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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, 2012

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

(415) 394-9000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate website; if any, every Interactive Data File required to be submitted and posted 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 and post 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 or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Prologis, Inc.:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Prologis, L.P.:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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 as of November 1, 2012 was approximately 460,910,000.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2012 of Prologis, Inc. and Prologis, L.P. Unless stated otherwise or the context otherwise requires, references to "Prologis, Inc." or the "REIT", mean Prologis, Inc., and its consolidated subsidiaries; and references to "Prologis, L.P." or the "Operating Partnership" mean Prologis, L.P., and its consolidated subsidiaries. The terms "the Company", "Prologis", "we", "our" or "us" means the REIT and the Operating Partnership collectively.

Prologis, Inc. is a real estate investment trust and the general partner of the Operating Partnership. As of September 30, 2012, the REIT owned an approximate 99.59% common general partnership interest in the Operating Partnership and 100% of the preferred units in the Operating Partnership. The remaining approximate 0.41% common limited partnership interest is owned by non-affiliated investors and certain current and former directors and officers of the REIT. As the sole general partner of the Operating Partnership, the REIT has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

We operate the REIT and the Operating Partnership as one enterprise. The management of the REIT consists of the same members as the management of the Operating Partnership. These members are officers of the REIT and employees of the Operating Partnership or one of its direct or indirect subsidiaries. As general partner with control of the Operating Partnership, the REIT consolidates the Operating Partnership for financial reporting purposes, and the REIT does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the REIT and the Operating Partnership are the same on their respective financial statements.

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

- enhances investors' understanding of the REIT and the Operating Partnership 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 since a substantial portion of the Company's disclosure applies to both the REIT and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

We believe it is important to understand the few differences between the REIT and the Operating Partnership in the context of how we operate as an interrelated consolidated company. The REIT's only material asset is its ownership of partnership interests in the Operating Partnership. As a result, the REIT does not conduct business itself, other than acting as the sole general partner of the Operating Partnership and issuing public equity from time to time. The REIT itself does not issue any indebtedness, but guarantees the unsecured debt of the Operating Partnership. The Operating Partnership holds substantially all the assets of the business, directly or indirectly, and holds the ownership interests in the Company's investment in certain entities. The Operating Partnership 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 REIT, which are contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the business through the Operating Partnership's operations, its incurrence of indebtedness and the issuance of partnership units to third parties.

Noncontrolling interests, stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of the REIT and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements include the interests in consolidated entities not owned by the Operating Partnership. The noncontrolling interests in the REIT's financial statements include the same noncontrolling interests at the Operating Partnership level, as well as the common limited partnership interests in the Operating Partnership, which are accounted for as partners' capital by the Operating Partnership.

In order to highlight the differences between the REIT and the Operating Partnership, there are separate sections in this report, as applicable, that separately discuss the REIT and the Operating Partnership including separate financial statements, controls and procedures sections, and separate Exhibit 31 and 32 certifications. In the sections that combine disclosure of the REIT and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of Prologis.

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PROLOGIS

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PART I.

Item 1. Financial Statements

PROLOGIS, INC.

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

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Investments in real estate properties	$26,461,066	$24,787,537
Less accumulated depreciation	2,389,214	2,157,907
Net investments in real estate properties	24,071,852	22,629,630
Investments in and advances to unconsolidated entities	2,242,075	2,857,755
Notes receivable backed by real estate	243,979	322,834
Assets held for sale	376,642	444,850
Net investments in real estate	26,934,548	26,255,069
Cash and cash equivalents	158,188	176,072
Restricted cash	172,515	71,992
Accounts receivable	181,855	147,999
Other assets	1,129,316	1,072,780
Total assets	**$28,576,422**	**$27,723,912**
LIABILITIES AND EQUITY		
Liabilities:		
Debt	$12,578,060	$11,382,408
Accounts payable and accrued expenses	625,873	639,490
Other liabilities	1,163,651	1,225,548
Liabilities related to assets held for sale	34,317	20,992
Total liabilities	14,401,901	13,268,438
Equity:		
Prologis, Inc. stockholders' equity:		
Preferred stock	582,200	582,200
Common stock; $0.01 par value; 460,897 shares and 459,401 shares issued and outstanding at September 30, 2012 and at December 31, 2011, respectively	4,609	4,594
Additional paid-in capital	16,395,797	16,349,328
Accumulated other comprehensive loss	(165,100)	(182,321)
Distributions in excess of net earnings	(3,335,757)	(3,092,162)
Total Prologis stockholders' equity	13,481,749	13,661,639
Noncontrolling interests	692,772	793,835
Total equity	14,174,521	14,455,474
Total liabilities and equity	**$28,576,422**	**$27,723,912**

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

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PROLOGIS, INC.

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues:				
Rental income	$ 382,293	$ 341,118	$1,124,653	$ 707,744
Rental recoveries	97,081	89,165	285,469	185,734
Private capital revenue	31,714	34,578	95,064	97,389
Development management and other income	1,017	4,276	5,859	17,515
Total revenues	512,105	469,137	1,511,045	1,008,382
Expenses:				
Rental expenses	130,820	119,949	382,679	254,078
Private capital expenses	15,730	17,080	47,686	39,228
General and administrative expenses	55,886	53,341	167,460	144,364
Merger, acquisition and other integration expenses	20,659	12,683	52,573	121,723
Impairment of real estate properties	9,778	—	12,963	—
Depreciation and amortization	194,622	182,774	560,563	377,193
Other expenses	5,580	3,971	17,142	14,242
Total expenses	433,075	389,798	1,241,066	950,828
Operating income	79,030	79,339	269,979	57,554
Other income (expense):				
Earnings from unconsolidated entities, net	2,563	30,975	20,447	56,015
Interest expense	(123,161)	(135,863)	(384,489)	(339,306)
Impairment of other assets	—	—	(16,135)	(103,823)
Interest and other income, net	8,758	4,643	19,771	7,341
Gain on acquisitions and dispositions of investments in real estate, net	12,677	8,396	280,968	114,650
Foreign currency and derivative gains (losses), net	(5,908)	52,525	(19,930)	43,643
Gain (loss) on early extinguishment of debt, net	—	(298)	4,919	(298)
Total other income (expense)	(105,071)	(39,622)	(94,449)	(221,778)
Earnings (loss) before income taxes	(26,041)	39,717	175,530	(164,224)
Current income tax expense (benefit)	(18,099)	(4,611)	10,969	7,205
Deferred income tax expense (benefit)	(1,884)	1,773	(10,753)	2,755
Total income tax expense (benefit)	(19,983)	(2,838)	216	9,960
Earnings (loss) from continuing operations	(6,058)	42,555	175,314	(174,184)
Discontinued operations:				
Income attributable to disposed properties and assets held for sale	4,618	11,903	19,889	34,716
Net gain (loss) on dispositions, including related impairment charges and taxes	(31,458)	11,410	(10,335)	21,545
Total discontinued operations	(26,840)	23,313	9,554	56,261
Consolidated net earnings (loss)	(32,898)	65,868	184,868	(117,923)
Net earnings attributable to noncontrolling interests	(3,323)	(23)	(6,180)	(308)
Net earnings (loss) attributable to controlling interests	(36,221)	65,845	178,688	(118,231)
Less preferred share dividends	10,305	10,409	30,921	24,420
Net earnings (loss) available for common stockholders	**$ (46,526)**	**$ 55,436**	**$ 147,767**	**$ (142,651)**
Weighted average common shares outstanding - Basic	460,079	458,256	459,720	340,923
Weighted average common shares outstanding - Diluted	460,079	462,408	464,938	340,923
Net earnings (loss) per share available for common stockholders - Basic:				
Continuing operations	$ (0.04)	$ 0.07	$ 0.30	$ (0.59)
Discontinued operations	(0.06)	0.05	0.02	0.17
Net earnings (loss) per share available for common stockholders - Basic	**$ (0.10)**	**$ 0.12**	**$ 0.32**	**$ (0.42)**
Net earnings (loss) per share available for common stockholders - Diluted:				
Continuing operations	$ (0.04)	$ 0.07	$ 0.30	$ (0.59)
Discontinued operations	(0.06)	0.05	0.02	0.17
Net earnings (loss) per share available for common stockholders - Diluted	**$ (0.10)**	**$ 0.12**	**$ 0.32**	**$ (0.42)**
Dividends per common share	**$ 0.28**	**$ 0.28**	**$ 0.84**	**$ 0.78**

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

PROLOGIS, INC.

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Consolidated net earnings (loss)	$ (32,898)	$ 65,868	$184,868	$(117,923)
Other comprehensive income (loss):				
Foreign currency translation gains (losses), net	175,832	(304,313)	7,148	(90,035)
Unrealized loss and amortization on derivative contracts, net	(5,067)	(22,913)	(365)	(8,277)
Comprehensive income (loss)	137,867	(261,358)	191,651	(216,235)
Net earnings attributable to noncontrolling interests	(3,323)	(23)	(6,180)	(308)
Other comprehensive loss (income) attributable to noncontrolling interests	(2,054)	(684)	10,438	(1,074)
Comprehensive income (loss) available for common stockholders	**$132,490**	**$(262,065)**	**$195,909**	**$(217,617)**

PROLOGIS, INC.

CONSOLIDATED STATEMENT OF EQUITY
Nine Months Ended September 30, 2012
(Unaudited)
(In thousands)

	Preferred Stock	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Distributions in Excess of Net Earnings	Non-controlling interests	Total Equity
Balance as of January 1, 2012	$582,200	459,401	$4,594	$16,349,328	$ (182,321)	$(3,092,162)	$ 793,835	$14,455,474
Consolidated net earnings	—	—	—	—	—	178,688	6,180	184,868
Adjustment to the Merger purchase price allocation	—	—	—	—	—	—	10,163	10,163
Effect of common stock plans	—	1,496	15	56,291	—	—	—	56,306
Capital contributions, net	—	—	—	—	—	—	41,781	41,781
Purchase of noncontrolling interests	—	—	—	(10,487)	—	—	(127,177)	(137,664)
Foreign currency translation gains (losses), net	—	—	—	—	17,585	—	(10,437)	7,148
Unrealized loss and amortization on derivative contracts, net	—	—	—	—	(364)	—	(1)	(365)
Distributions and allocations	—	—	—	665	—	(422,283)	(21,572)	(443,190)
Balance as of September 30, 2012	**$582,200**	**460,897**	**$4,609**	**$16,395,797**	**$ (165,100)**	**$(3,335,757)**	**$ 692,772**	**$14,174,521**

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

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PROLOGIS, INC.

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

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating activities:		
Consolidated net earnings (loss)	$ 184,868	$ (117,923)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Straight-lined rents	(47,041)	(43,273)
Stock-based compensation awards, net	24,054	22,408
Depreciation and amortization	577,898	405,580
Earnings from unconsolidated entities, net	(20,447)	(56,015)
Distributions and changes in operating receivables from our unconsolidated entities	30,321	36,542
Amortization of debt and lease intangibles	17,360	35,892
Non-cash Merger, acquisition and other integration expenses	14,508	17,823
Impairment of real estate properties and other assets	29,098	103,823
Net (gain) loss on dispositions, net of related impairment charges, included in discontinued operations	10,335	(23,461)
Gains recognized on acquisitions and dispositions of investments in real estate, net	(280,968)	(114,650)
Loss (gain) on early extinguishment of debt, net	(4,919)	298
Unrealized foreign currency and derivative losses (gains), net	15,558	(45,036)
Deferred income tax expense (benefit)	(10,753)	2,755
Increase in restricted cash, accounts receivable and other assets	(186,450)	(36,999)
Increase (decrease) in accounts payable and accrued expenses and other liabilities	19,926	(82,817)
Net cash provided by operating activities	373,348	104,947
Investing activities:		
Real estate development activity	(592,533)	(645,903)
Real estate acquisitions	(173,492)	(136,603)
Tenant improvements and lease commissions on previously leased space	(91,920)	(55,726)
Non-development capital expenditures	(48,438)	(37,425)
Investments in and advances to unconsolidated entities, net	(70,207)	(9,671)
Return of investment from unconsolidated entities	237,784	114,375
Proceeds from dispositions of real estate properties	1,008,257	812,186
Proceeds from repayment of notes receivable	—	6,450
Investments in notes receivable backed by real estate and advances on other notes receivable	—	(55,000)
Cash acquired in connection with the Merger	—	234,045
Acquisition of PEPR, net of cash received	—	(1,025,251)
Acquisition of NAIF II, net of cash received	(317,328)	—
Net cash used in investing activities	(47,877)	(798,523)
Financing activities:		
Issuance of common stock, net	29,442	1,156,493
Dividends paid on common stock	(389,159)	(257,184)
Dividends paid on preferred stock	(37,269)	(23,013)
Noncontrolling interest contributions	41,781	—
Noncontrolling interest distributions	(22,541)	(11,706)
Purchase of noncontrolling interest	(137,664)	—
Debt and equity issuance costs paid	(10,745)	(72,590)
Proceeds from credit facilities, net	270,878	377,779
Repurchase of debt	(1,314,387)	(243,316)
Proceeds from issuance of debt	1,389,984	885,820
Payments on debt	(166,198)	(938,264)
Net cash provided by (used in) financing activities	(345,878)	874,019
Effect of foreign currency exchange rate changes on cash	2,523	(1,328)
Net increase (decrease) in cash and cash equivalents	(17,884)	179,115
Cash and cash equivalents, beginning of period	176,072	37,634
Cash and cash equivalents, end of period	**$ 158,188**	**$ 216,749**

See Note 16 for information on non-cash investing and financing activities and other information.

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

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PROLOGIS, L.P.

CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Investments in real estate properties	$ 26,461,066	$ 24,787,537
Less accumulated depreciation	2,389,214	2,157,907
Net investments in real estate properties	24,071,852	22,629,630
Investments in and advances to unconsolidated entities	2,242,075	2,857,755
Notes receivable backed by real estate	243,979	322,834
Assets held for sale	376,642	444,850
Net investments in real estate	26,934,548	26,255,069
Cash and cash equivalents	158,188	176,072
Restricted cash	172,515	71,992
Accounts receivable	181,855	147,999
Other assets	1,129,316	1,072,780
Total assets	**$ 28,576,422**	**$ 27,723,912**
LIABILITIES AND CAPITAL		
Liabilities:		
Debt	$ 12,578,060	$ 11,382,408
Accounts payable and accrued expenses	625,873	639,490
Other liabilities	1,163,651	1,225,548
Liabilities related to assets held for sale	34,317	20,992
Total liabilities	14,401,901	13,268,438
Capital:		
Partners’ capital:		
General partner - preferred	582,200	582,200
General partner - common	12,899,549	13,079,439
Limited partners	53,141	58,613
Total partners’ capital	13,534,890	13,720,252
Noncontrolling interests	639,631	735,222
Total capital	14,174,521	14,455,474
Total liabilities and capital	**$ 28,576,422**	**$ 27,723,912**

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

PROLOGIS, L.P.

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenues:				
Rental income	$ 382,293	$ 341,118	$1,124,653	$ 707,744
Rental recoveries	97,081	89,165	285,469	185,734
Private capital revenue	31,714	34,578	95,064	97,389
Development management and other income	1,017	4,276	5,859	17,515
Total revenues	512,105	469,137	1,511,045	1,008,382
Expenses:				
Rental expenses	130,820	119,949	382,679	254,078
Private capital expenses	15,730	17,080	47,686	39,228
General and administrative expenses	55,886	53,341	167,460	144,364
Merger, acquisition and other integration expenses	20,659	12,683	52,573	121,723
Impairment of real estate properties	9,778	—	12,963	—
Depreciation and amortization	194,622	182,774	560,563	377,193
Other expenses	5,580	3,971	17,142	14,242
Total expenses	433,075	389,798	1,241,066	950,828
Operating income	79,030	79,339	269,979	57,554
Other income (expense):				
Earnings from unconsolidated entities, net	2,563	30,975	20,447	56,015
Interest expense	(123,161)	(135,863)	(384,489)	(339,306)
Impairment of other assets	—	—	(16,135)	(103,823)
Interest and other income, net	8,758	4,643	19,771	7,341
Gain on acquisitions and dispositions of investments in real estate, net	12,677	8,396	280,968	114,650
Foreign currency and derivative gains (losses), net	(5,908)	52,525	(19,930)	43,643
Gain (loss) on early extinguishment of debt, net	—	(298)	4,919	(298)
Total other income (expense)	(105,071)	(39,622)	(94,449)	(221,778)
Earnings (loss) before income taxes	(26,041)	39,717	175,530	(164,224)
Current income tax expense (benefit)	(18,099)	(4,611)	10,969	7,205
Deferred income tax expense (benefit)	(1,884)	1,773	(10,753)	2,755
Total income tax expense (benefit)	(19,983)	(2,838)	216	9,960
Earnings (loss) from continuing operations	(6,058)	42,555	175,314	(174,184)
Discontinued operations:				
Income attributable to disposed properties and assets held for sale	4,618	11,903	19,889	34,716
Net gain (loss) on dispositions, including related impairment charges and taxes	(31,458)	11,410	(10,335)	21,545
Total discontinued operations	(26,840)	23,313	9,554	56,261
Consolidated net earnings (loss)	(32,898)	65,868	184,868	(117,923)
Net earnings attributable to noncontrolling interests	(3,475)	(553)	(5,444)	(838)
Net earnings (loss) attributable to controlling interests	(36,373)	65,315	179,424	(118,761)
Less preferred unit dividends	10,305	10,409	30,921	24,420
Net earnings (loss) available for common unitholders	**$ (46,678)**	**$ 54,906**	**$ 148,503**	**$ (143,181)**
Weighted average common units outstanding - Basic	461,979	460,315	461,693	341,828
Weighted average common units outstanding - Diluted	461,979	462,408	464,938	341,828
Net earnings (loss) per unit available for common unitholders - Basic:				
Continuing operations	$ (0.04)	$ 0.07	$ 0.30	$ (0.58)
Discontinued operations	(0.06)	0.05	0.02	0.16
Net earnings (loss) per unit available for common unitholders - Basic	**$ (0.10)**	**$ 0.12**	**$ 0.32**	**$ (0.42)**
Net earnings (loss) per unit available for common unitholders - Diluted:				
Continuing operations	$ (0.04)	$ 0.07	$ 0.30	$ (0.58)
Discontinued operations	(0.06)	0.05	0.02	0.16
Net earnings (loss) per unit available for common unitholders - Diluted	**$ (0.10)**	**$ 0.12**	**$ 0.32**	**$ (0.42)**
Distributions per common unit	**$ 0.28**	**$ 0.28**	**$ 0.84**	**$ 0.78**

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

PROLOGIS, L.P.

