statements for further information on our noncontrolling interests.

### Other Comprehensive Income (Loss)

See Note 11 to the Consolidated Financial Statements for more information about our derivative and nonderivative transactions and other comprehensive income (loss).

## RESULTS OF OPERATIONS – THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

Except as separately discussed above, the changes in comprehensive income attributable to common stockholders and unitholders and its components for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019, are similar to the changes for the nine-month periods ended on the same dates.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

We consider our ability to generate cash from operating activities, distributions from our co-investment ventures, contributions and dispositions of properties and available financing sources to be adequate to meet our anticipated future development, acquisition, operating, debt service, dividend and distribution requirements.

### Near-Term Principal Cash Sources and Uses

In addition to dividends and distributions, we expect our primary cash needs will consist of the following:

- completion of the development and leasing of the properties in our active consolidated development portfolio (at September 30, 2020, excluding suspended development projects, 68 properties in our development portfolio were 71.3% leased with a current investment of $1.9 billion and a TEI of $3.0 billion when completed and leased, leaving $1.1 billion of estimated additional required investment);
- development of new properties that we may hold for long-term investment or subsequently contribute to unconsolidated co-investment ventures, including the acquisition of land in certain markets;
- capital expenditures and leasing costs on properties in our operating portfolio;
- repayment of debt and scheduled principal payments of $2 million for the remainder of 2020 and $289 million in 2021;
- additional investments in current unconsolidated entities;
- acquisition of operating properties or portfolios of operating properties (depending on market and other conditions) for direct, long-term investment in our consolidated portfolio (this may include acquisitions from our co-investment ventures); and
- repurchase of our outstanding debt or equity securities (depending on prevailing market conditions, our liquidity, contractual restrictions and other factors) through cash purchases, open-market purchases, privately negotiated transactions, tender offers or otherwise.

We expect to fund our cash needs principally from the following sources (subject to market conditions):

- net cash flow from property operations;
- fees earned for services performed on behalf of co-investment ventures, including promotes;
- distributions received from co-investment ventures;
- proceeds from disposition of properties, land parcels or other investments to third parties;
- proceeds from contribution of properties to current or future co-investment ventures;
- available unrestricted cash balances ($940 million at September 30, 2020);
- borrowing capacity under our current credit facility arrangements, term loans and other borrowing arrangements ($4.2 billion available at September 30, 2020);
- proceeds from issuance of debt; and
- proceeds from sale of a portion of our investments in co-investment ventures to achieve long-term ownership targets.

We may also generate proceeds from the issuance of equity securities, subject to market conditions. In February 2020, we completed the Liberty Transaction for $13.0 billion, primarily through the issuance of equity.

### Debt

The following table summarizes information about our consolidated debt by currency (dollars in millions):

| | September 30, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Weighted Average Interest Rate | Amount Outstanding | % of Total | Weighted Average Interest Rate | Amount Outstanding | % of Total |
| British pound sterling | 2.2 % | $ 1,127 | 6.8 % | 2.3 % | $ 657 | 5.5 % |
| Canadian dollar | 2.7 % | 272 | 1.6 % | 3.4 % | 280 | 2.3 % |
| Euro | 1.7 % | 6,298 | 38.2 % | 1.9 % | 6,129 | 51.5 % |
| Japanese yen | 0.7 % | 2,695 | 16.3 % | 0.7 % | 2,329 | 19.6 % |
| U.S. dollar | 2.8 % | 6,126 | 37.1 % | 4.4 % | 2,511 | 21.1 % |
| **Total debt** (1) | **2.0 %** | **$ 16,518** | | **2.2 %** | **$ 11,906** | |

(1) The weighted average maturity for total debt outstanding at September 30, 2020 and December 31, 2019 was 126 months and 94 months, respectively.

Our credit ratings at September 30, 2020, were A3 from Moody's and A- from Standard & Poor's, both with stable outlook. These ratings allow us to borrow at an advantageous interest rate. Adverse changes in our credit ratings could negatively impact our business and, in particular, our refinancing and other capital market activities, our ability to manage debt maturities, our future growth and our development and acquisition activity. A securities rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time by the rating organization.

At September 30, 2020, we were in compliance with all of our financial debt covenants. These covenants include customary financial covenants for total debt, encumbered debt and fixed charge coverage ratios.

See Note 6 to the Consolidated Financial Statements for further discussion on our debt.

### Equity Commitments Related to Certain Co-Investment Ventures

Certain co-investment ventures have equity commitments from us and our venture partners. Our venture partners fulfill their equity commitment with cash. We may fulfill our equity commitment through contributions of properties or cash.

The following table summarizes the remaining equity commitments at September 30, 2020 (dollars in millions):

| | Equity Commitments | | | | |
|---|---|---|---|---|---|
| | Prologis | Venture Partners | Total | Exchange Rate | Expiration Date |
| Prologis Targeted U.S. Logistics Fund | $ - | $ 920 | $ 920 | N/A | 2022 – 2023 (1) |
| Prologis European Logistics Fund | - | 1,608 | 1,608 | 1.17 U.S. dollar/ 1 euro | 2022 – 2023 (1) |
| Prologis UK Logistics Venture | 8 | 46 | 54 | 1.28 U.S. dollar/ 1 British pound sterling | 2024 |
| Prologis China Core Logistics Fund | - | 94 | 94 | 0.15 U.S. dollar/ 1 Chinese renminbi | 2022 – 2023 |
| Prologis China Logistics Venture | 297 | 1,681 | 1,978 | N/A | 2021 – 2028 |
| Prologis Brazil Logistics Venture | 32 | 127 | 159 | 0.18 U.S. dollar/ 1 Brazilian real | 2026 |
| **Total** | **$ 337** | **$ 4,476** | **$ 4,813** | | |

(1) Venture partners have the option to cancel their equity commitment up to 18 months after the initial commitment date.

See the Cash Flow Summary below for more information about our investment activity in our co-investment ventures.

## Cash Flow Summary

The following table summarizes our cash flow activity for the nine months ended September 30 (in millions):

| | 2020 | 2019 |
|---|---|---|
| Net cash provided by operating activities | $ 2,333 | $ 1,648 |
| Net cash used in investing activities | $ (2,580) | $ (282) |
| Net cash provided by (used in) financing activities | $ 94 | $ (683) |
| Net increase (decrease) in cash and cash equivalents, including the effect of foreign currency exchange rates on cash | $ (149) | $ 681 |

### Operating Activities

Cash provided by operating activities, exclusive of changes in receivables and payables, is impacted by the following significant activity during the nine months ended September 30, 2020 and 2019:

- **Real estate operations.** We receive the majority of our operating cash through the net revenues of our Real Estate Operations segment. See the Results of Operations section above for further explanation of our Real Estate Operations segment. The revenues from this segment include noncash adjustments for straight-lined rents and amortization of above and below market leases of $89 million and $77 million for 2020 and 2019, respectively.

- **Strategic capital.** We also generate operating cash through our Strategic Capital segment by providing asset and property management and other services to our unconsolidated co-investment ventures. See the Results of Operations section above for the key drivers of net revenues from our Strategic Capital segment. Included in *Strategic Capital Revenues* is the third-party investors' share that is owed for promotes, which is recognized in operating activities in the period the cash is received.

- **G&A expenses and equity-based compensation awards.** We incurred $208 million and $201 million of G&A expenses in 2020 and 2019, respectively. We recognized equity-based, noncash compensation expenses of $86 million and $72 million in 2020 and 2019, respectively, which were recorded to *Rental Expenses* in the Real Estate Operations segment, *Strategic Capital Expenses* in the Strategic Capital segment and *G&A Expenses.*

- **Operating distributions from unconsolidated entities.** We received $355 million and $270 million of distributions from our unconsolidated entities in 2020 and 2019, respectively.

- **Cash paid for interest, net of amounts capitalized.** As disclosed in Note 13 to the Consolidated Financial Statements, we paid interest, net of amounts capitalized, of $231 million and $202 million in 2020 and 2019, respectively.

- **Cash paid for income taxes, net of refunds.** As disclosed in Note 13 to the Consolidated Financial Statements, we paid income taxes, net of refunds, of $82 million and $53 million in 2020 and 2019, respectively.