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Consolidated net earnings (loss)	$ (32,898)	$ 65,868	$184,868	$(117,923)
Other comprehensive income (loss):				
Foreign currency translation gains (losses), net	175,832	(304,313)	7,148	(90,035)
Unrealized loss and amortization on derivative contracts, net	(5,067)	(22,913)	(365)	(8,277)
Comprehensive income (loss)	137,867	(261,358)	191,651	(216,235)
Net earnings attributable to noncontrolling interests	(3,475)	(553)	(5,444)	(838)
Other comprehensive loss (income) attributable to noncontrolling interests	(1,356)	(684)	10,510	(1,074)
Comprehensive income (loss) available for common unitholders	**$133,036**	**$(262,595)**	**$196,717**	**$(218,147)**

PROLOGIS, L.P.

CONSOLIDATED STATEMENT OF CAPITAL
Nine Months Ended September 30, 2012
(Unaudited)
(In thousands)

	General Partner				Limited Partners		Non-controlling Interests	Total
	Preferred		Common		Common			
	Units	Amount	Units	Amount	Units	Amount		
Balance as of January 1, 2012	21,300	$582,200	459,401	$13,079,439	2,059	$58,613	$ 735,222	$14,455,474
Consolidated net earnings	—	—	—	178,688	—	736	5,444	184,868
Adjustment to the Merger purchase price allocation	—	—	—	—	—	—	10,163	10,163
Effect of REIT’s common stock plans	—	—	1,496	56,306	—	—	—	56,306
Capital contributions, net	—	—	—	—	—	—	41,781	41,781
Purchase of noncontrolling interests	—	—	—	(10,487)	—		(121,563)	(132,050)
Foreign currency translation gains (losses), net	—	—	—	17,585	—	73	(10,510)	7,148
Unrealized loss and amortization on derivative contracts, net	—	—	—	(364)	—	(1)	—	(365)
Distributions and allocations	—	—	—	(421,618)	(160)	(6,280)	(20,906)	(448,804)
Balance as of September 30, 2012	**21,300**	**$582,200**	**460,897**	**$12,899,549**	**1,899**	**$53,141**	**$ 639,631**	**$14,174,521**

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

Table of Contents

PROLOGIS, L.P.

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

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Operating activities:		
Consolidated net earnings (loss)	$ 184,868	$ (117,923)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Straight-lined rents	(47,041)	(43,273)
REIT stock-based compensation awards, net	24,054	22,408
Depreciation and amortization	577,898	405,580
Earnings from unconsolidated entities, net	(20,447)	(56,015)
Distributions and changes in operating receivables from our unconsolidated entities	30,321	36,542
Amortization of debt and lease intangibles	17,360	35,892
Non-cash Merger, acquisition and other integration expenses	14,508	17,823
Impairment of real estate properties and other assets	29,098	103,823
Net (gain) loss on dispositions, net of related impairment charges, included in discontinued operations	10,335	(23,461)
Gains recognized on acquisitions and dispositions of investments in real estate, net	(280,968)	(114,650)
Loss (gain) on early extinguishment of debt, net	(4,919)	298
Unrealized foreign currency and derivative losses (gains), net	15,558	(45,036)
Deferred income tax expense (benefit)	(10,753)	2,755
Increase in restricted cash, accounts receivable and other assets	(186,450)	(36,999)
Increase (decrease) in accounts payable and accrued expenses and other liabilities	19,926	(82,817)
Net cash provided by operating activities	373,348	104,947
Investing activities:		
Real estate development activity	(592,533)	(645,903)
Real estate acquisitions	(173,492)	(136,603)
Tenant improvements and lease commissions on previously leased space	(91,920)	(55,726)
Non-development capital expenditures	(48,438)	(37,425)
Investments in and advances to unconsolidated entities, net	(70,207)	(9,671)
Return of investment from unconsolidated entities	237,784	114,375
Proceeds from dispositions of real estate properties	1,008,257	812,186
Proceeds from repayment of notes receivable	—	6,450
Investments in notes receivable backed by real estate and advances on other notes receivable	—	(55,000)
Cash acquired in connection with the Merger	—	234,045
Acquisition of PEPR, net of cash received	—	(1,025,251)
Acquisition of NAIF II, net of cash received	(317,328)	—
Net cash used in investing activities	(47,877)	(798,523)
Financing activities:		
Proceeds from issuance of common partnership units in exchange for contributions from the REIT, net	29,442	1,156,493
Distributions paid on common partnership units	(396,408)	(257,760)
Distributions paid on preferred units	(37,269)	(23,013)
Noncontrolling interest contributions	41,781	—
Noncontrolling interest distributions	(20,906)	(11,130)
Purchase of noncontrolling interest	(132,050)	—
Debt and equity issuance costs paid	(10,745)	(72,590)
Proceeds from credit facilities, net	270,878	377,779
Repurchase of debt	(1,314,387)	(243,316)
Proceeds from issuance of debt	1,389,984	885,820
Payments on debt	(166,198)	(938,264)
Net cash provided by (used in) financing activities	(345,878)	874,019
Effect of foreign currency exchange rate changes on cash	2,523	(1,328)
Net increase (decrease) in cash and cash equivalents	(17,884)	179,115
Cash and cash equivalents, beginning of period	176,072	37,634
Cash and cash equivalents, end of period	**$ 158,188**	**$ 216,749**

See Note 16 for information on non-cash investing and financing activities and other information.

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

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Business. On June 3, 2011, AMB Property Corporation ("AMB") and AMB Property, LP completed the merger contemplated by the Agreement and Plan of Merger with ProLogis, a Maryland real estate investment trust ("ProLogis") and its subsidiaries (the "Merger"). Following the Merger, AMB changed its name to Prologis, Inc. (the "REIT"). As a result of the Merger, each outstanding common share of beneficial interest of ProLogis was converted into 0.4464 of a newly issued share of common stock of the REIT. As further discussed in Note 2, AMB was the legal acquirer and ProLogis was the accounting acquirer.

Prologis, Inc. commenced operations as a fully integrated real estate company in 1997, elected to be taxed as a real estate investment trust under the Internal Revenue Code of 1986, as amended, and believes the current organization and method of operation will enable the REIT to maintain its status as a real estate investment trust. The REIT is the general partner of Prologis, L.P. (the "Operating Partnership"). Through our controlling interest in the Operating Partnership, we are engaged in the ownership, acquisition, development and operation of industrial properties in global, regional and other distribution markets throughout the Americas, Europe and Asia. Our current business strategy includes two reportable business segments: Real Estate Operations and Private Capital. Our Real Estate Operations segment represents the long-term ownership of industrial properties. Our Private Capital segment represents the long-term management of co-investment ventures and other unconsolidated entities. See Note 15 for further discussion of our business segments. Unless otherwise indicated, the notes to the Consolidated Financial Statements apply to both the REIT and the Operating Partnership. The terms "the Company", "Prologis", "we", "our" or "us" means the REIT and Operating Partnership collectively.

As of September 30, 2012, the REIT owned an approximate 99.59% common general partnership interest in the Operating Partnership, and 100% of the preferred units. The remaining approximate 0.41% common limited partnership interest is owned by non-affiliated investors and certain current and former directors and officers of the REIT. As the sole general partner of the Operating Partnership, the REIT has full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership. We operate the REIT and the Operating Partnership as one enterprise. The management of the REIT consists of the same members as the management of the Operating Partnership. These members are officers of the REIT and employees of the Operating Partnership or one of its direct or indirect subsidiaries. As general partner with control of the Operating Partnership, the REIT consolidates the Operating Partnership for financial reporting purposes, and the REIT does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities of the REIT and the Operating Partnership are the same on their respective financial statements.

Basis of Presentation. The accompanying consolidated financial statements, presented in the U.S. dollar, are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and revenue and expenses during the reporting period. Our actual results could differ from those estimates and assumptions. 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 footnote disclosures normally included in 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 REIT and the Operating Partnership 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 the December 31, 2011 Consolidated Financial Statements of Prologis, as previously filed with the SEC on Form 10-K and other public information.

Certain amounts included in the accompanying Consolidated Financial Statements for 2011 have been reclassified to conform to the 2012 financial statement presentation.

Recent Accounting Pronouncements. In December 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standard update that requires disclosures about offsetting and related arrangements to enable financial statements users to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including rights of setoff associated with certain financial instruments and derivative instruments. The disclosure requirements are effective for us on January 1, 2013, and we do not expect the guidance to have a material impact on our Consolidated Financial Statements.

In December 2011, the FASB issued an accounting standard update to clarify the scope of current U.S. GAAP. The update clarifies that the real estate sales guidance applies to the derecognition of a subsidiary that is in-substance real estate as a result of default on the subsidiary's nonrecourse debt. That is, even if the reporting entity ceases to have a controlling financial interest under the consolidation guidance, the reporting entity would continue to include the real estate, debt, and the results of the subsidiary's operations in its consolidated financial statements until legal title to the real estate is transferred to legally satisfy the debt. This accounting standard update is effective for us on January 1, 2013, and we do not expect the guidance to impact our Consolidated Financial Statements.

In September 2011, the FASB issued an accounting standard update to amend and simplify the rules related to testing goodwill for impairment. The update allows an entity to make an initial qualitative evaluation, based on the entity's events and circumstances, to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The results of this qualitative assessment determine whether it is necessary to perform the currently required two-step impairment test. The new guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We adopted this standard as of January 1, 2012 and it has not had a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued an accounting standard update that eliminates the option to present components of other comprehensive income as part of the changes in stockholders' equity, and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. This accounting standard update is effective, on a retrospective basis, for interim and annual periods beginning after December 15, 2011. We adopted this standard as of January 1, 2012. As this standard is for presentation purposes only, it had no impact on our Consolidated Financial Statements.

In May 2011, the FASB issued an accounting standard update to amend the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements in order to achieve further convergence with International Financial Reporting Standards. We adopted this standard as of January 1, 2012. See Note 14 for additional disclosures.

2. Business Combinations

Merger of AMB and ProLogis

As discussed in Note 1, we completed the Merger on June 3, 2011. After consideration of all applicable factors pursuant to the business combination accounting rules, the Merger resulted in a reverse acquisition in which AMB was the "legal acquirer" because AMB issued its common stock to ProLogis shareholders and ProLogis was the "accounting acquirer" due to various factors, including the fact that ProLogis shareholders held the largest portion of the voting rights in the merged entity and ProLogis appointees represented the majority of the Board of Directors. In our Consolidated Financial Statements, the period ended September 30, 2011 includes the historical results of ProLogis for the entire period, and the results of the merged company are included subsequent to the Merger.

The purchase price allocation reflects aggregate consideration of approximately $5.9 billion. The allocation of the purchase price required a significant amount of judgment and was based on our valuation, estimates and assumptions of the acquisition date fair value of the tangible and intangible assets and liabilities acquired.

Acquisition of ProLogis European Properties

During the second quarter of 2011, we increased our ownership of ProLogis European Properties ("PEPR") through open market purchases and a mandatory tender offer. In May 2011, we settled our mandatory tender offer that resulted in the acquisition of an additional 96.5 million ordinary units and 2.7 million convertible preferred units of PEPR. During all of the second quarter of 2011, we made aggregate cash purchases totaling €715.8 million ($1.0 billion). We funded the purchases through borrowings under our global line of credit and a new €500 million bridge facility, which was subsequently repaid with proceeds from an equity offering in June 2011.

Upon completion of the tender offer, we met the requirements to consolidate PEPR. In accordance with the accounting rules for business combinations, we marked our equity investment in PEPR from carrying value to fair value of approximately €486 million, which resulted in the recognition of a gain of €59.6 million ($85.9 million). We refer to this transaction as the "PEPR Acquisition". The fair value was based on the trading price for our previously owned units and our acquisition price for the PEPR units purchased during the tender offer period.

We have allocated the aggregate purchase price, representing the share of PEPR we owned at the time of consolidation of €1.1 billion ($1.6 billion). The allocation of the purchase price required a significant amount of judgment and was based on our valuation, estimates and assumptions of the acquisition date fair value of the tangible and intangible assets and liabilities acquired.

For additional information related to PEPR, see Note 10.

Pro forma Information

The following unaudited pro forma financial information presents our results as though the Merger and the PEPR Acquisition, as well as the equity offering in June 2011 that was used, in part, to repay the loans used to fund the PEPR Acquisition, had been consummated as of January 1, 2010. The pro forma information does not necessarily reflect the actual results of operations had the transactions been consummated at the beginning of the period indicated nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any cost synergies or other operating efficiencies that have resulted or could result from the Merger and also does not include any merger and integration expenses. The results for the nine months ended September 30, 2011 include approximately four months of actual results for both the Merger and PEPR Acquisition, and pro forma adjustments for five months. Actual results in 2011 include rental income and rental expenses of the properties acquired through the Merger and PEPR Acquisition of $325.3 million and $86.7 million, respectively, of which $23.3 million of rental income and $4.0 million of rental expenses are included in discontinued operations.

(amounts in thousands, except per share amounts)	Nine Months Ended September 30, 2011
Total revenues	$ 1,497,447
Net loss available for common stockholders	$ (44,301)
Net loss per share available for common stockholders - basic	$ (0.10)
Net loss per share available for common stockholders - diluted	$ (0.10)

These results include certain adjustments, primarily decreased revenues resulting from the amortization of the net asset from the acquired leases with favorable or unfavorable rents relative to estimated market rents, increased depreciation and amortization expense resulting from the adjustment of real estate assets to estimated fair value and recognition of intangible assets related to in-place leases and acquired management contracts and lower interest expense due to the accretion of the fair value adjustment of debt.

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

Acquisitions of Unconsolidated Co-Investment Ventures

On February 3, 2012, we acquired our partner's 63% interest in and now own 100% of our previously unconsolidated co-investment venture Prologis North American Industrial Fund II ("NAIF II") and we repaid the loan from NAIF II to our partner for a total of $336.1 million. The assets and liabilities of this venture, as well as the activity since the acquisition date, have been included in our Consolidated Financial Statements. In accordance with the accounting rules for business combinations, we marked our equity investment in NAIF II from its carrying value to the estimated fair value. The fair value was determined and allocated based on our valuation, estimates, and assumptions of the acquisition date fair value of the tangible and intangible assets and liabilities. The preliminary allocation of net assets acquired is approximately $1.6 billion in real estate assets, $27.3 million of net other assets, and $875.4 million in debt. We have not recorded a gain or loss with this transaction, as the carrying value of our investment was equal to the estimated fair value. While the current allocation of the purchase price is substantially complete, the valuation of the real estate properties is being finalized. We do not expect future revisions, if any, to have a significant impact on our financial position or results of operations.

On February 22, 2012, we dissolved the unconsolidated co-investment venture Prologis California ("Prologis California") and divided the portfolio equally with our partner. The net value of the assets and liabilities distributed represents the fair value of our ownership interest in the co-investment venture on that date. In accordance with the accounting rules for business combinations, we marked our equity investment in Prologis California from its carrying value to the estimated fair value which resulted in a gain of $273.0 million. The gain is recorded in *Gains on Acquisitions and Dispositions of Investments in Real Estate, Net* in the Consolidated Statements of Operations. The fair value was determined and allocated based on our valuation, estimates, and assumptions of the acquisition date fair value of the tangible and intangible assets and liabilities. The preliminary allocation of net assets acquired is approximately $496.3 million in real estate assets, $17.7 million of net other assets, and $150.0 million in debt. While the current allocation of the purchase price is substantially complete, the valuation of the real estate properties is being finalized. We do not expect future revisions, if any, to have a significant impact on our financial position or results of operations.

We refer to these two transactions collectively as "Q1 Venture Acquisitions". Our results for 2012 include rental income and rental expenses of the properties acquired in the Q1 Venture Acquisitions of $124.0 million and $30.3 million, respectively, of which $1.7 million of rental income and $0.2 million of rental expenses are included in discontinued operations.

3. Real Estate

Investments in real estate properties are presented at cost, and consist of the following (in thousands):

	September 30, 2012	December 31, 2011
Industrial operating properties (1):		
Improved land	$ 5,501,866	$ 4,813,145
Buildings and improvements	17,802,380	16,739,403
Development portfolio, including cost of land (2)	774,821	860,531
Land (3)	1,924,626	1,984,233
Other real estate investments (4)	457,373	390,225
Total investments in real estate properties	26,461,066	24,787,537
Less accumulated depreciation	2,389,214	2,157,907
Net investments in properties	**$ 24,071,852**	**$ 22,629,630**

(1) At September 30, 2012 and December 31, 2011, we had 1,898 and 1,797 industrial properties consisting of 320.3 million square feet and 291.1 million square feet, respectively. Included at September 30, 2012 were 177 properties totaling $2.0 billion that were acquired in connection with the Q1 Venture Acquisitions.

(2) At September 30, 2012, the development portfolio consisted of 35 properties aggregating 13.0 million square feet. At December 31, 2011, we had 30 properties aggregating 9.5 million square feet in the development portfolio. Our total expected investment upon completion of the properties currently in the development portfolio at September 30, 2012 was $1.3 billion, including land, development and leasing costs.

(3) Land consisted of 10,208 acres and 10,723 acres at September 30, 2012 and December 31, 2011, respectively, and included land parcels that we may develop or sell depending on market conditions and other factors.

In March 2012, we recorded an impairment charge of $16.1 million related to the land received in 2011 in exchange for a note receivable. This impairment was recorded in *Impairment of Other Assets* in our Consolidated Financial Statements. During the nine months ended September 30, 2012, we recorded impairment charges of $9.8 million related to certain land parcels for which our intent is to sell and therefore, we wrote down to estimated fair value. The impairment was recorded in *Impairment of Real Estate Properties* in our Consolidated Financial Statements.

(4) Included in other investments are: (i) certain non-industrial real estate; (ii) our corporate office buildings; (iii) land ground leased to third parties; (iv) certain infrastructure costs related to projects we are developing on behalf of others; (v) costs related to future development projects, including purchase options on land; (vi) restricted funds that are held in escrow pending the completion of tax-deferred exchange transactions involving operating properties; and (vii) earnest money deposits associated with potential acquisitions.

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

At September 30, 2012, excluding our assets held for sale, we owned real estate assets on a consolidated basis in the Americas (Canada, Mexico and the United States), Europe (Austria, Belgium, the Czech Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Romania, Slovakia, Spain, Sweden and the United Kingdom) and Asia (China, Japan and Singapore).

During the nine months ended September 30, 2012, we acquired ten operating buildings aggregating 1.3 million square feet for $60.4 million and 350 acres of land for a total of $112.2 million.

During 2012, we contributed one property aggregating 0.1 million square feet to Europe Logistics Venture I and one property aggregating 0.1 million square feet to Prologis European Properties Fund II.

See Note 6 for further discussion of properties classified as held for sale and properties we sold to third parties that are reported in discontinued operations.

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 private capital investors and provide asset and property management services to these entities. We refer to these entities as co-investment ventures. Our ownership interest in these entities generally ranges from 15-50%. These entities may be consolidated or unconsolidated, depending on the structure, our partner's rights and participation and our level of control of the entity. This Note details our unconsolidated co-investment ventures. See Note 10 for more detail regarding our consolidated investments.

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

Our investments in and advances to our unconsolidated entities are summarized below (in thousands):

	September 30, 2012	December 31, 2011
Unconsolidated co-investment ventures	$ 1,965,734	$ 2,471,179
Other joint ventures	276,341	386,576
Totals	**$ 2,242,075**	**$ 2,857,755**

Unconsolidated Co-Investment Ventures

As of September 30, 2012, we had investments in and managed 12 unconsolidated co-investment ventures that own portfolios of operating industrial properties and may also develop properties. Private capital revenue includes revenues we earn for the management services we provide to unconsolidated entities and certain third parties. These fees are recognized as earned and may include property and asset management fees or transactional fees for leasing, acquisition, construction, financing, legal and tax services. We may also earn promote payments based on the third party investor returns over time. In addition, we may earn fees for services provided to develop a building within the co-investment venture and those fees are reflected as *Development Management and Other Income* in the Consolidated Statements of Operations.

Summarized information regarding our investments in the co-investment ventures is as follows (in thousands):

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Earnings (loss) from unconsolidated co-investment ventures:				
Americas (1)	$ (3,912)	$18,931	$ (8,378)	$23,557
Europe	5,858	8,706	21,027	23,478
Asia	432	218	2,640	1,387
Total earnings from unconsolidated co-investment ventures, net	**$ 2,378**	**$27,855**	**$15,289**	**$48,422**
Private capital revenue and other income:				
Americas	$16,937	$19,291	$50,541	$45,405
Europe	9,546	8,612	28,008	35,743
Asia	5,131	4,808	14,973	7,344
Total private capital revenue	31,614	32,711	93,522	88,492
Development management and other income	106	—	184	5,943
Total	**$31,720**	**$32,711**	**$93,706**	**$94,435**

(1) During the three and nine months ended September 30, 2012, we recorded losses of $1.3 million and $2.1 million representing our share of the disposal of the remaining properties in one of our ventures. Also included in the nine months ended September 30, 2012, is a $5.0 million loss representing our share of a loss from the early extinguishment of debt in Prologis North American Industrial Fund III ("Prologis NAIII"). During the three and nine months ended September 30, 2011, we recorded a gain of $13.9 million for our share of the gain on disposal of 13 properties in one of our ventures.

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

We completed the Merger and PEPR Acquisition in the second quarter of 2011. During the first quarter of 2012, we also acquired one of our unconsolidated co-investment ventures and dissolved another, both located in the Americas. Therefore 2011 may not be comparable to 2012. See Note 2 for more information on these transactions.

Private capital revenue included fees and incentives we earn for services provided to our unconsolidated co-investment ventures (shown above), as well as fees earned from other unconsolidated entities and third parties of $0.1 million and $1.6 million during the three and nine months ended September 30, 2012, respectively and $1.9 million and $8.9 million during the three and nine months ended September 30, 2011, respectively.

Information about our investments in the co-investment ventures is as follows (dollars in thousands):

	Weighted Average Ownership Percentage		Investment in and Advances to	
Unconsolidated co-investment ventures by region	**September 30, 2012**	**December 31, 2011**	**September 30, 2012**	**December 31, 2011**
Americas	23.9%	28.2%	$ 1,119,855	$1,596,295
Europe	30.0%	29.9%	648,397	662,010
Asia	19.3%	19.4%	197,482	212,874
Totals	**25.5%**	**27.9%**	**$ 1,965,734**	**$2,471,179**

Summarized financial information of the co-investment ventures (for the entire entity, not our proportionate share) and our investment in such ventures is presented below (dollars in millions):

2012	Americas	Europe	Asia	Total
For the three months ended September 30, 2012 (1):				
Revenues	$ 184.8	$ 115.5	$ 36.0	$ 336.3
Net earnings (loss)	$ (16.7)	$ 13.8	$ 4.2	$ 1.3
For the nine months ended September 30, 2012 (1):				
Revenues	$ 581.0	$ 361.4	$ 105.8	$ 1,048.2
Net earnings (loss) (2)	$ (54.8)	$ 61.8	$ 8.9	$ 15.9
As of September 30, 2012:				
Total assets	$ 9,285.7	$6,254.8	$2,097.7	$17,638.2
Amounts due to us (3)	$ 23.4	$ 4.5	$ 8.0	$ 35.9
Third party debt (4)	$ 3,891.4	$2,286.6	$1,060.8	$ 7,238.8
Total liabilities	$ 4,212.6	$2,815.2	$1,161.7	$ 8,189.5
Noncontrolling interest	$ 1.6	$ 6.8	$ —	$ 8.4
Venture partners' equity	$ 5,071.5	$3,432.8	$ 936.0	$ 9,440.3
Our weighted average ownership (5)	23.9%	30.0%	19.3%	25.5%
Our investment balance (6)	$ 1,119.8	$ 648.4	$ 197.5	$ 1,965.7
Deferred gains, net of amortization (7)	$ 154.2	$ 180.8	$ —	$ 335.0

2011	Americas	Europe	Asia	Total
For the three months ended September 30, 2011 (1):				
Revenues	$ 256.5	$ 123.2	$ 38.2	$ 417.9
Net earnings (loss) (8)	$ 27.3	$ 26.3	$ (3.5)	$ 50.1
For the nine months ended September 30, 2011 (1):				
Revenues	$ 624.9	$ 482.9	$ 56.3	$ 1,164.1
Net earnings (loss) (8)	$ (2.6)	$ 64.1	$ 1.1	$ 62.6
As of December 31, 2011:				
Total assets	$12,236.0	$6,211.8	$2,245.1	$20,692.9
Amounts due to us (3)	$ 59.5	$ 8.1	$ 9.3	$ 76.9
Third party debt (4)	$ 5,952.8	$2,275.8	$1,061.4	$ 9,290.0
Total liabilities	$ 6,386.4	$2,758.9	$1,174.0	$10,319.3
Noncontrolling interest	$ 1.7	$ 6.2	$ —	$ 7.9
Venture partners' equity	$ 5,847.9	$3,446.7	$1,071.1	$10,365.7
Our weighted average ownership (5)	28.2%	29.9%	19.4%	27.9%
Our investment balance (6)	$ 1,596.3	$ 662.0	$ 212.9	$ 2,471.2
Deferred gains, net of amortization (7)	$ 227.6	$ 191.0	$ 0.1	$ 418.7

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(1) During the first quarter of 2012, we began consolidating two of our co-investment ventures in the Americas whose results are included through the transaction date. During the nine months ended September 30, 2011, amounts include approximately five months of activity, respectively, for PEPR while accounted for on the equity method and approximately four months of activity from the investments acquired through the Merger. See Note 2 for more details of these transactions.

(2) In 2012, one of our ventures in the Americas recorded a $10.7 million loss on the disposition of the remaining properties in this venture to third parties. During the second quarter of 2012, Prologis NAIII settled debt before maturity by transferring the secured properties to the lender in lieu of payment and triggered the write-off of the related derivative balance in other comprehensive income of $25.1 million (Prologis share was $5.0 million).

(3) At December 31, 2011, we had notes receivable aggregating $41.2 million from Prologis NAIII ($21.4 million) and Prologis SGP Mexico ($19.8 million). In February 2012, Prologis NAIII restructured the loan payable to us and our partner into equity according to our ownership percentages. As of September 30, 2012, we have one note receivable from Prologis SGP Mexico of $19.7 million. The remaining amounts represent current balances from services provided by us to the co-investment ventures.

(4) As discussed in Note 2, debt was reduced by $1.4 billion related to the consolidation of two unconsolidated co-investment ventures during the first quarter of 2012. As of September 30, 2012 and December 31, 2011, we guaranteed $28.4 million and $28.0 million, respectively, of the third party debt of certain unconsolidated ventures. As of December 31, 2011, we had pledged properties included in our Real Estate Operations segment with an undepreciated cost of approximately $277.0 million, to serve as additional collateral for the secured mortgage loan of NAIF II payable to an affiliate of our venture partner. In connection with the acquisition of our partner's interest in February 2012, we repaid this loan, and these assets are no longer pledged.

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

(6) The difference between our ownership interest of the venture's equity and our investment balance results principally from three types of transactions: (i) deferring a portion of the gains we recognize from a contribution of one of our properties to the venture (see next footnote); (ii) recording additional costs associated with our investment in the venture; and (iii) advances to the venture.

(7) This amount is recorded as a reduction to our investment and represents the gains that were deferred when we contributed a property to a venture due to our continuing ownership in the property.

(8) Included in 2011 is a gain of $33.6 million (Prologis share $13.9 million) from the disposition of 13 properties by one of our ventures in the Americas.

Equity Commitments Related to Certain Unconsolidated Co-Investment Ventures

Certain unconsolidated co-investment ventures have equity commitments from us and our venture partners. We may fulfill our equity commitment through contributions of properties or cash. Our venture partners fulfill their equity commitment with cash. We are committed to offer to contribute certain properties that we develop and stabilize in select markets in Europe and Mexico to certain ventures. These ventures are committed to acquire such properties, subject to certain exceptions, including that the properties meet certain specified leasing and other criteria, and that the ventures have available capital. We are not obligated to contribute properties at a loss. Depending on market conditions, the investment objectives of the ventures, our liquidity needs and other factors, we may make contributions of properties to these ventures through the remaining commitment period.

The following table is a summary of remaining equity commitments as of September 30, 2012 (in millions):

	Equity commitments	Expiration date for remaining commitments
Prologis Targeted U.S. Logistics Fund (1)		
Prologis	$ —	Open-Ended (1)
Venture Partners	$ 82.5	
Prologis SGP Mexico (2)		
Prologis	$ 24.6	(2)
Venture Partner	$ 98.1	
Europe Logistics Venture 1 (3)		
Prologis	$ 72.5	February 2014
Venture Partner	$ 410.7	
Prologis China Logistics Venture 1		
Prologis	$ 71.0	March 2015
Venture Partner	$ 402.1	
Total		
Prologis	$ **168.1**	
Venture Partners	$ **993.4**	

(1) We secured $265.5 million in commitments from third parties in 2012 in order to fund future acquisitions from us and third parties that meet the venture's investment strategy, or to pay down existing debt. During the nine month ended September 30, 2012, the venture called capital of $183.0 million from these investors primarily to pay down existing debt.

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(2) These equity commitments will be called only if needed to pay outstanding debt of the venture. The relevant debt was due in the third quarter of 2012, which was automatically extended until the third quarter of 2013. There is also an option to extend until the third quarter of 2014.

(3) Equity commitments are denominated in euro and reported above in U.S. dollar. During the third quarter of 2012, this venture called capital of €25.0 million ($32.2 million) of which €3.8 million ($4.8 million) represented our share, for the acquisition of one building from a third party. During the first quarter of 2012, this venture acquired two buildings from a third party with proceeds from commitments previously called and one building that was contributed by us with capital called during the quarter of €13.0 million ($17.2 million) of which €2.0 million ($2.6 million) represented our share.

Other Joint Ventures

Our investments in and advances to these entities are as follows (in thousands):

	September 30, 2012	December 31, 2011
Americas (1)	$ 194,014	$ 305,352
Europe	52,013	50,474
Asia	30,314	30,750
Total investments in and advances to other joint ventures	**$ 276,341**	**$ 386,576**

(1) During the second quarter of 2012, we received $95.0 million, which represented a return of capital from one of our joint ventures that held a note receivable that was repaid in full during the quarter.

5. Notes Receivable Backed by Real Estate

The activity on the notes receivable backed by real estate for the nine months ended September 30, 2012 is as follows (in thousands):

	$188 million Preferred Equity Interest	$55 million Preferred Equity Interest	NAIF II Secured Mortgage Receivable (1)	Total
Balance as of December 31, 2011	$ 188,000	$ 55,970	$ 78,864	$322,834
Elimination upon acquisition of NAIF II	—	—	(78,864)	(78,864)
Accrued interest/(interest payments received), net	9	—	—	9
Balance as of September 30, 2012	**$ 188,009**	**$ 55,970**	**$ —**	**$243,979**

(1) The balance as of December 31, 2011 represented a loan to NAIF II secured by 12 buildings. In February 2012, we purchased the remaining interest in NAIF II. As a result, we began consolidating this entity and eliminated this note receivable. See Note 2 for more detail on this transaction.

6. Assets Held for Sale and Discontinued Operations

Held for Sale

As of September 30, 2012, we had land and 23 operating properties that met the criteria to be classified as held for sale. The amounts included in held for sale as of September 30, 2012 represent real estate investment balances and the related assets and liabilities for each property.

Discontinued Operations

During the nine months ended September 30, 2012, we disposed of land subject to ground leases and 113 operating properties aggregating 14.4 million square feet to third parties. During all of 2011, we disposed of land subject to ground leases and 94 operating properties aggregating 10.7 million square feet to third parties.

The operations of the properties held for sale or disposed of to third parties and the aggregate net gains or losses recognized upon their disposition are presented as *Discontinued Operations* in our Consolidated Statements of Operations for all periods presented. Interest expense is included in discontinued operations only if it is directly attributable to these properties.

Discontinued operations are summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Rental income and recoveries	$ 11,267	$ 36,671	$ 50,830	$ 86,479
Rental expenses	(2,975)	(9,187)	(13,445)	(22,873)
Depreciation and amortization expense	(3,674)	(15,256)	(17,335)	(28,387)
Other expenses	—	(325)	(161)	(503)
Income attributable to disposed properties and assets held for sale	**4,618**	**11,903**	**19,889**	**34,716**
Net gain (loss) on dispositions, net of taxes	(4,049)	11,410	17,074	24,204
Impairment charges	(27,409)	—	(27,409)	(2,659)
Total discontinued operations	**$(26,840)**	**$ 23,313**	**$ 9,554**	**$ 56,261**

7. Debt

All debt is held directly or indirectly by the Operating Partnership. The REIT itself does not have any indebtedness, but guarantees the unsecured debt of the Operating Partnership. We generally do not guarantee the debt issued by non-wholly owned subsidiaries.

Our debt consisted of the following (dollars in thousands):

	September 30, 2012		December 31, 2011	
	Weighted Average Interest Rate (1)	Amount Outstanding	Weighted Average Interest Rate (1)	Amount Outstanding
Credit Facilities	1.40%	$ 1,209,467	2.17%	$ 936,796
Senior notes (2)	5.60%	5,230,412	6.30%	4,772,607
Exchangeable senior notes (3)	4.56%	881,682	4.82%	1,315,448
Secured mortgage debt (2)	4.00%	4,010,205	4.71%	1,699,363
Secured mortgage debt of consolidated entities (2)	4.40%	516,212	4.54%	1,495,047
Other debt of consolidated entities (2)	4.79%	67,936	5.30%	775,763
Other debt	1.75%	662,146	2.44%	387,384
Totals	**4.32%**	**$12,578,060**	**5.12%**	**$11,382,408**

(1) The interest rates presented represent the effective interest rates (including amortization of the non-cash premiums or discount).
(2) As discussed in Note 10, during the third quarter of 2012 in connection with the liquidation of PEPR, we acquired the remaining interest in PEPR's assets and liabilities. As such, $1,390.9 million was reclassified from debt of consolidated entities to $538.7 million of senior notes and $852.2 million of secured mortgage debt.
(3) The weighted average coupon interest rate was 2.8% as of September 30, 2012 and 2.6% as of December 31, 2011.

Credit Facilities

We have a global senior credit facility ("Global Facility"), where funds may be drawn in U.S. dollar, euro, Japanese yen, British pound sterling and Canadian dollar on a revolving basis. The loans cannot exceed $1.71 billion (subject to currency fluctuations). We may increase the Global Facility to $2.71 billion, subject to currency fluctuations and obtaining additional lender commitments. The Global Facility is scheduled to mature on June 3, 2015, but the Operating Partnership may, at its option and subject to the satisfaction of certain conditions and payment of an extension fee, extend the maturity date to June 3, 2016. Pricing under the Global Facility, including the spread over LIBOR, facility fees and letter of credit fees, varies based upon the public debt ratings of the Operating Partnership. The Global Facility contains customary representations, covenants and defaults (including a cross-acceleration to other recourse indebtedness of more than $50 million).

We also have a ¥36.5 billion (approximately $470 million at September 30, 2012) yen revolver (the "Revolver"). The Revolver matures on March 1, 2014, but we may, at our option and subject to the satisfaction of customary conditions and payment of an extension fee, extend the maturity date to February 27, 2015. We may increase availability under the Revolver to an amount not exceeding ¥56.5 billion (approximately $728 million at September 30, 2012) subject to obtaining additional lender commitments. Pricing under the Revolver is consistent with the Global Facility pricing. The Revolver contains certain customary representations, covenants and defaults that are substantially the same as the corresponding provisions of the Global Facility.

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

Commitments and availability under our Credit Facilities as of September 30, 2012 were as follows (dollars in millions):

Aggregate lender - commitments	$2,178.6
Less:	
Borrowings outstanding	1,209.3
Outstanding letters of credit	66.9
Current availability	**$ 902.4**

Exchangeable Senior Notes

In connection with the Merger and exchange offer, our convertible senior notes became exchangeable senior notes issued by the Operating Partnership that are exchangeable into common stock of the REIT. As a result, the accounting for the exchangeable senior notes now requires us to separate the fair value of the derivative instrument (exchange feature) from the debt instrument and account for it separately as a derivative contract. We have determined that the exchangeable notes issued in 2010 are the only exchangeable notes where the fair value of the derivative is not zero at September 30, 2012, therefore this modification in accounting for the exchangeable notes only affected these notes. At each reporting period, we adjust the derivative instrument to fair value with the resulting adjustment being recorded in earnings as *Foreign Currency and Derivative Gains (Losses), Net.* The fair value of the derivative associated with our exchangeable notes was a liability of $36.6 million and $17.5 million at September 30, 2012 and December 31, 2011, respectively. We have recognized an unrealized loss of $6.7 million and $19.1 million for the three and nine months ended September 30, 2012, respectively. We recognized an unrealized gain of $61.0 million and $51.3 million for the three and nine months ended September 30, 2011, respectively.

We redeemed $448.9 million of the exchangeable notes issued in 2007 in April 2012, which was when the holders had the right to require us to repurchase their notes for cash.

Secured Mortgage Debt

TMK bonds are a financing vehicle in Japan for special purpose companies known as TMKs. In 2012, we issued ¥35.6 billion ($458.0 million as of September 30, 2012) of new TMK bonds with maturity dates ranging from March 2017 to May 2019 with interest rates ranging from 0.8% to 1.4%, and secured by eight properties with an undepreciated cost at September 30, 2012 of $819.4 million.

In addition, we amended our existing TMK bonds, increasing amounts outstanding by ¥12.4 billion ($160.3 million as of September 30, 2012). As a result, the range of maturities on these bonds changed from 2012 to 2014 to a range of December 2014 to April 2018, and the interest rates were reduced from a range of 1.8% to 3.95% to a range of 1.0% to 1.8%.

In the first quarter of 2012 in connection with the acquisition of NAIF II (see Note 2 for more details), we have assumed additional secured mortgage debt of $875.4 million, with maturity dates through December 2018. Subsequent to the acquisition, we have paid down a portion of outstanding debt and reduced the balance to $718.4 million, secured by 92 properties with an undepreciated cost of $1.1 billion at September 30, 2012.