### Investing Activities

Cash provided by investing activities is driven by proceeds from contributions and dispositions of real estate properties. Cash used in investing activities is primarily driven by our capital deployment activities of investing in real estate development, acquisitions and capital expenditures. See Note 3 to the Consolidated Financial Statements for further information on these activities. In addition, the following significant transactions also impacted our cash provided by or used in investing activities during the nine months ended September 30, 2020 and 2019:

- **Liberty Transaction, net of cash acquired** We paid net cash of $25 million to complete the Liberty Transaction in 2020, primarily due to transaction costs. The acquisition was financed through the issuance of equity and the assumption of debt. A portion of this debt was paid down subsequent to the acquisition, see the Financing Activities section below. See Note 2 to the Consolidated Financial Statements for more information on this transaction.

- **IPT Transaction, net of cash acquired** Our consolidated co-investment venture, USLV, acquired real estate assets from IPT for a cash purchase price of $1.7 billion. Our partner in USLV contributed their share of the purchase price, $917 million, which is presented in *Noncontrolling Interests Contributions* in financing activities. All of the debt assumed was paid down subsequent to the acquisition, see the Financing Activities section below. See Notes 3 and 8 to the Consolidated Financial Statements for more information on this transaction.

- **Investments in and advances to.** We invested cash in our unconsolidated entities that represented our proportionate share, of $345 million and $257 million in 2020 and 2019, respectively. The ventures used the funds for the acquisition of properties, development and repayment of debt. See Notes 3 and 4 to the Consolidated Financial Statements for more detail on our unconsolidated co-investment ventures.

- **Return of investment.** We received distributions from unconsolidated entities as a return of investment of $207 million and $360 million in 2020 and 2019, respectively. Included in these amounts were distributions from venture activities including proceeds from property sales, debt refinancing and the redemption of our investment in certain unconsolidated entities.

- **Settlement of net investment hedges.** We paid a net amount of $5 million upon the settlement of net investment hedges during both 2020 and 2019. See Note 11 to the Consolidated Financial Statements for further information on our derivative transactions.

### Financing Activities

Cash provided by and used in financing activities is principally driven by proceeds from and payments on credit facilities and other debt, along with dividends paid on common and preferred stock and noncontrolling interest contributions and distributions. In addition, the following significant transactions also impacted our cash provided by or used in financing activities during the nine months ended September 30, 2020 and 2019:

- **Repurchase of preferred stock**. We paid $7 million to repurchase shares of series Q preferred stock during 2020.

Our repurchase of and payments on debt and proceeds from the issuance of debt consisted of the following activity for the nine months ended September 30 (in millions):

| | 2020 (1) | 2019 |
|---|---|---|
| **Repurchase of and payments on debt (including extinguishment costs)** | | |
| Regularly scheduled debt principal payments and payments at maturity | $ 7 | $ 26 |
| Secured mortgage debt | 561 | 414 |
| Senior notes | 4,237 | 669 |
| Term loans | 1,351 | 2,171 |
| **Total** | **$ 6,156** | **$ 3,280** |
| | | |
| **Proceeds from the issuance of debt** | | |
| Secured mortgage debt | $ 1 | $ 195 |
| Senior notes | 5,803 | 2,053 |
| Term loans | 1,500 | 1,674 |
| **Total** | **$ 7,304** | **$ 3,922** |

(1) We completed the Liberty Transaction in 2020 and assumed $2.8 billion of debt, of which $1.8 billion was paid off with the proceeds from the issuance of senior notes. USLV assumed $342 million of debt in the IPT Transaction, all of which was paid off at closing. The assumption of debt was excluded from the table above. See Note 6 to the Consolidated Financial Statements for more information.

## Off-Balance Sheet Arrangements

### Unconsolidated Co-Investment Venture Debt

We had investments in and advances to unconsolidated co-investment ventures of $6.4 billion at September 30, 2020. These ventures had total third-party debt of $11.6 billion at September 30, 2020. The weighted average loan-to-value ratio for all unconsolidated co-investment ventures was 28.1% at September 30, 2020 based on gross book value. Loan-to-value, a non-GAAP measure, was calculated as the percentage of total third-party debt to the gross book value of real estate for each venture and weighted based on the cumulative gross book value of all unconsolidated co-investment ventures.

At September 30, 2020, we did not guarantee any third-party debt of the unconsolidated co-investment ventures.

## Contractual Obligations

### Dividend and Distribution Requirements

Our common stock dividend policy is to distribute a percentage of our cash flow to ensure that we will meet the dividend requirements of the Internal Revenue Code ("IRC"), relative to maintaining our REIT status, while still allowing us to retain cash to fund capital improvements and other investment activities.

Under the IRC, REITs may be subject to certain federal income and excise taxes on our undistributed taxable income.

We paid a quarterly cash dividend of $0.58 and $0.53 per common share in each of the first three quarters of 2020 and 2019, respectively. Our future common stock dividends, if and as declared, may vary and will be determined by the board of directors ("Board") upon the circumstances prevailing at the time, including our financial condition, operating results and REIT distribution requirements, and may be adjusted at the discretion of the Board during the year.

We make distributions on the common limited partnership units outstanding at the same per unit amount as our common stock dividend. The Class A Units in Prologis, L.P. are entitled to a quarterly distribution equal to $0.64665 per unit so long as the common units receive a quarterly distribution of at least $0.40 per unit. We paid a quarterly distribution of $0.64665 per Class A Unit in each of the first three quarters of 2020 and 2019.

At September 30, 2020, we had one series of preferred stock outstanding, the series Q. The annual dividend rate is 8.54% per share and dividends are payable quarterly in arrears.

Pursuant to the terms of our preferred stock, we are restricted from declaring or paying any dividend with respect to our common stock unless and until all cumulative dividends with respect to the preferred stock have been paid and sufficient funds have been set aside for dividends that have been declared for the relevant dividend period with respect to the preferred stock.

### Other Commitments

On a continuing basis, we are engaged in various stages of negotiations for the acquisition or disposition of individual properties or portfolios of properties.

## NEW ACCOUNTING PRONOUNCEMENTS

See Note 1 to the Consolidated Financial Statements.

## FUNDS FROM OPERATIONS ATTRIBUTABLE TO COMMON STOCKHOLDERS/UNITHOLDERS (“FFO”)

FFO is a non-GAAP financial measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings.

The National Association of Real Estate Investment Trusts (“NAREIT”) defines FFO as earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales, along with impairment charges, of previously depreciated properties. We also exclude the gains on revaluation of equity investments upon acquisition of a controlling interest and the gain recognized from a partial sale of our investment, as these are similar to gains from the sales of previously depreciated properties. We exclude similar adjustments from our unconsolidated entities and the third parties’ share of our consolidated co-investment ventures.

### Our FFO Measures

Our FFO measures begin with NAREIT’s definition and we make certain adjustments to reflect our business and the way that management plans and executes our business strategy. While not infrequent or unusual, the additional items we adjust for in calculating *FFO, as modified by Prologis* and *Core FFO*, both as defined below, are subject to significant fluctuations from period to period. Although these items may have a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term. These items have both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We calculate our FFO measures, as defined below, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our FFO measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our FFO measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

These FFO measures are used by management as supplemental financial measures of operating performance and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

We analyze our operating performance principally by the rental revenue of our real estate and the revenues from our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities.

#### FFO, as modified by Prologis attributable to common stockholders/unitholders (“FFO, as modified by Prologis”)

To arrive at *FFO, as modified by Prologis*, we adjust the NAREIT defined FFO measure to exclude the impact of foreign currency related items and deferred tax, specifically:

- deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;

- current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in earnings that is excluded from our defined FFO measure;

- foreign currency exchange gains and losses resulting from (i) debt transactions between us and our foreign entities, (ii) third-party debt that is used to hedge our investment in foreign entities, (iii) derivative financial instruments related to any such debt transactions, and (iv) mark-to-market adjustments associated with other derivative financial instruments

We use *FFO, as modified by Prologis*, so that management, analysts and investors are able to evaluate our performance against other REITs that do not have similar operations or operations in jurisdictions outside the U.S.