In the first quarter of 2012 in connection with the acquisition of our share of Prologis California (see Note 2 for more details), we assumed additional secured mortgage debt of $150.0 million payable in 2014 and secured by 24 properties with an undepreciated cost of $320.7 million at September 30, 2012.

Secured Mortgage Debt of Consolidated Entities

On June 20, 2012, one of our consolidated co-investment ventures incurred $23.0 million of secured mortgage debt, including $13.0 million at 4.50% due December 2016 and $10.0 million at 4.78% due December 2018. This debt is secured by four real estate properties with an aggregate undepreciated cost of $40.3 million at September 30, 2012.

Other Debt

On February 2, 2012, we entered into a senior term loan agreement where we may obtain loans in an aggregate amount not to exceed €487.5 million ($633.2 million at September 30, 2012). The loans can be obtained in U.S. dollar, euro, Japanese yen, and British pound sterling. We may increase the borrowings to approximately €987.5 million ($1.3 billion at September 30, 2012), subject to obtaining additional lender commitments. The loan agreement is scheduled to mature on February 2, 2014, but we may extend the maturity date three times at our option, in each case up to one year, subject to satisfaction of certain conditions and payment of an extension fee. We fully drew the senior term loan and used the proceeds to pay off two term loans assumed in connection with the Merger and the remainder to pay down borrowings on our Credit Facilities.

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Long-Term Debt Maturities

Principal payments due on our debt, for the remainder of 2012 and for each of the years in the ten-year period ending December 31, 2021 and thereafter are as follows (in millions):

	Prologis							
	Unsecured							
Maturity	Senior Debt	Exchangeable Notes	Credit Facilities	Other Debt	Secured Mortgage Debt	Total	Consolidated Entities' Debt	Total Consolidated Debt
2012 (1) (2)	$ —	$ —	$ —	$—	$ 9	$ 9	$ 34	$ 43
2013 (1) (2)	376	483	—	1	518	1,378	255	1,633
2014	903	—	465	645	1,137	3,150	62	3,212
2015	287	460	744	1	214	1,706	27	1,733
2016	640	—	—	1	316	957	123	1,080
2017	700	9	—	1	579	1,289	3	1,292
2018	900	—	—	1	330	1,231	73	1,304
2019	647	—	—	1	528	1,176	1	1,177
2020	690	—	—	1	10	701	1	702
2021	—	—	—	—	171	171	1	172
Thereafter	—	—	—	10	143	153	1	154
Subtotal	5,143	952	1,209	662	3,955	11,921	581	12,502
Unamortized (discounts) premiums, net	87	(70)	—	—	56	73	3	76
Total	**$5,230**	**$ 882**	**$ 1,209**	**$662**	**$ 4,011**	**$11,994**	**$ 584**	**$ 12,578**

(1) We expect to repay the amounts maturing in 2012 and 2013 related to our wholly owned debt with cash generated from operations, proceeds from the disposition of wholly owned real estate properties and with borrowings on our Credit Facilities. The maturities in 2012 and 2013 in our consolidated but not wholly owned subsidiaries principally include $206.7 million of secured mortgage debt, which we expect to extend, or pay, through the issuance of new debt, with proceeds from asset sales, available cash, or equity contributions to the funds by us and our venture partners.

(2) The maturities in 2013 include the aggregate principal amounts of the exchangeable senior notes issued in 2007 and 2008, as this is when the holders first have the right to require us to repurchase their notes for cash.

Debt Covenants

Our debt agreements contain various covenants, including maintenance of specified financial ratios. As of September 30, 2012 we were in compliance with all covenants.

8. Other Liabilities:

Other liabilities consisted of the following, net of amortization, if applicable, as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Income tax liabilities	$ 574,173	$ 634,790
Tenant security deposits	184,151	158,544
Unearned rents	112,317	115,093
Lease intangible assets	61,595	68,256
Deferred income	48,897	52,045
Environmental	32,352	40,206
Value added tax and other tax liabilities	18,780	42,895
Other	131,386	113,719
Totals	**$ 1,163,651**	**$ 1,225,548**

9. Stockholders' Equity of the REIT and Partners' Capital of the Operating Partnership

Operating Partnership

For each share of common stock or preferred stock the REIT issues, the Operating Partnership issues a corresponding common or preferred partnership unit, as applicable, to the REIT in exchange for the contribution of the proceeds from the stock issuance. In addition, other third parties and certain current and former directors and officers of the REIT own common limited partnership units that make up approximately 0.41% of the common partnership units.

Preferred Stock of the REIT

We had the following preferred stock issued and outstanding (in thousands, except per share and par value data):

	September 30, 2012	December 31, 2011
Series L Preferred stock at stated liquidation preference of $25 per share; $0.01 par value; 2,000 shares	$ 49,100	$ 49,100
Series M Preferred stock at stated liquidation preference of $25 per share; $0.01 par value; 2,300 shares	57,500	57,500
Series O Preferred stock at stated liquidation preference of $25 per share; $0.01 par value; 3,000 shares	75,300	75,300
Series P Preferred stock at stated liquidation preference of $25 per share; $0.01 par value; 2,000 shares	50,300	50,300
Series Q Preferred stock at stated liquidation preference of $50 per share; $0.01 par value; 2,000 shares	100,000	100,000
Series R Preferred stock at stated liquidation preference of $25 per share; $0.01 par value; 5,000 shares	125,000	125,000

Series S Preferred stock at stated liquidation preference of $25 per share; $0.01 par value; 5,000 shares	125,000	125,000
Total preferred stock	**$ 582,200**	**$ 582,200**

The holders of the preferred stock have preference rights with respect to distributions and liquidation over the common stock and certain rights in the case of arrearage. Holders of the preferred stock are not entitled to vote on any matters, except under certain limited circumstances. The series L, M, O, P, R and S preferred stock are redeemable solely at our option, in whole or in part. The series Q preferred stock will be redeemable at our option on and after November 13, 2026.

10. Noncontrolling Interests

Operating Partnership

We report noncontrolling interests related to several entities we consolidate but do not own 100% of the common equity. These entities include three real estate partnerships that have issued limited partnership units to third parties. Depending on the specific partnership agreements, these limited partnership units are exchangeable into shares of our common stock (or cash), generally at a rate of one share of common stock to one unit. We evaluated the noncontrolling interests with redemption provisions that permit the issuer to settle in either cash or common stock at the option of the issuer to determine whether temporary or permanent equity classification on the balance sheet is appropriate, including the requirement to settle in unregistered shares, and determined that these units meet the requirements to qualify for presentation as permanent equity.

We also consolidate several entities in which we do not own 100% but the units are not exchangeable into our common stock. If we contribute a property to a consolidated co-investment venture, the property is still reflected in our Consolidated Financial Statements, but due to our ownership of less than 100%, there is an increase in noncontrolling interest related to the contributed properties, which represents the cash we receive from our partners.

REIT

The noncontrolling interest of the REIT includes the noncontrolling interests presented in the Operating Partnership, as well as the common limited partnership units in the Operating Partnership that are not owned by the REIT. As of September 30, 2012, the REIT owned approximately 99.59% of the common partnership units of the Operating Partnership.

The following is a summary of the noncontrolling interest and the consolidated entity's total investment in real estate and debt at September 30, 2012 and December 31, 2011 (dollars in thousands):

	Our Ownership Percentage		Noncontrolling Interests		Consolidated Entity Total Investment In Real Estate		Consolidated Entity Debt	
	2012	2011	2012	2011	2012	2011	2012	2011
Partnerships with exchangeable units (1)	various	various	$ 43,303	$ 11,173	$ 828,112	$ 827,263	$ 26,417	$ 26,417
Prologis Institutional Alliance Fund II (2)	28.2%	24.1%	291,271	324,721	600,439	624,318	196,291	220,625
PEPR (3)	100.0%	93.7%	—	106,759	—	4,047,329	—	1,699,587
Mexico Fondo Logistico (AFORES) (4)	20.0%	20.0%	144,916	118,580	371,820	312,914	215,356	177,000
Prologis AMS (5)	38.6%	38.5%	62,515	83,897	175,209	211,627	74,656	77,041
Other consolidated entities	various	various	97,626	90,092	569,296	620,052	71,428	70,140
Operating Partnership noncontrolling interests			**639,631**	**735,222**	**2,544,876**	**6,643,503**	**584,148**	**2,270,810**
Limited partners in the Operating Partnership (6)			53,141	58,613	—	—	—	—
REIT noncontrolling interests			**$692,772**	**$793,835**	**$2,544,876**	**$6,643,503**	**$584,148**	**$2,270,810**

(1) At September 30, 2012 and December 31, 2011, there were 1,285,312 and 1,302,238 limited partnership units, respectively, that were exchangeable into an equal number of shares of the REIT's common stock. In the first quarter of 2012, 16,926 limited partnership units were exchanged for cash. The majority of the outstanding limited partnership units are entitled to quarterly cash distributions equal to the quarterly dividends paid on our common stock. In 2012, we recorded an additional purchase accounting adjustment of $32.9 million associated with the Merger.

(2) In the second quarter of 2012, we purchased an additional interest in the fund from one of our partners for $14.1 million increasing our ownership to 28.2%.

(3) In June 2012, the unitholders of PEPR passed a resolution to wind-up the entity, pursuant to which we opted for in-kind distribution of assets with responsibility for all liabilities of PEPR. In September 2012, PEPR completed its delisting from two European stock exchanges, completed a distribution to the remaining common and preferred unitholders and have acquired the remaining assets and liabilities.

(4) In the second quarter of 2012, we contributed four properties aggregating 0.8 million square feet to this entity for $40.6 million. As this entity is consolidated, we did not record a gain on this transaction and the noncontrolling interests increased $15.7 million, which is primarily due to our partners' investment in cash.
(5) In 2012, we recorded additional purchase accounting adjustments of $22.7 million associated with the Merger.
(6) At September 30, 2012 and December 31, 2011, 1,898,699 and 2,058,730 units were associated with the common limited partners in the Operating Partnership and exchangeable into an equal number of shares of the REIT's common stock. During the nine months ended September 30, 2012, 160,031 units were exchanged for cash in the amount of $5.6 million. The majority of the outstanding limited partnership units are entitled to quarterly cash distributions equal to the quarterly distributions paid on our common stock.

11. Long-Term Compensation

Under our incentive plans, we had stock options and full value awards (restricted stock, restricted share units ("RSUs") and performance based shares ("PSAs")) outstanding during 2012.

Summary of Activity

The activity for the nine months ended September 30, 2012, with respect to our stock options, was as follows:

	Options Outstanding		
	Number of Options	Weighted Average Exercise Price	Options Exercisable
Balance at December 31, 2011	9,879,960	$ 34.93	
Exercised	(1,258,490)	22.36	
Forfeited	(302,186)	56.70	
Balance at September 30, 2012	**8,319,284**	**$ 36.04**	**7,733,065**

The activity for the nine months ended September 30, 2012, with respect to our unvested restricted stock, was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2011	1,192,982	
Granted	5,000	
Vested	(507,465)	
Forfeited	(2,865)	
Balance at September 30, 2012	**687,652**	**$ 34.03**

The activity for the nine months ended September 30, 2012, with respect to our RSU and PSA awards, was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value	Number of Shares Vested
Balance at December 31, 2011	1,684,713		
Granted	1,609,527		
Distributed	(762,777)		
Forfeited/Expired	(49,975)		
Balance at September 30, 2012	**2,481,488**	**$ 32.27**	**48,735**

During the nine months ended September 30, 2012, we granted 1,570,498 RSUs, which, generally, will vest over three years. In addition, 39,029 PSAs were earned based on 2011 performance.

12. Merger, Acquisition and Other Integration Expenses

In connection with the Merger, we have incurred significant transaction, integration, and transitional costs. These costs include investment banker advisory fees; legal, tax, accounting and valuation fees; termination and severance costs (both cash and stock based compensation awards) for terminated and transitional employees; non-capitalized system conversion costs; and other integration costs. These costs are expensed as incurred, which in some cases will be through the end of 2012. Certain of these costs were obligations of AMB and expensed prior to the closing of the Merger by AMB. At the time of the Merger, we terminated our existing credit facilities and wrote-off the remaining unamortized deferred loan costs associated with such facilities, which is included as a merger expense. In addition, we have included costs associated with the acquisition of a controlling interest in PEPR in 2011, the liquidation of PEPR in 2012, as well as some costs associated with restructuring the finance organization in Europe. The following is a breakdown of the Merger and Acquisition costs incurred (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Termination, severance and transitional employee costs	$14,757	$11,107	$34,294	$ 45,444
Professional fees	3,718	909	12,672	42,398
Office closure, travel and other costs	2,184	667	5,607	23,012
Write-off of deferred loan costs	—	—	—	10,869
Total	**$20,659**	**$12,683**	**$52,573**	**$121,723**

13. Earnings (Loss) Per Common Share/Unit

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

The following table sets forth the computation of our basic and diluted earnings per share/unit (in thousands, except per share/unit amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
REIT	2012(1)	2011	2012	2011(1)
Net earnings (loss) available for common stockholders	$ (46,526)	$ 55,436	$147,767	$(142,651)
Noncontrolling interest attributable to exchangeable limited partnership units	—	(485)	935	—
Adjusted net earnings (loss) available for common stockholders	**$ (46,526)**	**$ 54,951**	**$148,702**	**$(142,651)**
Weighted average common shares outstanding - Basic (2)	460,079	458,256	459,720	340,923
Incremental weighted average effect on exchange of limited partnership units	—	3,362	3,260	—
Incremental weighted average effect of share awards	—	790	1,958	—
Weighted average common shares outstanding - Diluted (3)(4)	**460,079**	**462,408**	**464,938**	**340,923**
Net earnings (loss) per share available for common stockholders - Basic and Diluted	**$ (0.10)**	**$ 0.12**	**$ 0.32**	**$ (0.42)**
Operating Partnership				
Net earnings (loss) available for common unitholders	$ (46,678)	$ 54,906	$148,503	$(143,181)
Noncontrolling interest attributable to exchangeable limited partnership units	—	45	187	—
Adjusted net earnings (loss) available for common unitholders	**$ (46,678)**	**$ 54,951**	**$148,690**	**$(143,181)**
Weighted average common partnership units outstanding - Basic (2)	461,979	460,315	461,693	341,828
Incremental weighted average effect on exchange of limited partnership units	—	1,303	1,287	—
Incremental weighted average effect of share awards	—	790	1,958	—
Weighted average common partnership units outstanding - Diluted (3)(4)	**461,979**	**462,408**	**464,938**	**341,828**
Net earnings (loss) per unit available for common unitholders - Basic and Diluted	**$ (0.10)**	**$ 0.12**	**$ 0.32**	**$ (0.42)**

(1) In periods with a net loss, the inclusion of any incremental shares/units is anti-dilutive and, therefore, both basic and diluted shares/units are the same.
(2) The increase in shares/units from 2011 to 2012 is due to the Merger (see Note 2 for more details) and an equity offering in June 2011.
(3) Total weighted average potentially dilutive share awards outstanding (in thousands) were 9,633 and 9,909 for the three months ended September 30, 2012 and 2011, respectively, and 9,824 and 5,966 for the nine months ended September 30, 2012 and 2011, respectively.
(4) The shares underlying the exchangeable debt have not been included because the impact would be anti-dilutive.

14. Financial Instruments and Fair Value Measurements

Derivative Financial Instruments

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates. To manage these risks, we may enter into various derivative contracts. We may use foreign currency contracts, including forwards and options, to manage foreign currency exposure. We may use interest rate swaps or caps to manage the effect of interest rate fluctuations. We do not use derivative financial instruments for trading purposes. The majority of our derivative financial instruments are customized derivative transactions and are not exchange-traded. Management reviews our hedging program, derivative positions, and overall risk management strategy on a regular basis. We only enter into transactions that we believe will be effective at offsetting the underlying risk.

Our use of derivatives does involve the risk that counterparties may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. We have established strict counterparty credit guidelines that are continually monitored. Substantially all of our derivative exposures are with counterparties that have long-term credit ratings of single-A or better. We enter into master agreements with counterparties that generally allow for netting of certain exposures; therefore, the actual loss we would recognize if all counterparties failed to perform as contracted would be significantly lower. To mitigate pre-settlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

All derivatives are recognized at fair value in our Consolidated Balance Sheets within the line items *Other Assets* or *Accounts Payable and Accrued Expenses*, as applicable. We do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure. The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives are designated as, and qualify as, hedging instruments. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

For derivatives that will be accounted for as hedging instruments in accordance with the accounting standards, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at inception and at least quarterly thereafter, whether the derivatives used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a derivative financial instrument's change in fair value is immediately recognized in earnings. Derivatives not designated as hedges are not speculative and are used to manage our exposure to foreign currency fluctuations but do not meet the strict hedge accounting requirements.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and hedges of net investments in foreign operations are recorded in *Accumulated Other Comprehensive Loss* in our Consolidated Balance Sheets. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures hedged, fluctuations in the value of the derivative instruments will generally be offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized in earnings. For cash flow hedges, we reclassify changes in the fair value of derivatives into the applicable line item in our Consolidated Statements of Operations in which the hedged items are recorded in the same period that the underlying hedged items affect earnings.

Our interest rate risk management strategy is to limit the impact of future interest rate changes on earnings and cash flows as well as to stabilize interest expense and manage our exposure to interest rate movements. To achieve this objective, we have entered into interest rate swap and cap agreements, which allow us to borrow on a fixed rate basis for longer-term debt issuances. The maximum length of time that we hedge our exposure to future cash flows is typically less than 10 years. We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in interest rates. We also have entered into interest rate swap agreements which allow us to receive variable-rate amounts from a counterparty in exchange for us making fixed-rate payments over the life of our agreements without the exchange of the underlying notional amount. We had 41 interest rate swap contracts, including 33 contracts denominated in euro, five contracts denominated in Japanese yen, two contracts denominated in British pound sterling and one contract denominated in U.S. dollar, outstanding at September 30, 2012.

We had $36.8 million and $28.5 million accrued in *Accounts Payable and Accrued Expenses* in our Consolidated Balance Sheets relating to these unsettled derivative contracts at September 30, 2012 and December 31, 2011, respectively.

We typically designate our interest rate swap and interest rate cap agreements as cash flow hedges as these derivative instruments may be used to manage the interest rate risk on potential future debt issuances or to fix the interest rate on a variable rate debt issuance. The effective portion of the gain or loss on the derivative is reported as a component of *Accumulated Other Comprehensive Loss* in our Consolidated Balance Sheets, and reclassified to *Interest Expense* in the Consolidated Statements of Operations over the corresponding period of the hedged item. Losses on the derivative representing hedge ineffectiveness are recognized in *Interest Expense* at the time the ineffectiveness occurred.