### Core FFO attributable to common stockholders/unitholders ("Core FFO")

In addition to *FFO, as modified by Prologis*, we also use *Core FFO.* To arrive at *Core FFO,* we adjust *FFO, as modified by Prologis*, to exclude the following recurring and nonrecurring items that we recognized directly in *FFO, as modified by Prologis*:

- gains or losses from the disposition of land and development properties that were developed with the intent to contribute or sell;

- income tax expense related to the sale of investments in real estate;

- impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;

- gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock; and

- expenses related to natural disasters.

We use *Core FFO*, including by segment and geographies, to: (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; (v) provide guidance to the financial markets to understand our expected operating performance; and (vi) evaluate how a specific potential investment will impact our future results.

### Limitations on the use of our FFO measures

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

- The current income tax expenses that are excluded from our modified FFO measures represent the taxes that are payable.

- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that may be necessary for future replacements of the real estate assets. Furthermore, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of logistics facilities are not reflected in FFO.

- Gains or losses from property dispositions and impairment charges related to expected dispositions represent changes in value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of disposed properties arising from changes in market conditions.

- The deferred income tax benefits and expenses that are excluded from our modified FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our modified FFO measures do not currently reflect any income or expense that may result from such settlement.

- The foreign currency exchange gains and losses that are excluded from our modified FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.

- The gains and losses on extinguishment of debt or preferred stock that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our obligation at less or more than our future obligation.

- The natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. This information should be read with our complete Consolidated Financial Statements prepared under GAAP. To assist investors in compensating for these limitations, we reconcile our modified FFO measures to our net earnings computed under GAAP for nine months ended September 30 as follows (in millions):

| | 2020 | 2019 |
|---|---|---|
| **Reconciliation of net earnings attributable to common stockholders to FFO measures:** | | |
| Net earnings attributable to common stockholders | $ 1,193 | $ 1,181 |
| | | |
| Add (deduct) NAREIT defined adjustments: | | |
| Real estate related depreciation and amortization | 1,116 | 823 |
| Gains on other dispositions of investments in real estate, net | (184) | (233) |
| Reconciling items related to noncontrolling interests | (35) | (25) |
| Our share of reconciling items included in earnings related to unconsolidated entities | 204 | 182 |
| **NAREIT defined FFO attributable to common stockholders/unitholders** | **2,294** | **1,928** |
| | | |
| Add (deduct) our modified adjustments: | | |
| Unrealized foreign currency and derivative losses (gains), net | 59 | (53) |
| Deferred income tax expense (benefit) | (7) | 10 |
| Current income tax expense on dispositions related to acquired tax liabilities | 4 | - |
| Our share of reconciling items included in earnings related to unconsolidated entities | 2 | (2) |
| **FFO, as modified by Prologis attributable to common stockholders/unitholders** | **2,352** | **1,883** |
| | | |
| Adjustments to arrive at Core FFO: | | |
| Gains on dispositions of development properties and land, net | (383) | (303) |
| Current income tax expense on dispositions | 30 | 13 |
| Losses on early extinguishment of debt, preferred stock repurchase and other, net | 175 | 16 |
| Reconciling items related to noncontrolling interests | (3) | - |
| Our share of reconciling items included in earnings related to unconsolidated entities | (30) | 4 |
| **Core FFO attributable to common stockholders/unitholders** | **$ 2,141** | **$ 1,613** |

## ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the impact of foreign exchange-related variability and earnings volatility on our foreign investments and interest rate changes. See our risk factors in Part 1, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2019. See also Note 11 in the Consolidated Financial Statements in Item 1 for more information about our foreign operations and derivative financial instruments.

We monitor our market risk exposures using a sensitivity analysis. Our sensitivity analysis estimates the exposure to market risk sensitive instruments assuming a hypothetical 10% adverse change in foreign currency exchange rates or interest rates at September 30, 2020. The results of the sensitivity analysis are summarized in the following sections. The sensitivity analysis is of limited predictive value. As a result, revenues and expenses, as well as our ultimate realized gains or losses with respect to foreign currency exchange rate and interest rate fluctuations will depend on the exposures that arise during a future period, hedging strategies at the time and the prevailing foreign currency exchange rates and interest rates.

### Foreign Currency Risk

We are exposed to foreign currency exchange variability related to investments in and earnings from our foreign investments. Foreign currency market risk is the possibility that our results of operations or financial position could be better or worse than planned because of changes in foreign currency exchange rates. We primarily hedge our foreign currency risk by borrowing in the currencies in which we invest thereby providing a natural hedge. We may also issue debt in a currency that is not the same functional currency of the borrowing entity and we may designate the debt as a nonderivative net investment hedge depending on our level of net equity of that particular currency. Additionally, we may hedge our foreign currency risk by entering into derivative financial instruments that we designate as net investment hedges, as these amounts offset the translation adjustments on the underlying net assets of our foreign investments. At September 30, 2020, after consideration of our ability to borrow in the foreign currencies in which we invest and also derivative and nonderivative financial instruments as discussed in Note 11 to the Consolidated Financial Statements, we had minimal net equity denominated in a currency other than the U.S. dollar.

For the nine months ended September 30, 2020, $314 million or 9.4% of our total consolidated revenue was denominated in foreign currencies. We enter into foreign currency contracts, such as forwards, to reduce fluctuations in foreign currency associated with the translation of the future earnings of our international subsidiaries. We have forward contracts that were not designated as hedges, denominated principally in British pound sterling, Canadian dollar, euro, Japanese yen and Swedish krona, and have an aggregate notional amount of $851 million to mitigate risk associated with the translation of the future earnings of our subsidiaries denominated in these currencies. Although the impact to net earnings is mitigated through higher translated U.S. dollar earnings from these currencies, a weakening of the U.S. dollar against these currencies by 10% could result in a $85 million cash payment on settlement of these contracts.

### Interest Rate Risk

We are also exposed to the impact of interest rate changes on future earnings and cash flows. To mitigate that risk, we generally borrow with fixed rate debt and for our variable rate debt, we may use derivative instruments to fix the interest rate. At September 30, 2020, $15.2 billion of our debt bore interest at fixed rates and therefore the fair value of these instruments is affected by changes in market interest rates. At September 30, 2020, $1.4 billion of our debt bore interest at variable rates. The following table summarizes the future repayment of debt and scheduled principal payments at September 30, 2020 (dollars in millions):

| | 2020 | 2021 | 2022 | 2023 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|
| Fixed rate debt (1) | $ 2 | $ 276 | $ 755 | $ 34 | $ 14,164 | $ 15,231 | $ 16,171 |
| Weighted average interest rate (2) | 6.4 % | 1.8 % | 2.5 % | 4.5 % | 2.1 % | 2.1 % | |
| | | | | | | | |
| Variable rate debt | | | | | | | |
| Credit facilities | $ - | $ - | $ - | $ - | $ 40 | $ 40 | $ 40 |
| Term loans | - | - | - | 127 | 1,041 | 1,168 | 1,169 |
| Secured mortgage debt | - | 13 | - | - | 132 | 145 | 145 |
| **Total variable rate debt** | **$ -** | **$ 13** | **$ -** | **$ 127** | **$ 1,213** | **$ 1,353** | **$ 1,354** |

(1) At September 30, 2020, we had interest rate swap agreements to fix €150 million ($165 million) of our floating rate euro senior notes and $250 million of our multi-currency term loan, which are included in fixed rate debt.

(2) The interest rates represent the effective interest rates (including amortization of the debt issuance costs and the noncash premiums and discounts) at September 30, 2020 for the debt outstanding and include the impact of designated interest rate swaps, which effectively fixes the interest rate on certain variable rate debt as discussed above.

At September 30, 2020, the weighted average effective interest rate on our variable rate debt was 0.6%. Changes in interest rates can cause interest expense to fluctuate on our variable rate debt. On the basis of our sensitivity analysis, a 10% increase in interest rates on our average outstanding variable rate debt balances would result in additional annual interest expense of $1 million for the quarter ended September 30, 2020, which equates to a change in interest rates of 7 basis points on our average outstanding variable rate debt balances and 1 basis point on our average total debt portfolio balances.