The amounts reclassified from *Accumulated Other Comprehensive Income* to interest expense for the three and nine months ended September 30, 2012 were $5.8 million and $11.5 million, respectively. The amounts reclassified to interest expense for the three and nine months ended September 30, 2011 were not considered material. For the next twelve months from September 30, 2012, we estimate that an additional $19.2 million will be reclassified to interest expense. We recorded a loss due to ineffectiveness of $0.6 million and $3.1 million during the three and nine months ended September 30, 2012, respectively. We did not have ineffectiveness during the three and nine months ended September 30, 2011. Amounts included in *Accumulated Other Comprehensive Loss* in our Consolidated Balance Sheet at September 30, 2012 and December 31, 2011 were losses of $52.1 million and $51.7 million, respectively.

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

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

	2012		2011	
	Interest Rate Swaps	**Interest Rate Caps**	**Interest Rate Swaps**	**Interest Rate Caps**
Notional amounts at January 1	$ 1,496.5	$ —	$ 268.1	$ —
New contracts	444.2	—	—	—
Acquired contracts	71.0	—	1,337.3	25.7
Matured or expired contracts	(460.0)	—	(9.6)	—
Notional amounts at September 30	**$ 1,551.7**	**$ —**	**$ 1,595.8**	**$ 25.7**

Fair Value Measurements

We have estimated the fair value of our financial instruments using available market information and valuation methodologies we believe to be appropriate for these purposes. Considerable judgment and a high degree of subjectivity are involved in developing these estimates and, accordingly, they are not necessarily indicative of amounts that we would realize upon disposition.

Fair Value Measurements on a Recurring and Non-recurring Basis

At September 30, 2012, other than the derivatives discussed above and in Note 7, we do not have any significant financial assets or financial liabilities that are measured at fair value on a recurring basis in our Consolidated Financial Statements.

Non-financial assets measured at fair value on a non-recurring basis in our Consolidated Financial Statements consist of real estate assets, investments in and advances to unconsolidated entities, and other assets that were subject to impairment charges. We recognized certain impairment charges to reflect the investments at their fair value during the nine months ended September 30 (in thousands):

	2012		2011	
	Fair Value (Level 3)	**Impairment**	**Fair Value (Level 3)**	**Impairment**
Included in Continuing Operations:				
Operating properties	$ 9,442	$ 3,187	$ —	$ —
Land	10,820	9,776	—	—
Discontinued Operations - operating properties	259,825	27,409	72,425	2,659
Total real estate assets	**$280,087**	**$ 40,372**	**$ 72,425**	**$ 2,659**
Investments in unconsolidated entities	$ —	$ —	$ 31,518	$ 103,823
Other assets	17,667	16,135	—	—
Total other assets	**$ 17,667**	**$ 16,135**	**$ 31,518**	**$ 103,823**

Real Estate Assets

During the nine months ended September 30, 2012 and 2011, we recorded impairment charges when the carrying value exceeded the fair value related to real estate properties for which we changed our intent to sell and no longer hold for long-term investment. The fair value of these assets was primarily based upon letters of intent or purchase and sale agreements.

Other Assets

During the nine months ended September 30, 2011, we recorded impairment charges of $103.8 million related to two of our investments in unconsolidated entities, primarily Prologis North American Industrial Fund III. We determined the fair value of the underlying real estate assets using discounted cash flow models developed externally by a third party, which we corroborated through our discounted cash flow models.

During the nine months ended September 30, 2012, we recorded an impairment charge of $16.1 million related to the land received in 2011 in exchange for a note receivable.

Fair Value of Financial Instruments

At September 30, 2012 and December 31, 2011, the carrying amounts of certain of our financial instruments, including cash and cash equivalents, restricted cash, accounts and notes receivable and accounts payable and accrued expenses were representative of their fair values due to the short-term nature of these instruments and the recent acquisition of these items.

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

At September 30, 2012 and December 31, 2011, the fair value of our senior notes and exchangeable senior notes, has been estimated based upon quoted market prices for the same (Level 1) or similar (Level 2) issues when current quoted market prices are available, the fair value of our Credit Facilities has been estimated by discounting the future cash flows using rates and borrowing spreads currently available to us (Level 3), and the fair value of our secured mortgage debt and assessment bonds that do not have current quoted market prices available has been estimated by discounting the future cash flows using rates currently available to us for debt with similar terms and maturities (Level 3). The fair value of our derivative financial instruments is determined through widely accepted valuation techniques, such as a discounted cash flow analysis on the expected cash flows and a Black Scholes option pricing model (Level 2). The differences in the fair value of our debt from the carrying value in the table below are the result of differences in interest rates and/or borrowing spreads that were available to us at September 30, 2012 and December 31, 2011, as compared with those in effect when the debt was issued or acquired. The senior notes and many of the issues of secured mortgage debt contain pre-payment 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, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt:				
Credit Facilities	$ 1,209,467	$ 1,214,228	$ 936,796	$ 940,334
Senior notes	5,230,412	5,864,144	4,772,607	5,038,678
Exchangeable senior notes	881,682	1,005,123	1,315,448	1,431,805
Secured mortgage debt	4,010,205	4,155,838	1,699,363	1,832,931
Secured mortgage debt of consolidated entities	516,212	518,027	1,495,047	1,485,808
Other debt of consolidated entities	67,936	69,298	775,763	751,075
Other debt	662,146	665,115	387,384	389,804
Total debt	**$ 12,578,060**	**$ 13,491,773**	**$ 11,382,408**	**$ 11,870,435**

15. Business Segments

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

- Real Estate Operations – This represents the direct long-term ownership of industrial operating properties and is the primary source of our core revenue and earnings. We collect rent from our customers under operating leases, including reimbursements for the vast majority of our operating costs. Each operating property is considered to be an individual operating segment having similar economic characteristics that are combined within the reportable segment based upon geographic location. Our real estate operations segment also includes development and re-development activities. We develop and re-develop industrial properties primarily in global and regional markets to meet our customers' needs. We provide additional value creation by utilizing: (i) the land that we currently own in global and regional markets; (ii) the development expertise of our local personnel; (iii) our global customer relationships; and (iv) the demand for high quality distribution facilities in key markets. Land held for development, properties currently under development and land we own and lease to customers under ground leases are also included in this segment.

  We own real estate in the Americas (Canada, Mexico and the United States), Europe (Austria, Belgium, the Czech Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Romania, Slovakia, Spain, Sweden and the United Kingdom) and Asia (China, Japan and Singapore)

- Private Capital – This represents the long-term management of unconsolidated co-investment ventures and other joint ventures. We have a direct and long-standing relationship with a significant number of institutional investors. We tailor industrial portfolios to investors' specific needs and deploy capital in both close-ended and open-ended fund structures and joint ventures, while providing complete portfolio management and financial reporting services. We recognize fees and incentives earned for services performed on behalf of the unconsolidated entities and certain third parties.

  We report the costs associated with our private capital segment for all periods presented in the line item *Private Capital Expenses* in our Consolidated Statements of Operations. These costs include the direct expenses associated with the asset management of the co-investment ventures provided by individuals who are assigned to our private capital segment. In addition, in order to achieve efficiencies and economies of scale, all of our property management functions are provided by a team of professionals who are assigned to our real estate operations segment. These individuals perform the property-level management of the properties we own and the properties we manage that are owned by the unconsolidated entities. We allocate the costs of our property management function to the properties we consolidate (reported in *Rental Expenses*) and the properties owned by the unconsolidated entities (included in *Private Capital Expenses*), by using the square feet owned by the respective portfolios. We are further reimbursed by the co-investment ventures for certain expenses associated with managing these property funds.

  Each entity we manage is considered to be an individual operating segment having similar economic characteristics that are combined within the reportable segment based upon geographic location. Our operations in the private capital segment are in the Americas (Brazil, Canada, Mexico and the United States), Europe (Belgium, the Czech Republic, France, Germany, Hungary, Italy, the Netherlands, Poland, Slovakia, Spain, Sweden and the United Kingdom) and Asia (China and Japan).

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

We present the operations and net gains associated with properties sold to third parties or classified as held for sale as discontinued operations, which results in the restatement of prior year operating results to exclude the items presented as discontinued operations.

Reconciliations are presented below for: (i) each reportable business segment's revenue from external customers to our *Total Revenues*; (ii) each reportable business segment's net operating income from external customers to our *Earnings (Loss) before Income Taxes*; and (iii) each reportable business segment's assets to our *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 our *Total Revenues*, *Earnings (Loss) 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 reflected as reconciling items. The following reconciliations are presented in thousands:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Real estate operations (1):				
Americas	$ 315,958	$ 270,675	$ 919,748	$ 607,209
Europe	104,954	113,285	327,545	196,209
Asia	59,479	50,599	168,688	107,575
Total Real Estate Operations segment	480,391	434,559	1,415,981	910,993
Private capital (2):				
Americas	16,934	20,960	51,758	53,657
Europe	9,537	8,690	28,000	35,992
Asia	5,243	4,928	15,306	7,740
Total Private Capital segment	31,714	34,578	95,064	97,389
Total revenues	**$ 512,105**	**$ 469,137**	**$1,511,045**	**$1,008,382**
Net operating income:				
Real estate operations (3):				
Americas	$ 218,188	$ 186,244	$ 637,931	$ 420,394
Europe	79,173	85,094	246,841	140,096
Asia	46,630	39,301	131,388	82,183
Total Real Estate Operations segment	343,991	310,639	1,016,160	642,673
Private capital (2)(4):				
Americas	7,581	10,666	23,326	29,380
Europe	5,762	5,340	16,564	25,183
Asia	2,641	1,492	7,488	3,598
Total Private Capital segment	15,984	17,498	47,378	58,161
Total segment net operating income	359,975	328,137	1,063,538	700,834
Reconciling items:				
General and administrative expenses	(55,886)	(53,341)	(167,460)	(144,364)
Merger, acquisition and other integration expenses	(20,659)	(12,683)	(52,573)	(121,723)
Impairment of real estate properties	(9,778)	—	(12,963)	—
Depreciation and amortization	(194,622)	(182,774)	(560,563)	(377,193)
Earnings from unconsolidated entities, net	2,563	30,975	20,447	56,015
Interest expense	(123,161)	(135,863)	(384,489)	(339,306)
Impairment of other assets	—	—	(16,135)	(103,823)
Interest and other income, net	8,758	4,643	19,771	7,341
Gain on acquisitions and dispositions of investments in real estate, net (5)	12,677	8,396	280,968	114,650
Foreign currency and derivative gains (losses), net	(5,908)	52,525	(19,930)	43,643
Gain (loss) on early extinguishment of debt, net	—	(298)	4,919	(298)
Total reconciling items	(386,016)	(288,420)	(888,008)	(865,058)
Earnings (loss) before income taxes	**$ (26,041)**	**$ 39,717**	**$ 175,530**	**$ (164,224)**

PROLOGIS, INC. AND PROLOGIS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

	September 30, 2012	December 31, 2011
Assets:		
Real estate operations:		
Americas	$15,216,074	$13,305,147
Europe	6,258,089	6,823,814
Asia	3,794,011	3,502,033
Total Real Estate Operations segment	25,268,174	23,630,994
Private capital (6):		
Americas	24,750	43,394
Europe	60,891	61,946
Asia	7,418	9,368
Total Private Capital segment	93,059	114,708
Total segment assets	25,361,233	23,745,702
Reconciling items:		
Investments in and advances to unconsolidated entities	2,242,075	2,857,755
Notes receivable backed by real estate	243,979	322,834
Assets held for sale	376,642	444,850
Cash and cash equivalents	158,188	176,072
Other assets	194,305	176,699
Total reconciling items	3,215,189	3,978,210
Total assets	**$28,576,422**	**$27,723,912**

(1) Includes rental income of our industrial properties and land subject to ground leases, as well as development management and other income.
(2) Includes revenues earned from managing our unconsolidated entities and certain third parties.
(3) Includes rental income less rental expenses of our industrial properties and land subject to ground leases, as well as development management and other income less related expenses.
(4) Amounts are reduced by the direct costs we incur to manage the unconsolidated entities and certain third parties that are presented as *Private Capital Expenses* in our Consolidated Statements of Operations.
(5) Included in 2012 is a $273.0 million gain on acquisition of Prologis California in February 2012. See Note 2 for further information on this transaction.
(6) Represents management contracts recorded in connection with business combinations and goodwill associated with the Private Capital segment.

16. Supplemental Cash Flow Information

Non-cash investing and financing activities for the nine months ended September 30, 2012 and 2011 are as follows:

- See Note 2 for information related to the Merger in 2011 and the Q1 Venture Acquisitions in 2012.
- During the nine months ended September 30, 2012 and 2011, we capitalized portions of the total cost of our stock-based compensation awards of $6.3 million and $6.0 million, respectively, to the investment basis of our real estate or other assets.
- During the nine months ended September 30, 2012 and 2011, we received $2.5 million and $1.2 million, respectively, of ownership interests in certain unconsolidated entities as a portion of our proceeds from the contribution of properties to these entities.
- In April 2011, we assumed $61.7 million of debt upon the acquisition of the remaining interest in a joint venture that owned one property in Japan.

The amount of interest paid in cash, net of amounts capitalized, for the nine months ended September 30, 2012 and 2011 was $377.3 million and $304.6 million, respectively.

During the nine months ended September 30, 2012 and 2011, cash paid for income taxes, net of refunds, was $27.7 million and $42.7 million, respectively.

17. Commitments and Contingencies

Litigation

In the normal course of business, from time to time, we and our unconsolidated entities are parties to a variety of legal proceedings arising in the ordinary course of business. We believe that, with respect to any such matters that we are currently a party to, the ultimate disposition of any such matter will not result in a material adverse effect on our business, financial position or results of operations.

In December 2011, arbitration hearings began in connection with a dispute related to a real estate development project known as Pacific Commons. The plaintiff, Cisco Technology, Inc., was seeking rescission of a 2007 Restructuring and Settlement Agreement (the "Contract") and other agreements, and declaratory relief, and damages for breach of the Contract. In August 2012, the arbitrator issued a ruling denying the relief sought by Cisco, and therefore Prologis has no further obligation.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Prologis, Inc.:

We have reviewed the accompanying consolidated balance sheet of Prologis, Inc. and subsidiaries (the "Company") as of September 30, 2012, the related consolidated statements of operations and consolidated statements of comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2012 and 2011, the related consolidated statement of equity for the nine-month period ended September 30, 2012, and the related consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and 2011. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of 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 Public Company Accounting Oversight Board (United States), 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.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Prologis, Inc. and subsidiaries as of December 31, 2011, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2012, 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, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

Denver, Colorado
November 6, 2012

Report of Independent Registered Public Accounting Firm

The Partners
Prologis, L.P.:

We have reviewed the accompanying consolidated balance sheet of Prologis, L.P. and subsidiaries (the "Operating Partnership") as of September 30, 2012, the related consolidated statements of operations and consolidated statements of comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2012 and 2011, the related consolidated statement of capital for the nine-month period ended September 30, 2012, and the related consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and 2011. These consolidated financial statements are the responsibility of the Operating Partnership's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of 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 Public Company Accounting Oversight Board (United States), 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.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Prologis, L.P. and subsidiaries as of December 31, 2011, and the related consolidated statements of operations, comprehensive income (loss), capital, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2012, 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, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

Denver, Colorado
November 6, 2012

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

The following discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included in Item 1 of this report and our 2011 Annual Report on Form 10-K.

Certain statements contained in this discussion or elsewhere in this report may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Words and phrases such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "designed to achieve," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future – including statements relating to rent and occupancy growth, development activity and sales or contribution volume or profitability on such sales and contributions, economic and market conditions in the geographic areas where we operate 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. Many of the factors that may affect outcomes and results are beyond our ability to control. For further discussion of these factors see "Part II, Item 1A. Risk Factors" in our 2011 Annual Report on Form 10-K. References to "we," "us" and "our" refer to ProLogis and its consolidated subsidiaries prior to the Merger (defined below) and to Prologis, Inc. and its consolidated subsidiaries following the Merger.

Management's Overview

We are the leading global owner, operator and developer of industrial real estate, focused on global and regional markets across the Americas, Europe and Asia. As of September 30, 2012, on an owned and managed basis, we had properties and development projects totaling 565 million square feet (52.5 million square meters) in 21 countries. These properties are leased to approximately 4,500 customers, including third-party logistics providers, manufacturers, retailers, transportation companies, and other enterprises.

Of the 565 million square feet of our owned and managed portfolio as of September 30, 2012:

- 530 million square feet were in our operating portfolio with a gross book value of $41.1 billion that were 93.1% occupied;
- 16 million square feet were in our development portfolio with a total expected investment of $1.5 billion that were 46.7% leased;
- 19 million square feet consisted of properties in which we have an ownership interest but do not manage and other properties we own, including assets held for sale; and
- the largest customer and 25 largest customers accounted for 2.2% and 18.1%, respectively, of our annualized base rent.

Prologis, Inc. (the "REIT") is a self-administered and self-managed real estate investment trust, and is the sole general partner of Prologis, L.P. (the "Operating Partnership"). We operate the REIT and the Operating Partnership as one enterprise, and, therefore, our discussion and analysis refers to the REIT and its consolidated subsidiaries, including the Operating Partnership, collectively.

Our business strategy includes two operating segments: Real Estate Operations and Private Capital. We generate revenues, earnings, net operating income (calculated as rental income less rental expenses), funds from operations (as defined below) and cash flows through our segments primarily through three lines of business, as follows:

Real Estate Operations Segment

Rental Operations—This represents the primary source of our core revenue, earnings and funds from operations (or FFO as defined below). We collect rent from our customers under operating leases, including reimbursements for the vast majority of our operating costs. We seek to generate long-term internal growth in rental income by maintaining a high occupancy rate at our properties, by controlling expenses and through contractual rent increases on existing space and renewals on rollover space, thus capitalizing on the economies of scale inherent in owning, operating and growing a large global portfolio. Our rental income is diversified due to both our global presence and our broad customer base. We expect to generate long-term internal growth in rents by increasing our occupancy rate and through rent increases on existing space and renewals on rollovers. We believe that our property management and leasing teams, regular maintenance programs, capital expenditure programs, energy management and sustainability programs create cost efficiencies, allowing us to leverage our global platform and provide flexible solutions for our customers as well as for us.

Capital Deployment Activities—Our development and re-development activities support our rental operations and are, therefore, included with that line of business for segment reporting. We develop and re-develop industrial properties primarily in global and regional markets to meet our customers' needs. Within this line of business, we provide additional value creation by utilizing: (i) the land that we currently own in global and regional markets; (ii) the development expertise of our local personnel; (iii) our global customer relationships; and (iv) the demand for high-quality distribution facilities in key markets. We seek to increase our rental income and the net asset value of the Company through the leasing of newly developed space, as well as through the acquisition of properties. Depending on several factors, we may develop properties directly or in co-investment ventures for long-term hold, for contribution into one of our co-investment ventures, or for sale to third parties. Properties that we choose to contribute or sell may result in the recognition of gains or losses. Currently, in the United States, Europe and Japan, we are developing directly while in emerging markets, such as Brazil, China and Mexico, we are developing with our private capital partners in a variety of co-investment ventures.

Private Capital Segment —We co-invest in properties with private capital investors through a variety of co-investment ventures. We have a direct and long-standing relationship with a significant number of institutional investors. We tailor industrial portfolios to investors' specific needs and deploy capital in both close-ended and open-ended fund structures and joint ventures, while providing complete portfolio management and financial reporting services. We generally own 15-50% in the ventures. We believe our co-investment in each of our ventures provides a strong alignment of interests with our co-investment partners' interests. We generate revenues from our unconsolidated co-investment ventures by providing asset management and property management services. We may also earn revenues through additional services provided such as leasing, acquisition, construction, development, disposition, legal and tax services. Depending on the structure of the venture and the returns provided to our partners, we may also earn revenues through incentive returns or promotes. We believe our co-investment program with private capital investors will continue to serve as a source of capital for new investments and provide revenues for our stockholders, as well as mitigate risk associated with our foreign currency exposure. We expect to grow this business with the formation of new ventures and by raising additional third-party capital in our existing ventures.

On June 3, 2011, we completed a merger (hereafter referred to as the "Merger") in which ProLogis shareholders received 0.4464 of a share of AMB Property Corporation ("AMB") common stock for each outstanding common share of beneficial interest in ProLogis . Following the Merger, AMB changed its name to Prologis, Inc. In the Merger, AMB was the legal acquirer and ProLogis was the accounting acquirer. In May 2011, we also acquired a controlling interest in and began consolidating ProLogis European Properties ("PEPR Acquisition"). As a result, our nine-month results for 2011 reflect approximately four months of impact of the Merger and the PEPR Acquisition. Therefore, period-to-period comparisons may not provide as meaningful information as if those transactions were reflected in both periods. See Note 2 to the Consolidated Financial Statements in Item 1 for more information relating to both the Merger and PEPR Acquisition.

Upon the closing of the Merger, we established key strategic priorities to guide our path over the next two years. These priorities are:

- to align our portfolio with our investment strategy while serving the needs of our customers;
- to strengthen our financial position and build one of the top balance sheets in the real estate investment trust industry;
- to streamline our private capital business and position it for substantial growth;
- to improve the utilization of our low yielding assets; and
- to build the most effective and efficient organization in the real estate investment trust industry and to become the employer of choice among top professionals interested in real estate as a career.

Align our Portfolio with our Investment Strategy

We have categorized the portfolio into three main segments – global, regional and other markets. As of September 30, 2012, global markets represented approximately 83% of our overall owned and managed platform (based on our share of net operating income of the properties) and regional markets represented approximately 12% of our total owned and managed platform. We intend to hold only the highest quality class-A product in our regional markets. We also own a small number of assets in other markets, which account for approximately 5% of our owned and managed platform and that we plan to exit from in an orderly fashion in the next few years. By segmenting our markets in this manner, we were able to construct a strategy that includes culling the portfolio for buildings and potentially submarkets that are no longer a strategic fit. We expect to use the proceeds from dispositions to pay off debt that is collateralized by the disposed asset, if any, pay debt as it becomes due and to recycle capital into new development projects or strategic acquisitions.

Strengthen our Financial Position

We intend to further strengthen our financial position by lowering our financial risk and currency exposure and building one of the strongest balance sheets in the real estate investment trust industry. We expect to lower our financial risk by reducing leverage with proceeds from contributions and asset sales, increasing the size of our unencumbered asset portfolio and maintaining staggered debt maturities, which will provide us with more financial flexibility and allow continued access to debt capital markets. This financial flexibility will position us to capitalize on market opportunities across the entire business cycle as they become available. We will reduce our exposure to foreign currency exchange fluctuations by borrowing in local currency where appropriate, and we might also enter into derivative contracts to hedge our foreign denominated equity and swap U.S.-dollar-denominated debt into obligations denominated in foreign currencies. We expect to also lower our currency exposure by holding assets we own outside the United States primarily in co-investment ventures in which we maintain an ownership interest and provide services generating private capital revenue. We will accomplish this through contributions and sales to our existing and newly formed co-investment ventures. In addition, we expect that new development projects, particularly in emerging markets such as Brazil, China and Mexico, will be done in conjunction with our private capital partners.

Streamline Private Capital Business

We are working with our private capital investors to evaluate certain of our co-investment ventures. Some of our legacy co-investment ventures have fee structures that do not adequately compensate us for the services we provide. Also, some ventures have governance or decision making processes in place that we would like to change. Therefore, we may terminate or restructure certain of these co-investment ventures. In other cases, we may combine some co-investment ventures to gain operational efficiencies. In every case, however, we will work very closely with our partners and venture investors who will be active participants in these decisions. We plan to grow our private capital business with the deployment of the private capital commitments we have already raised, formation of new co-investment ventures and raising incremental capital for our existing co-investment ventures.

Improve the Utilization of Our Low-Yielding Assets

We plan to increase the value of our low-yielding assets by stabilizing our operating portfolio to 95% leased, completing the build-out and lease-up of our development projects and monetizing our land through development or sale to third parties.

Build the most effective and efficient organization in the real estate investment trust industry and become the employer of choice among top professionals interested in real estate as a career

We have identified more than $115 million of Merger cost synergies on an annualized basis, compared to the combined expenses of AMB and ProLogis on a pre-Merger basis. These synergies include gross general and administrative savings, reduced global line of credit facility fees and lower amortization of non real estate assets. We believe the majority of these synergies have been realized and expect to recognize the full amount by the end of 2012, and we continue to look for additional savings opportunities. In addition, we are in the process of implementing a new enterprise wide system that will include a property management/billing system (implemented in April 2012), a human resources system (implemented in July 2012), a general ledger and accounting system and a data warehouse. In connection with this implementation, we are striving to utilize the most effective global business processes with the enhanced system functionality. As of January 1, 2012, we implemented two new compensation plans that we believe will better align employees' compensation to our performance. We believe these efforts and others will help us with the attainment of this objective.

Summary of 2012

During the nine months ended September 30, 2012, we completed the following activities in support of our strategic priorities:

- We purchased our partner's interest in Prologis North America Fund II (" NAIF II") and dissolved Prologis California and divided the portfolio equally with our partner (collectively "Q1 Venture Acquisitions"). These two transactions increased our investment in real estate by $2.1 billion, and our debt by $1.4 billion. See Note 2 to our Consolidated Financial Statements in Item 1 for more details.
- We concluded Prologis North American Fund XI by disposing of the remaining asset in the fund during the third quarter of 2012.
- During the third quarter, PEPR completed its delisting from the European stock exchanges; as part of the liquidation of PEPR, we have acquired all of the assets and liabilities. We may continue to own these properties, contribute them to a new or existing co-investment venture or sell them to a third party.
- In 2012, we issued secured property-level debt on assets in Japan (known as TMK bonds) or increased existing TMK bonds for a combined amount of ¥48.0 billion ($618.3 million as of September 30, 2012).
- We generated aggregate proceeds of $1.1 billion from the disposition of land, land subject to ground leases and 113 properties to third parties and the contribution of two properties to two unconsolidated co-investment ventures and four properties to one consolidated co-investment venture. We used the proceeds to reduce our outstanding debt, repurchase PEPR units, acquire real estate properties and fund our development activities.
- We began 23 development projects on an owned and managed basis aggregating 9.6 million square feet with a total expected investment of $825.6 million (our share was $745.7 million), including 13 projects (or 73% of the total expected investment) that were 100% leased prior to development.
- We entered into a €487.5 million ($633.2 million as of September 30, 2012) multi-currency senior term loan agreement and used the proceeds to pay off two outstanding term loans with the remainder used to pay down our credit facilities.

As of September 30, 2012, our total owned and managed operating portfolio was 93.1% occupied and 93.6% leased as compared to 92.2% occupied and 92.5% leased at December 31, 2011 and 91.0% occupied and 91.6% leased at September 30, 2011.

Operational Outlook

Global trade volumes remain well above their pre-crisis peak, and while revised slightly down, the International Monetary Fund forecasts growth of over 3% for this year and 4.5% for 2013. Consumption in the United States is strong with retail sales coming in at over 5.4% year-over-year and online sales growing three times faster. The National Retail Federation forecasts a year-over-year increase of 4.1% for all holiday sales, which compares favorably to the ten-year average increase of 3.5%. Real inventories have also increased at an average annual rate of 2.5% for the first nine months of 2012. Inventories are the only major economic indicator of demand for industrial real estate that remains below peak, by about 3%. We think there is significant opportunity for growth in inventories as consumer confidence improves.

According to CBRE Econometric Advisors, net absorption of the U.S. industrial space measured 20 million square feet in the third quarter of 2012. The overall availability rate in the United States fell by 10 basis points during the third quarter to 13.1% and 20 basis points to 12.2% in the hub and gateway markets. While this is slightly below our forecast, it's worth noting that new supply also came in below our forecast. Deliveries in the quarter represented a fraction of the obsolescence rate. The third quarter marks the ninth consecutive quarter of improving occupancy and indicates that despite the deceleration in third quarter net absorption, the market is firmly on track to tighten. We believe that pent-up demand could result in a robust net absorption in the fourth quarter.

Our occupancy in the Americas was up 110 basis points from June 30, 2012, with strong leasing activity across the majority of our markets, particularly in the San Francisco Bay Area, Eastern Pennsylvania, Dallas and Mexico City. Notably, we have seen a pick-up in demand in the border markets of Mexico for the first time in a few years. Growing demand and increases in occupancy are also having a positive impact on rents. Following three years of rent rolldowns, we appear to be at a positive inflection point and we expect rent change on rollovers to be positive for 2013.

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Within Europe and Japan, we believe significant supply chain reconfiguration, obsolescence and growing customer preference to rent rather than own will continue to fuel additional demand for industrial space. Moreover, the undersupply of class-A distribution space in Japan has continued and will continue to create demand for more modern, earthquake-resistant product, especially following the devastating earthquake and tsunami that occurred in March 2011. Demand for logistics real estate in emerging markets where we have investments primarily through our co-investment ventures, such as Brazil, China, and Mexico, remains strong due to growing economies.

In our total owned and managed operating portfolio, we leased 104.8 million square feet of space during the nine months ended September 30, 2012. Including the properties that were part of the Merger, we leased 101.2 million square feet of space during the nine months ended September 30, 2011. The effective rental rates on leases signed during the third quarter of 2012 in our same store portfolio (as defined below) decreased by 1.8% when compared with the rental rates on the previous leases on that same space. The total owned and managed portfolio was 93.1% occupied at September 30, 2012, up from 92.2% at December 31, 2011. During the nine months ended September 30, 2012, we retained 82.9% of customers whose leases were expiring as compared to 73.0% during the first nine months of 2011.

Due to the lack of supply of class-A facilities, high space utilization rates and decreasing vacancy rates, we expect development volume to increase in our markets. Our development business consists of speculative development, build-to-suit development, value-added conversions and redevelopment. We expect to develop directly and within the co-investment structures depending on location, market conditions, submarkets or building sites and availability of capital. In response to this emerging demand, we are actively pursuing various development opportunities, and we have commenced development of 23 properties in our owned and managed portfolio during the first nine months of 2012.

Results of Operations

Nine Months Ended September 30, 2012 and 2011

Summary

The following table illustrates the net operating income for each of our segments, along with the reconciling items to *Earnings (Loss) from Continuing Operations* in our Consolidated Statements of Operations in Item 1 for the nine months ended September 30 (in thousands):

	2012	2011
Net operating income—Real Estate Operations segment	$1,016,160	$ 642,673
Net operating income—Private Capital segment	47,378	58,161
Other:		
General and administrative expenses	(167,460)	(144,364)
Merger, acquisition and other integration expenses	(52,573)	(121,723)
Impairment of real estate properties and other assets	(29,098)	(103,823)
Depreciation and amortization	(560,563)	(377,193)
Earnings from unconsolidated entities, net	20,447	56,015
Interest expense	(384,489)	(339,306)
Interest and other income, net	19,771	7,341
Gains on acquisitions and dispositions of investments in real estate, net	280,968	114,650
Foreign currency and derivative gains (losses), net	(19,930)	43,643
Gain (loss) on early extinguishment of debt, net	4,919	(298)
Income tax expense	(216)	(9,960)
Earnings (loss) from continuing operations	**$ 175,314**	**$(174,184)**

See Note 15 to our Consolidated Financial Statements in Item 1 for additional information regarding our segments and a reconciliation of net operating income to *Earnings (Loss) Before Income Taxes.*

Real Estate Operations Segment

The net operating income of the Real Estate Operations segment consisted of rental income and rental expenses from industrial properties that we own and consolidate and is impacted by our capital deployment activities. The size and percentage of occupancy of our consolidated operating portfolio fluctuates due to the timing of acquisitions, development activity and contributions. Such fluctuations affect the net operating income we recognize in this segment in a particular period. Also included in this segment is revenue from land we own and lease to customers under ground leases and development management and other income, offset by acquisition costs and land holding costs. The net operating income from the Real Estate Operations segment for the nine months ended September 30, excluding amounts presented as *Discontinued Operations* in our Consolidated Financial Statements in Item 1, was as follows (in thousands):

	2012	2011
Rental and other income	$1,415,981	$910,993
Rental and other expenses	399,821	268,320
Total net operating income—Real Estate Operations segment	**$1,016,160**	**$642,673**

The increase in rental income and rental expense in 2012 from 2011 was due primarily to the impact of the Merger and the PEPR Acquisition in the second quarter of 2011, the Q1 Venture Acquisitions in 2012 and increased occupancy in our consolidated operating properties (from 89.4% at September 30, 2011 to 93.0% at September 30, 2012), including the completion and stabilization of new development properties. The results for 2012 included rental income and expenses from properties acquired through the Merger, PEPR Acquisition and Q1 Venture Acquisitions of $760.0 million and $198.7 million, respectively, while 2011 included approximately four months of rental income and expense of properties acquired through the Merger and PEPR Acquisition of $302.0 million and $82.7 million, respectively.

In our consolidated portfolio, we leased 62.7 million square feet for the nine months ended September 30, 2012 compared to 38.6 million square feet for the nine months ended September 30, 2011. In our total owned and managed portfolio, we calculate the change in effective rental rates on leases signed during the quarter as compared to the previous rent on that same space in our same store portfolio (as defined below). During the first, second and third quarters of 2012, the percentage decrease was 1.1%, 3.9% and 1.8%, respectively, compared to a decrease of 8.9%, 6.1% and 8.6% during the first, second and third quarters of 2011, respectively. A decline in rental rates is due to: (i) leases turning that were put in place when market rents were at or near peak and (ii) decreased market rents. Under the terms of our lease agreements, we are able to recover the majority of our rental expenses from customers. Rental expense recoveries, which are included in both rental income and expenses, were 74.6% and 73.1% of rental expenses for the nine months ended September 30, 2012 and 2011, respectively.

Our consolidated operating properties were as follows (square feet in thousands):

	Number of Properties	Square Feet	Occupied %
September 30, 2012 (1)	1,898	320,341	93.0%
December 31, 2011 (2)	1,797	291,051	91.4%
September 30, 2011	1,895	302,474	89.4%

(1) The increase in properties from December 31, 2011 to September 30, 2012 is principally related to the Q1 Venture Acquisitions, as discussed above.

(2) The decrease in properties from September 30, 2011 to December 31, 2011 is principally related to third party building dispositions and contributions to unconsolidated co-investment ventures.

Private Capital Segment

The net operating income of the Private Capital segment consisted of fees and incentives earned for services performed for our unconsolidated co-investment ventures and certain joint ventures and third parties, reduced by our direct costs of managing these entities and the properties they own.

The direct costs associated with our Private Capital segment totaled $47.7 million and $39.2 million for the nine months ended September 30, 2012 and 2011, respectively, and are included in the line item *Private Capital Expenses* in our Consolidated Statements of Operations in Item 1. These expenses include the direct expenses associated with the asset management of the unconsolidated co-investment ventures provided by our employees who are assigned to our Private Capital segment. In addition, in order to achieve efficiencies and economies of scale, all of our property management functions are provided by a team of professionals who are assigned to our Real Estate Operations segment. These individuals perform the property-level management of the properties in our owned and managed portfolio including properties we consolidate and the properties we manage that are owned by the unconsolidated entities. We allocate the costs of our property management function to the properties we consolidate (reported in *Rental Expenses*) and the properties owned by the unconsolidated entities (included in *Private Capital Expenses*), by using the square feet owned by the respective portfolios. The increase in Private Capital Expenses in 2012 is due to the increased private capital platform and infrastructure that was part of the Merger, offset partially with a decline in the portion of our property management expenses that are allocated to this segment due to the consolidation of PEPR and the Q1 Venture Acquisitions.

The net operating income from the Private Capital segment, representing fees earned reduced by private capital expenses, for the nine months ended September 30 was as follows (in thousands):

	2012	2011
Americas (1)	$23,326	$29,380
Europe (2)	16,564	25,183
Asia (3)	7,488	3,598
Total net operating income - Private Capital segment	**$47,378**	**$58,161**

(1) We had seven unconsolidated operating co-investment ventures as of January 1, 2011. In connection with the Merger, we added three co-investment ventures. In 2012, we dissolved one co-investment venture and acquired 50% of the related portfolio, purchased our partner's interest in another and sold all remaining properties in another, leaving seven unconsolidated operating co-investment ventures remaining at September 30, 2012.

(2) Represents the fees earned by us from three and four unconsolidated co-investment ventures for the nine months ended September 30, 2012 and 2011, respectively. The reduction in fees is due to the consolidation of PEPR in May 2011, which is offset partially by the two ventures added through the Merger.

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(3) Represents the fees earned by us from our investments in two and three unconsolidated co-investment ventures for the nine months ended September 30, 2012 and 2011, respectively. We sold our investment in a Korea co-investment venture during the third quarter 2011. With the Merger, we acquired an investment in an unconsolidated co-investment venture in each of Japan and China.

See Note 4 to our Consolidated Financial Statements in Item 1 for additional information on our unconsolidated entities.

Other Components of Income

General and Administrative ("G&A") Expenses

G&A expenses for the nine months ended September 30 consisted of the following (in thousands):

	2012	2011
Gross G&A expenses	$287,967	$243,373
Reported as rental expenses	(26,438)	(17,257)
Reported as private capital expenses	(47,686)	(39,228)
Capitalized G&A expenses	(46,383)	(42,524)
Net G&A	**$167,460**	**$144,364**

The increase in G&A expenses and the various components was due principally to the larger infrastructure associated with the combined company following the Merger and the PEPR Acquisition. The increase in capitalized G&A is due to our increased development and leasing activities since the Merger.