## ITEM 4. Controls and Procedures

### Controls and Procedures (Prologis, Inc.)

Prologis, Inc. carried out an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-14(c)) under the Securities and Exchange Act of 1934 (the “Exchange Act”) at September 30, 2020. On the basis of this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission (“SEC”) rules and forms.

### Controls and Procedures (Prologis, L.P.)

Prologis, L.P. carried out an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-14(c)) under the Exchange Act at September 30, 2020. On the basis of this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures are effective to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

# PART II. OTHER INFORMATION

## ITEM 1. Legal Proceedings

Prologis and our unconsolidated entities are party to a variety of legal proceedings arising in the ordinary course of business. With respect to any such matters to which we are currently a party, the ultimate disposition of any such matters will not result in a material adverse effect on our business, financial position or results of operations.

## ITEM 1A. Risk Factors

At September 30, 2020, no material changes had occurred in our risk factors as discussed in Item 1A. in our Annual Report on Form 10-K for the year ended December 31, 2019 and in Item 1A. in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

## ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarterly period ended September 30, 2020, we issued 0.2 million shares of common stock of Prologis, Inc. in connection with the redemption of common units of Prologis, L.P. and 0.5 million common units of Prologis, L.P. in connection with the acquisition of properties (see Note 8 to the Consolidated Financial Statements in Item 1) in reliance on the exemption from registration requirements of the Securities Act of 1933, as amended, afforded by Section 4(a)(2) thereof.

During the quarterly period ended September 30, 2020, we did not purchase any common stock of Prologis, Inc. in connection with our share purchase program.

## ITEM 3. Defaults Upon Senior Securities

None.

## ITEM 4. Mine Safety Disclosures

Not Applicable.

## ITEM 5. Other Information

None.

## ITEM 6. Exhibits

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

## INDEX TO EXHIBITS

Certain of the following documents are filed herewith. Certain other of the following documents that have been previously filed with the Securities and Exchange Commission ("SEC") and, pursuant to Rule 12-b-32, are incorporated herein by reference.

| | |
|---|---|
| 4.1 | Form of Officers' Certificate related to the 1.250% Notes due 2030 (incorporated by reference to Exhibit 4.1 to Prologis' Current Report Form 8-K filed on August 19, 2020). |
| 4.2 | Form of 1.250% Notes due 2030 (incorporated by reference to Exhibit 4.2 to Prologis' Current Report Form 8-K filed on August 19, 2020). |
| 4.3 | Form of Officers' Certificate related to the 2.125% Notes due 2050 (incorporated by reference to Exhibit 4.3 to Prologis' Current Report Form 8-K filed on August 19, 2020). |
| 4.4 | Form of 2.125% Notes due 2050 (incorporated by reference to Exhibit 4.4 to Prologis' Current Report Form 8-K filed on August 19, 2020). |
| 10.1 | Form of First Amendment to Amended and Restated Prologis, Inc. 2011 Notional Account Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.2 | Form of LTIP Unit Award Agreement (Omnibus 2020) (incorporated by reference to Exhibit 10.2 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.3 | Form of LTIP Unit Award Agreement (Bonus Exchange 2020) (incorporated by reference to Exhibit 10.3 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.4 | Form of Outperformance Plan LTIP Unit Award Agreement for Named Executive Officers (2020) (incorporated by reference to Exhibit 10.4 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.5 | Form of Outperformance Plan LTIP Unit Award Agreement (General 2020) (incorporated by reference to Exhibit 10.5 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.6 | Form of Deferred Compensation LTIP Unit Award Agreement (2020) (incorporated by reference to Exhibit 10.6 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.7 | Form of RSU Agreement (Global 2020) (incorporated by reference to Exhibit 10.7 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.8 | Form of RSU Agreement (Bonus Exchange 2020) (incorporated by reference to Exhibit 10.8 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 10.9 | Form of RSU Agreement (LTIP Unit Election 2020) (incorporated by reference to Exhibit 10.9 to Prologis' Current Report Form 8-K filed on September 25, 2020.) |
| 15.1† | KPMG LLP Awareness Letter of Prologis, Inc. |
| 15.2† | KPMG LLP Awareness Letter of Prologis, L.P. |
| 31.1† | Certification of Chief Executive Officer of Prologis, Inc. |
| 31.2† | Certification of Chief Financial Officer of Prologis, Inc. |
| 31.3† | Certification of Chief Executive Officer for Prologis, L.P. |
| 31.4† | Certification of Chief Financial Officer for Prologis, L.P. |
| 32.1† | Certification of Chief Executive Officer and Chief Financial Officer of Prologis, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2† | Certification of Chief Executive Officer and Chief Financial Officer for Prologis, L.P., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS† | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL Document. |
| 101.SCH† | Inline XBRL Taxonomy Extension Schema |