We capitalize certain costs directly related to our development and leasing activities. Capitalized G&A expenses included salaries and related costs, as well as other general and administrative costs. The capitalized G&A costs for the nine months ended September 30, was as follows (in thousands):

	2012	2011
Development activities	$28,390	$25,532
Leasing activities	17,829	15,503
Costs related to internally developed software	164	1,489
Total capitalized G&A expenses	**$46,383**	**$42,524**

For the nine months ended September 30, 2012 and 2011, the capitalized salaries and related costs represented 23.5% and 21.8%, respectively, of our total capitalizable salaries and related costs. In addition, in 2012, we capitalized $0.9 million of salaries and related costs related to internally developed software that were included as *Merger, Acquisition and Other Integration Expenses.* Salaries and related costs are comprised primarily of wages, other compensation and employee-related expenses.

Merger, Acquisition and Other Integration Expenses

In connection with the Merger and other related activities, we have incurred significant transaction, integration and transitional costs. These costs include investment banker advisory fees; legal, tax, accounting and valuation fees; termination and severance costs (both cash and stock based compensation awards) for terminated and transitional employees; non-capitalized system conversion costs; and other integration costs. These costs are expensed as incurred, which in some cases will be through the end of 2012. Certain of these costs were obligations of AMB and expensed prior to the closing of the Merger by AMB. At the time of the Merger, we terminated our existing credit facilities and wrote-off the remaining unamortized deferred loan costs associated with such facilities, which is included in *Merger, Acquisition and Other Integration Expenses*. In addition, we have included costs associated with the acquisition of a controlling interest in PEPR in 2011 and the liquidation of PEPR in 2012. The following is a breakdown of the costs incurred during the nine months ended September 30 (in thousands):

	2012	2011
Termination, severance and transitional employee costs	$34,294	$ 45,444
Professional fees	12,672	42,398
Office closure, travel and other costs	5,607	23,012
Write-off of deferred loan costs	—	10,869
Total	**$52,573**	**$121,723**

The costs incurred during 2011 principally include transaction and transitional costs directly related to the Merger and PEPR Acquisition. The costs in 2012 were related principally to severance in connection with the Merger; our system implementation, as portions of the project move into the phase when the costs are expensed (i.e., training and data conversion); additional costs due to the liquidation of PEPR and severance and related costs due to announced organizational changes in Europe to gain efficiencies. We expect to incur similar costs for the remainder of 2012.

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Impairment of Real Estate Properties and Other Assets

During the nine months ended September 30, 2012, we recorded impairment charges of $29.1 million; $13.0 million related to real estate properties in Europe and Japan and $16.1 million related to land received in 2011 in exchange for a note receivable. During the nine months ended September 30, 2011, we recorded impairment charges of $103.8 million primarily related to two of our investments in unconsolidated co-investment ventures; one investment was in the United States where our carrying value exceeded the fair value and was deemed to be other than temporary, and the other was in South Korea which was sold to our venture partner in July 2011.

Depreciation and Amortization

Depreciation and amortization expenses were $560.6 million and $377.2 million for the nine months ended September 30, 2012 and 2011, respectively. The increase is due to additional depreciation and amortization expenses associated with the assets (including intangible assets) acquired in the second quarter of 2011 relating to the Merger and PEPR Acquisition along with the Q1 Venture Acquisitions in the first quarter of 2012, as well as completed and leased development properties and additional leasing in our operating properties.

Earnings from Unconsolidated Entities, Net

We recognized net earnings from unconsolidated entities of $20.4 million and $56.0 million for the nine months ended September 30, 2012 and 2011, respectively. These earnings relate to our investments in unconsolidated entities that are accounted for under the equity method. The earnings decreased in 2012 from 2011 due to the consolidation of PEPR, NAIF II and Prologis California, previously accounted for under the equity method. This decrease was partially offset by earnings from investments acquired through the Merger. In the second quarter of 2012, we recorded a loss of $5.0 million for our share of a loss on the early extinguishment of debt in Prologis North American Industrial Fund III. In the third quarter of 2011, we recognized a gain of $13.9 million representing our share of the gain on the disposal of 13 properties in another co-investment venture in the Americas. The earnings we recognize are impacted by: (i) variances in revenues and expenses of the entity; (ii) the size and occupancy rate of the portfolio of properties owned by the entity; (iii) our ownership interest in the entity; and (iv) fluctuations in foreign currency exchange rates used to translate our share of net earnings to U.S. dollar, if applicable. We manage the majority of the properties in which we have an ownership interest as part of our total owned and managed portfolio. See discussion of our portfolio results in the section, "Portfolio Information". See also Note 4 to our Consolidated Financial Statements in Item I for further breakdown of our share of net earnings recognized.

Interest Expense

Interest expense from continuing operations for the nine months ended September 30 included the following components (in thousands):

	2012	2011
Gross interest expense	$437,925	$355,796
Amortization of discount (premium), net	(26,415)	5,910
Amortization of deferred loan costs	13,033	16,160
Interest expense before capitalization	424,543	377,866
Capitalized amounts	(40,054)	(38,560)
Net interest expense	**$384,489**	**$339,306**

Gross interest expense increased in 2012 from 2011 primarily due to higher debt levels as a result of the Merger, the PEPR Acquisition and the Q1 Venture Acquisitions in the first quarter of 2012, partially offset by lower effective borrowing costs.

Our weighted average effective borrowing costs (including amortization of deferred loan costs) was 4.6% and 5.6% for the nine months ended September 30, 2012 and 2011, respectively. Our future interest expense, both gross interest and the portion capitalized, will vary depending on, among other things, the level of our development activities. As a result of the Merger and PEPR Acquisition, we increased our debt from $6.4 billion at March 31, 2011 to $12.1 billion at June 30, 2011, which was reduced by $1.1 billion with proceeds from a June 2011 equity issuance. During the remainder of the year, we reduced our debt to $11.4 billion at December 31, 2011. Our debt increased to $12.6 billion as of September 30, 2012, principally from the Q1 Venture Acquisitions ($1.4 billion), partially offset by repayments with proceeds from sales and contributions of properties. One of our strategic objectives is to reduce our debt with proceeds from property dispositions. See Notes 2 and 7 to our Consolidated Financial Statements in Item 1 and Liquidity and Capital Resources for further discussion of our debt and borrowing costs.

Interest and Other Income, Net

During the nine months ended September 30, 2011, we recognized a $5.2 million charge related to one of our buildings in Japan that was damaged from the earthquake and related tsunami in March 2011.

Gains on Acquisitions and Dispositions of Investments in Real Estate, Net

We recognized net gains on acquisitions and dispositions of investments in real estate in continuing operations of $281.0 million and $114.7 million during the nine months ended September 30, 2012 and 2011, respectively. Included in 2012 is a $273.0 million gain related to the Prologis California transaction in the first quarter, which represents the adjustment to fair value of our equity investments at the time we gained control and consolidated the entity.

Included in 2011 were gains we recognized in the second quarter related to the PEPR Acquisition ($85.9 million) and the acquisition of our partner's interest in a joint venture in Japan ($13.5 million). These gains represent the adjustment to fair value of our equity investments at the time we gained control and consolidated the entities.

See Note 2 to our Consolidated Financial Statements in Item 1 for more details on these transactions.

Foreign Currency and Derivative Gains (Losses), Net

In connection with the Merger and the exchange offer discussed in Note 7 to our Consolidated Financial Statements in Item 1, our convertible senior notes became exchangeable senior notes issued by the Operating Partnership that are exchangeable into common stock of the REIT. As a result, the accounting for the exchangeable senior notes changed, which required us to separate the fair value of the derivative instrument (exchange feature) from the debt instrument and account for it separately as a derivative. We adjust the derivative instrument at each reporting period to fair value with the resulting adjustment being recorded in earnings. We recognized an unrealized loss of $6.7 million and $19.1 million for the three and nine months ended September 30, 2012, respectively. We recognized an unrealized gain of $61.0 million and $51.3 million for the three and nine months ended September 30, 2011, respectively.

Gain (Loss) on Early Extinguishment of Debt, Net

During the nine months ended September 30, 2012, we extinguished some secured mortgage debt, unsecured credit facilities of PEPR and two term loans prior to maturity, which resulted in the recognition of $4.9 million in net gains, primarily in the first quarter. The gains or losses represent the difference between the recorded debt (net of premiums and discounts and including related debt issuance costs) and the consideration we paid to retire the debt, including fees.

Income Tax Expense (Benefit)

During the nine months ended September 30, 2012 and 2011, our current income tax expense was $11.0 million and $7.2 million, respectively. We recognize current income tax expense for income taxes incurred by our taxable real estate investment trust subsidiaries and in certain foreign jurisdictions, as well as certain state taxes. We also include in current income tax expense the interest associated with our liability for uncertain tax positions. Our current income tax expense fluctuates from period to period based primarily on the timing of our taxable income and changes in tax and interest rates. During the third quarter of 2012, we recognized a current tax benefit of $18.1 million, which included benefits due to the statute of limitations expiring related to certain tax positions. During the third quarter of 2011, we recognized a current tax benefit of $4.6 million, which included similar but smaller credits.

During the nine months ended 2012 and 2011, we recognized a net deferred tax benefit of $10.8 million and deferred tax expense of $2.8 million, respectively. Deferred income tax 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 certain of our taxable subsidiaries operating in the U.S. or in foreign jurisdictions. In 2012, the deferred tax benefit was primarily due to the reversal of deferred tax liabilities in connection with the disposition of properties as well as the period’s temporary differences. The deferred tax benefit related to dispositions are generally offset with the current income tax expense associated with these transactions.

Discontinued Operations

As of September 30, 2012, we had 23 operating properties that met the criteria to be recorded as held for sale and are included in discontinued operations. During the nine months ended September 30, 2012, we disposed of land subject to ground leases and 113 properties aggregating 14.4 million square feet to third parties that met the criteria for discontinued operations. During all of 2011, we disposed of land subject to ground leases and 94 properties aggregating 10.7 million square feet to third parties. The net gains or losses on disposition of these properties, net of related impairment charges and taxes, are reflected in discontinued operations during the period, along with the results of operations of these properties for all periods presented.

See Note 6 to our Consolidated Financial Statements in Item 1.

Other Comprehensive Income (Loss)—Foreign Currency Translation Gains (Losses), Net

For our consolidated subsidiaries whose functional currency is not the U.S. dollar, we translate their financial statements into U.S. dollar at the time we consolidate those subsidiaries’ financial statements. Generally, assets and liabilities are translated at the exchange rate in effect as of the balance sheet date. The resulting translation adjustments, due to the fluctuations in exchange rates from the beginning of the period to the end of the period, are included in Other Comprehensive Income (Loss).

During the nine months ended September 30, 2012 we recognized unrealized gains of $7.1 million and losses of $90.0 million, respectively, in Other Comprehensive Income (Loss) related to foreign currency translation of our foreign subsidiaries into U.S. dollar upon consolidation.

There was very little change in the euro, pound sterling and yen rates at September 30, 2012 compared to December 31, 2011. In the third quarter 2012, the euro, pound sterling and yen all strengthened against the U.S. dollar as of September 30, 2012 compared to June 30, 2012. The euro, pound sterling and yen rates increased to the U.S. dollar by 2.2%, 3.8% and 2.5% respectively, from June 30, 2012 to September 30, 2012.

The yen strengthened against the U.S. dollar and the euro and pound sterling remained relatively unchanged as of September 30, 2011 compared to December 31, 2010. The yen rates increased 5.8% from December 31, 2010 to September 30, 2011. The euro and pound sterling both weakened significantly against the U.S. dollar and were offset slightly due to the strengthening of the yen against the U.S. dollar as of September 30, 2011 compared to June 30, 2011. The euro and pound sterling rates decreased to the U.S. dollar by 5.5% and 2.7%, respectively, and the yen increased to the U.S. dollar by 4.6% from June 30, 2011 to September 30, 2011.

Three Months Ended September 30, 2012 and 2011

Our results for the three months ended September 30, 2012 and 2011 include a full quarter of results related to the Merger and PEPR Acquisition, while the results for the nine months ended September 30, 2011 include four months of results for the Merger and PEPR Acquisition. Except as separately discussed above, the changes in net earnings attributable to common shares and its components for the three months ended September 30, 2012, as compared to the three months ended September 30, 2011, are similar to the changes for the nine month periods ended on the same dates.

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Portfolio Information

Our total owned and managed portfolio of properties includes operating industrial properties and does not include properties in our development portfolio, properties held for sale or non-industrial properties and was as follows (square feet in thousands):

	September 30, 2012		December 31, 2011		September 30, 2011	
	Number of Properties	Square Feet	Number of Properties	Square Feet	Number of Properties	Square Feet
Consolidated	1,898	320,341	1,797	291,051	1,895	302,474
Unconsolidated	1,171	211,021	1,403	267,752	1,358	263,423
Totals	**3,069**	**531,362**	**3,200**	**558,803**	**3,253**	**565,897**

Same Store Analysis

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, thereby eliminating the effects of changes in the composition of the portfolio on performance measures. We include properties owned by us, and properties owned by the unconsolidated entities (accounted for on the equity method) that are managed by us (referred to as “unconsolidated entities”), including those owned and managed by AMB prior to the Merger, in our same store analysis. We have defined the same store portfolio, for the three months ended September 30, 2012, as those properties that were in operation at January 1, 2011, and have been in operation throughout the three-month periods in both 2012 and 2011. We have removed all properties that were disposed of to a third party or were classified as held for sale from the population for both periods. We believe the factors that impact rental income, rental expenses and net operating income in the same store portfolio are generally the same as for the total portfolio. In order to derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the current exchange rate to translate from local currency into U.S. dollar, for both periods. The same store portfolio, for the three months ended September 30, 2012, included 514.0 million of aggregated square feet.

	For the Three Months Ended September 30,		
	2012	2011	Percentage Change
Rental Income (1)(2)			
Consolidated:			
Rental income per our Consolidated Statement of Operations	$ 382,293	$ 341,118	
Rental recoveries per our Consolidated Statement of Operations	97,081	89,165	
Adjustments to derive same store results:			
Rental income and recoveries of properties not in the same store portfolio—properties developed and acquired during the period and land subject to ground leases	(25,450)	(15,770)	
Effect of changes in foreign currency exchange rates and other	(279)	(14,208)	
Unconsolidated entities:			
Rental income of properties managed by us and owned by our unconsolidated entities	$ 317,785	$ 353,883	
Same store portfolio—rental income (2)(3)	**771,430**	**754,188**	**2.29%**
Rental Expenses (1)(4)			
Consolidated:			
Rental expenses per our Consolidated Statement of Operations	$ 130,820	$ 119,949	
Adjustments to derive same store results:			
Rental expenses of properties not in the same store portfolio—properties developed and acquired during the period and land subject to ground leases	(5,739)	(2,390)	
Effect of changes in foreign currency exchange rates and other	(235)	(1,911)	
Unconsolidated entities:			
Rental expenses of properties managed by us and owned by our unconsolidated entities	74,392	81,425	
Same store portfolio—rental expenses (3)(4)	**199,238**	**197,073**	**1.10%**
Net Operating Income (1)			
Consolidated:			
Net operating income per our Consolidated Statement of Operations	$ 348,554	$ 310,334	
Adjustments to derive same store results:			
Net operating income of properties not in the same store portfolio—properties developed and acquired during the period and land subject to ground leases	(19,711)	(13,380)	
Effect of changes in foreign currency exchange rates and other	(44)	(12,297)	
Unconsolidated entities:			
Net operating income of properties managed by us and owned by our unconsolidated entities	243,393	272,458	
Same store portfolio—net operating income (3)	**572,192**	**557,115**	**2.71%**

(1) As discussed above, our same store portfolio includes industrial properties from our consolidated portfolio and owned by the unconsolidated entities (accounted for on the equity method) that are managed by us. During the periods presented, certain properties owned by us were contributed to a co-investment venture and are included in the same store portfolio on an aggregate basis. Neither our consolidated results nor that of the unconsolidated entities, when viewed individually, would be comparable on a same store basis due to the changes in composition of the respective portfolios from period to period (for example, the results of a contributed property would be included in our consolidated results through the contribution date and in the results of the unconsolidated entities subsequent to the contribution date).

(2) We exclude the net termination and renegotiation fees from our same store rental income to allow us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance. 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 recognized due to the adjustment to straight-line rents over the lease term. The adjustments to remove these items are included as "effect of changes in foreign currency exchange rates and other" in the tables above.

(3) These amounts include activity from both our consolidated industrial properties and those owned by our unconsolidated entities (accounted for on the equity method) and managed by us.

(4) Rental expenses in the same store portfolio include the direct operating expenses of the property such as property taxes, insurance, utilities, etc. In addition, we include an allocation of the property management expenses for our direct-owned properties based on the property management fee that is provided for in the individual management agreements under which our wholly owned management companies provide property management services to each property (generally, the fee is based on a percentage of revenues). On consolidation, the management fee income earned by the management company and the management fee expense recognized by the properties are eliminated and the actual costs of providing property management services are recognized as part of our consolidated rental expenses. These expenses fluctuate based on the level of properties included in the same store portfolio and any adjustment is included as "effect of changes in foreign currency exchange rates and other" in the above table.

Environmental Matters

A majority of the properties acquired by us were subjected to environmental reviews either by us or the previous owners. While some of these assessments have led to further investigation and sampling, none of the environmental assessments have revealed an environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations.

We record a liability for the estimated costs of environmental remediation to be incurred in connection with certain operating properties we acquire, as well as certain land parcels we acquire in connection with the planned development of the land. The liability is established to cover the environmental remediation costs, including cleanup costs, consulting fees for studies and investigations, monitoring costs and legal costs relating to cleanup, litigation defense, and the pursuit of responsible third parties. We purchase various environmental insurance policies to mitigate our exposure to environmental liabilities. We are not aware of any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations.

Liquidity and Capital Resources

Overview

We consider our ability to generate cash from operating activities, dispositions of properties and from 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 to the common and preferred stockholders of the REIT and distributions to the limited partnership unitholders of the Operating Partnership, we expect our primary cash needs will consist of the following:

- repayment of debt, including payments on our credit facilities and scheduled principal payments in the remainder of 2012 of $43 million and in 2013 of $1.6 billion;
- completion of the development and leasing of the properties in our consolidated development portfolio (*a*);
- investments in current or future unconsolidated entities, as discussed below, primarily for the development and/or acquisition of properties depending on market and other conditions;
- development of new properties for long-term investment;
- capital expenditures and leasing costs on properties;
- depending on market and other conditions, acquisition of operating properties and/or portfolios of operating properties in global or regional markets for direct, long-term investment (this might include acquisitions from our co-investment ventures); and
- depending on market conditions and other factors, we may repurchase our outstanding debt or equity securities through cash purchases, in open market purchases, privately negotiated transactions, tender offers or otherwise.

(a) As of September 30, 2012, we had 35 properties in our development portfolio that were 53.1% leased with a current investment of $777.7 million and a total expected investment of $1.3 billion when completed and leased, leaving $509.3 million remaining to be spent.