| | |
|---|---|
| 101.CAL† | Inline XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF† | Inline XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB† | Inline XBRL Taxonomy Extension Label Linkbase |
| 101.PRE† | Inline XBRL Taxonomy Extension Presentation Linkbase |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |
| † | *Filed herewith* |

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

**PROLOGIS, INC.**

By: /s/ Thomas S. Olinger
Thomas S. Olinger
*Chief Financial Officer*

By: /s/ Lori A. Palazzolo
Lori A. Palazzolo
*Managing Director and Chief Accounting Officer*

**PROLOGIS, L.P.**

By: Prologis, Inc., its general partner

By: /s/ Thomas S. Olinger
Thomas S. Olinger
*Chief Financial Officer*

By: /s/ Lori A. Palazzolo
Lori A. Palazzolo
*Managing Director and Chief Accounting Officer*

Date: October 27, 2020

**Exhibit 15.1**

To the Board of Directors
Prologis, Inc.:

Re: Registration Statement No. 333-237366 on Form S-3; and Registration Statement Nos. 333-42015, 333-78779, 333-90042, 333-100214, 333-144489, 333-177378, 333-178955, 333-181529 and 333-238012 on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 27, 2020, related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Denver, Colorado
October 27, 2020

**Exhibit 15.2**

To the Partners of Prologis, L.P. and the Board of Directors of Prologis, Inc.:

Re: Registration Statement No. 333-237366 on Form S-3; and Registration Statement No. 333-100214 on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 27, 2020, related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Denver, Colorado
October 27, 2020

**Exhibit 31.1**

**CERTIFICATION**

I, Hamid R. Moghadam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prologis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 27, 2020

/s/ Hamid R. Moghadam

Name: Hamid R. Moghadam

Title: Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION**

I, Thomas S. Olinger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prologis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 27, 2020

/s/ Thomas S. Olinger

Name: Thomas S. Olinger

Title: Chief Financial Officer

**Exhibit 31.3**

**CERTIFICATION**

I, Hamid R. Moghadam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prologis, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 27, 2020

/s/ Hamid R. Moghadam
Name: Hamid R. Moghadam
Title: Chief Executive Officer

**Exhibit 31.4**

**CERTIFICATION**

I, Thomas S. Olinger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Prologis, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures, (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 27, 2020

/s/ Thomas S. Olinger

Name: Thomas S. Olinger
Title: Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Prologis, Inc. (“the Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (the “Report”), which accompanies these certifications, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Dated: October 27, 2020 | | /s/ Hamid R. Moghadam |
| | Name: | Hamid R. Moghadam |
| | Title: | Chief Executive Officer |
| Dated: October 27, 2020 | | /s/ Thomas S. Olinger |
| | Name: | Thomas S. Olinger |
| | Title: | Chief Financial Officer |

**Exhibit 32.2**

**CERTIFICATION**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Prologis, L.P. (“the Company”), hereby certifies, to such officer’s knowledge, that the Company’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (the “Report”), which accompanies these certifications, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Dated: October 27, 2020 | | /s/ Hamid R. Moghadam |
| | Name: | Hamid R. Moghadam |
| | Title: | Chief Executive Officer |

| | | |
|---|---|---|
| Dated: October 27, 2020 | | /s/ Thomas S. Olinger |
| | Name: | Thomas S. Olinger |
| | Title: | Chief Financial Officer |