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

- available unrestricted cash balances ($158.2 million at September 30, 2012);
- property operations;
- fees and incentives earned for services performed on behalf of the co-investment ventures and distributions received from the co-investment ventures;
- proceeds from the disposition of properties, land parcels or other investments to third parties;
- proceeds from the contributions or sales of properties to current or future co-investment ventures;
- borrowing capacity under our current credit facility arrangements discussed below ($902.4 million available as of September 30, 2012), other facilities or borrowing arrangements;
- proceeds from the issuance of equity securities; and
- proceeds from the issuance of debt securities, including secured mortgage debt.

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Debt

On February 2, 2012, we entered into a senior term loan agreement where we may obtain loans in an aggregate amount not to exceed €487.5 million ($633.2 million as of September 30, 2012). The loans can be obtained in U.S. dollar, euro, Japanese yen, and British pound sterling. We may increase the borrowings to approximately €987.5 million ($1.3 billion as of September 30, 2012), subject to obtaining additional lender commitments. The loan agreement is scheduled to mature on February 2, 2014, but we may extend the maturity date three times at our option, in each case up to one year, subject to satisfaction of certain conditions and payment of an extension fee. We used the proceeds of the entire senior term loan to pay off the two term loans assumed in connection with the Merger and the remainder to pay down borrowings on our credit facilities.

In the first quarter of 2012 in connection with the Q1 Venture Acquisitions, we assumed additional debt of approximately $1.0 billion. See Note 2 to our Consolidated Financial Statements in Item 1 for more details on these transactions.

In 2012, we issued TMK bonds or increased existing TMK bonds for a combined amount of ¥48.0 billion ($618.3 million as of September 30, 2012).

In April 2012, we redeemed $448.9 million related to the exchangeable notes and repaid $58.9 million of senior unsecured notes at maturity, both of which were paid from our cash on hand and borrowings on our Credit Facilities.

As of September 30, 2012, we were in compliance with all of our debt covenants. These covenants include customary financial covenants for total debt ratios, encumbered debt ratios and fixed charge coverage ratios.

See Note 7 to our Consolidated Financial Statements in Item 1 for further information on our debt.

Equity Commitments Related to Certain Co-Investment Ventures

Certain co-investment ventures have equity commitments from us and our venture partners. We may fulfill our equity commitment through contributions of properties or cash. Our venture partners fulfill their equity commitment with cash. We are committed to offer to contribute certain properties that we develop and stabilize in select markets in Europe and Mexico to certain co-investment ventures. These ventures are committed to acquire such properties, subject to certain exceptions, including that the properties meet certain specified leasing and other criteria, and that the ventures have available capital. Generally, the venture obtains financing for the properties and, therefore, the equity commitment is less than the acquisition price of the real estate. We are not obligated to contribute properties at a loss. Depending on market conditions, the investment objectives of the ventures, our liquidity needs and other factors, we may make contributions of properties to these ventures through the remaining commitment period.

The following table is a summary of remaining equity commitments as of September 30, 2012 (in millions):

	Equity commitments	Expiration date for remaining commitments
Prologis Targeted U.S. Logistics Fund (1)		Open-Ended (1)
Prologis	$ —	
Venture Partners	$ 82.5	
Prologis SGP Mexico (2)		
Prologis	$ 24.6	(2)
Venture Partner	$ 98.1	
Europe Logistics Venture 1 (3)		
Prologis	$ 72.5	February 2014
Venture Partner	$ 410.7	
Prologis China Logistics Venture 1		
Prologis	$ 71.0	March 2015
Venture Partner	$ 402.1	
Total Unconsolidated		
Prologis	**$ 168.1**	
Venture Partner	**$ 993.4**	
Prologis Brazil Fund		
Prologis	$ 125.7	December 2013
Fund Partner	$ 125.7	
Total Consolidated		
Prologis	**$ 125.7**	
Venture Partner	**$ 125.7**	
Grand Total		
Prologis	$ **293.8**	
Venture Partners	$ **1,119.1**	

(1) We secured $265.5 million in commitments from third parties in 2012 in order to fund future acquisitions from us and third parties that meet the venture's investment strategy, or to pay down existing debt. During the nine months ended September 30, 2012, the venture called capital of $183.0 million from these investors primarily to pay down existing debt.

(2) These equity commitments will be called only if needed to pay outstanding debt of the venture. The relevant debt was due in the third quarter of 2012, which was automatically extended until the third quarter of 2013. There is also an option to extend until the third quarter of 2014.

(3) Equity commitments are denominated in euro and reported above in U.S. dollar. During the third quarter of 2012, this venture called capital of €25.0 million ($32.2 million) of which €3.8 million ($4.8 million) represented our share, for the acquisition of one building from a third party. During the first quarter of 2012, this venture acquired two buildings from a third party with proceeds from commitments previously called and one building that was contributed by us with capital called during the quarter of €13.0 million ($17.2 million) of which €2.0 million ($2.6 million) represented our share.

For more information on our investments in unconsolidated co-investment ventures, see Note 4 to our Consolidated Financial Statements in Item 1.

Cash Provided by Operating Activities

For the nine months ended September 30, 2012 and 2011, operating activities provided net cash of $373.3 million and $104.9 million, respectively. In the first nine months of 2012 and 2011, cash from operating activities was less than the cash distributions paid on common and preferred shares and distributions to noncontrolling interests by $75.6 million and $187.0 million, respectively. We used cash flows from operating activities and proceeds from the disposition of real estate properties ($1.0 billion in 2012 and $812.2 million in 2011) to fund dividends on common and preferred shares and distributions to noncontrolling interests. In 2011, cash provided by operating activities was lower largely due to Merger and integration cash expenses of $103.9 million.

Cash Investing and Cash Financing Activities

For the nine months ended September 30, 2012 and 2011, investing activities used net cash of $47.9 million and $798.5 million, respectively. The following are the significant activities for both periods presented:

- We generated cash from contributions and dispositions of properties and land parcels of $1.0 billion and $812.2 million during 2012 and 2011, respectively. In 2012, we disposed of land, land subject to ground leases and 113 properties and contributed two industrial properties to unconsolidated ventures. In 2011, we disposed of land, land subject to ground leases and 61 properties that included the majority of our non-industrial assets and contributed six industrial properties to unconsolidated ventures. We have a stated objective to reduce debt that we expect to achieve in part with proceeds received from sales and contributions of properties and therefore expect this activity to continue.
- In 2012 and 2011, we invested $592.5 million and $645.9 million, respectively, in real estate development and leasing costs for first generation leases. As discussed previously, we have 35 properties in the development portfolio at September 30, 2012 and we expect to continue to develop new properties as the opportunities arise.
- We invested $140.4 million in our operating properties during 2012 and $93.2 million for the same period in 2011, which included recurring capital expenditures, tenant improvements and leasing commissions on existing operating properties that were previously leased. The increase is primarily a result of our larger portfolio from the Merger, PEPR Acquisition and Q1 Venture Acquisitions.
- In 2012, we acquired land for a total of $107.9 million and ten properties and a ground lease with an aggregate purchase price of $65.6 million. In 2011, we acquired land for $75.6 million and four properties with an aggregate purchase price of $61.0 million.
- In connection with the Merger in 2011, we acquired $234.0 million in cash.
- During the second quarter 2011, we used $1.0 billion of cash to purchase units in PEPR. The acquisition was funded with borrowings on a new €500 million bridge facility (“PEPR Bridge Facility”), put in place for the acquisition, and borrowings under our other credit facilities that were subsequently paid from our equity offering (see below for more detail).
- In 2012, we invested cash of $70.2 million in unconsolidated entities, most of which related to an increase in our unconsolidated joint ventures in Brazil. In 2011, we invested $9.7 million in unconsolidated investees, net of repayments of advances from investees.
- In connection with the acquisition of NAIF II in 2012, we repaid the loan from NAIF II to our partner for a total of $336.1 million.
- We received distributions from unconsolidated entities as a return of investment of $237.8 million and $114.4 million during 2012 and 2011, respectively. We received $95.0 million during the second quarter of 2012, which represented a return of capital, from one of our other joint ventures that held a note receivable that was repaid during the quarter.
- In 2011, we invested $55.0 million in a preferred equity interest in a subsidiary of the buyer of a portfolio of non-industrial assets.

For the nine months ended September 30, 2012 and 2011, financing activities used net cash of $345.9 million and provided net cash of $874.0 million, respectively. The following are the significant activities for both periods presented:

- In 2012, we incurred $1.4 billion in secured mortgage, senior term loan debt and secured mortgage and other debt of consolidated entities. We used the proceeds from the senior term loan to pay off the two outstanding term loans assumed in connection with the Merger and the remainder to pay down borrowings on our Credit Facilities. In 2011, we incurred $164.8 million in secured mortgage debt and borrowed $721.0 million on the PEPR Bridge Facility.

- We received net proceeds on our Credit Facilities of $270.9 million and $377.8 million during 2012 and 2011, respectively. In 2011, in connection with the Merger, we repaid the outstanding balance under our existing global line of credit and entered into new Credit Facilities.
- In 2012 and 2011, we repurchased and extinguished $1.3 billion and $243.3 million, respectively, of the original principal amount of our exchangeable senior notes, secured mortgage debt, senior term loans, and secured mortgage and other debt of consolidated entities.
- We made net payments of $166.2 million and $226.5 million on regularly scheduled debt principal and maturity payments during 2012 and 2011, respectively. This includes the repayment of €101.3 million ($146.8 million) of the euro notes that matured in April 2011. In 2011, we also used $711.8 million in proceeds from our equity offering to repay the amounts borrowed under the PEPR Bridge Facility.
- We paid distributions of $389.2 million and $257.2 million to our common stockholders during 2012 and 2011, respectively. We paid dividends on our preferred stock of $37.3 million and $23.0 million during 2012 and 2011, respectively.
- We generated proceeds from the sale and issuance of common stock under our incentive stock plans of $29.4 million in 2012.
- In June 2011, we completed an equity offering and issued 34.5 million shares of common stock and received net proceeds of approximately $1.1 billion. The proceeds were used to repay the PEPR Bridge Facility completely and the remainder was used to repay a portion of the borrowings outstanding under our Credit Facilities.
- As part of the liquidation of PEPR, we made payments of $117.3 million in 2012 to purchase additional units of PEPR. Additionally, we purchased shares in Prologis Institutional Alliance Fund II for $14.1 million and limited partners in the Operating Partnership exchanged units for cash of $5.6 million.
- In 2012, noncontrolling interest partners made contributions of $41.8 million and we distributed $22.5 million to noncontrolling interests. In 2011, we distributed $11.7 million to noncontrolling interests.

Off-Balance Sheet Arrangements

Unconsolidated Co-Investment Ventures Debt

We had investments in and advances to certain unconsolidated co-investment ventures at September 30, 2012 of $2.0 billion. These unconsolidated ventures had total third party debt of $7.2 billion (in the aggregate, not our proportionate share) at September 30, 2012. This debt is either secured or collateralized by properties within the venture and is non-recourse to Prologis or the other investors and matures as follows (in millions):

	2012	2013	2014	2015	2016	Thereafter	Discount/ Premium	Total (1)	Ownership %
Prologis North American Properties Fund I (2)	$107.4	$ —	$ —	$ —	$ —	$ —	$ —	$ 107.4	41.3%
Prologis North American Industrial Fund	—	80.0	—	108.7	444.0	559.5	—	1,192.2	23.1%
Prologis North American Industrial Fund III (3)	117.8	385.6	146.2	—	—	—	(1.0)	648.6	20.0%
Prologis Targeted U.S. Logistics Fund	3.8	188.9	102.4	180.7	208.6	815.4	13.1	1,512.9	25.0%
Prologis Mexico Industrial Fund	—	—	—	—	—	214.1	—	214.1	20.0%
Prologis SGP Mexico	0.9	62.5	3.9	4.1	144.8	—	—	216.2	21.6%
Prologis European Properties Fund II (4)	3.0	258.2	414.7	468.0	228.3	274.7	—	1,646.9	29.7%
Prologis Targeted Europe Logistics Fund	2.4	9.4	386.2	227.6	2.3	2.4	9.4	639.7	32.1%
Prologis Japan Fund 1	3.0	530.9	2.7	4.5	122.4	276.8	5.5	945.8	20.0%
Prologis China Logistics Venture 1	—	—	—	—	115.0	—	—	115.0	15.0%
Total unconsolidated co-investment ventures	**$238.3**	**$1,515.5**	**$1,056.1**	**$993.6**	**$1,265.4**	**$2,142.9**	**$ 27.0**	**$7,238.8**	

(1) As of September 30, 2012, we had guaranteed $28.4 million of the third party debt of the co-investment ventures. In our role as the manager, we work with the co-investment ventures to refinance their maturing debt. There can be no assurance that the co-investment ventures will be able to refinance any maturing indebtedness on terms as favorable as the maturing debt, or at all. If the ventures are unable to refinance the maturing indebtedness with newly issued debt, they may be able to obtain funds by voluntary capital contributions from us and our partners or by selling assets. Certain of the ventures also have credit facilities, or unencumbered properties, both of which may be used to obtain funds. Generally, the co-investment ventures issue long-term debt and utilize the proceeds to repay borrowings under the credit facilities.

(2) This fund expects to sell its properties in the fourth quarter of 2012 and use the proceeds to repay debt. We may buy some of the properties.

(3) This fund is working with the lender to extend the maturity of this debt.

(4) In July 2012, Prologis European Properties Fund II ("PEPF II") entered into a new senior unsecured term loan and a new secured loan, pursuant to which it can obtain loans up to €194 million (approximately $252 million at September 30, 2012). The loans can be obtained in euro and pound sterling. As of September 30th, 2012 we had €172.5 million ($224.0 million) outstanding under this term loan. In October 2012, PEPF II issued $300 million of senior unsecured debt in a private placement in the U.S.

Contractual Obligations

Distribution and Dividend Requirements

Our dividend policy on our common stock is to distribute a percentage of our cash flow to ensure we will meet the dividend requirements of the Internal Revenue Code, relative to maintaining our real estate investment trust status, while still allowing us to retain cash to meet other needs such as capital improvements and other investment activities.

We paid a cash distribution of $0.28 per common share for the third quarter on September 28, 2012. Our future common share distributions may vary and will be determined by our Board upon the circumstances prevailing at the time, including our financial condition, operating results and real estate investment trust distribution requirements, and may be adjusted at the discretion of the Board during the year.

At September 30, 2012, we had seven series of preferred stock outstanding and all but one series are redeemable at our option. The annual dividend rates on preferred stock are 6.5% per Series L, 6.75% per Series M, 7.0% per Series O, 6.85% per Series P, 8.54% per Series Q, 6.75% per Series R and 6.75% per Series S. The Series Q, R and S were preferred shares of ProLogis prior to the Merger and dividends on those shares have been reflected in the Consolidated Financial Statements in Item 1 for both periods ended September 30, 2012 and 2011. The dividends on the Series L, M, O and P preferred stock have been included in the Consolidated Financial Statements since the Merger, and thus, the nine-months period ended September 30, 2011 includes approximately four months of dividends only. The dividends on preferred stock 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 has 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 and/or disposition of individual properties or portfolios of properties.

New Accounting Pronouncements

See Note 1 to our Consolidated Financial Statements in Item 1.

Funds from Operations ("FFO")

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

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

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

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

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

Our FFO Measures

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

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

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

FFO, as defined by Prologis:

To arrive at *FFO, as defined by Prologis*, we adjust the NAREIT defined FFO measure to exclude:

(i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;

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

(iii) foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;

(iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of certain third party debt of our foreign consolidated subsidiaries and our foreign unconsolidated entities; and

(v) mark-to-market adjustments associated with derivative financial instruments.

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

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

Core FFO

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

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

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

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

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

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

Limitations on Use of our FFO Measures

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

(i) The current income tax expenses that are excluded from our defined FFO measures represent the taxes that are payable.

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

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

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

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

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

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	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
FFO:				
Reconciliation of net earnings (loss) to FFO measures:				
Net earnings (loss) available for common stockholders	$ (46,526)	$ 55,436	$ 147,767	$(142,651)
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	190,063	176,719	547,654	363,072
Impairment charges on certain real estate properties	21,660	—	21,660	—
Net loss (gain) on non-FFO dispositions and acquisitions	6,622	6,468	(165,238)	7,954
Reconciling items related to noncontrolling interests	(6,084)	(8,756)	(22,088)	(11,160)
Our share of reconciling items included in earnings from unconsolidated entities	35,309	31,393	104,291	103,730
Subtotal-NAREIT defined FFO	**201,044**	**261,260**	**634,046**	**320,945**
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative losses (gains), net	5,841	(53,688)	15,558	(45,036)
Deferred income tax expense (benefit)	(1,884)	1,773	(6,642)	2,755
Our share of reconciling items included in earnings from unconsolidated entities	890	(1,615)	(2,328)	(593)
FFO, as defined by Prologis	**205,891**	**207,730**	**640,634**	**278,071**
Impairment charges	15,527	—	34,847	106,482
Japan disaster expenses	—	(400)	—	5,210
Merger, acquisition and other integration expenses	20,659	12,683	52,573	121,723
Gains on acquisitions and dispositions of investments in real estate, net	(11,575)	(11,018)	(115,468)	(120,338)
Loss (gain) on early extinguishment of debt, net	—	298	(4,919)	298
Income tax expense on dispositions	—	—	—	1,916
Our share of reconciling items included in earnings from unconsolidated entities	1,460	(2,860)	10,380	(2,860)
Core FFO	**$231,962**	**$206,433**	**$ 618,047**	**$ 390,502**

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to the impact of interest rate changes and foreign-exchange related variability and earnings volatility on our foreign investments. We have used certain derivative financial instruments, primarily interest rate swap and cap agreements, to reduce our interest rate market risk. We have also used foreign currency put option and forward contracts to reduce our foreign currency market risk, as we deem appropriate. We do not use financial instruments for trading or speculative purposes and all financial instruments are entered into in accordance with established policies and procedures.

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 interest rates or foreign currency exchange rates. The results of the sensitivity analysis are summarized below. The sensitivity analysis is of limited predictive value. As a result, our ultimate realized gains or losses with respect to interest rate and foreign currency exchange rate fluctuations will depend on the exposures that arise during a future period, hedging strategies at the time and the prevailing interest and foreign currency exchange rates.

Interest Rate Risk

Our interest rate risk objective is to limit the impact of future interest rate changes on earnings and cash flows. To achieve this objective, we primarily borrow on a fixed rate basis for longer-term debt issuances. As of September 30, 2012, we had a total of $3.9 billion of variable rate debt outstanding, of which $1.2 billion was outstanding on our Credit Facilities, $0.6 billion was outstanding under a multi-currency senior term loan, and $2.1 billion was outstanding secured mortgage debt (including $0.9 billion of debt within PEPR that we began consolidating in 2011). As of September 30, 2012, we have entered into interest rate swap agreements to fix $1.6 billion of our variable rate secured mortgage debt.

Our primary interest rate risk not subject to interest rate swap or cap agreements is created by the variable rate Credit Facilities, senior term loan and selected secured mortgage debt. During the nine months ended September 30, 2012, we had weighted average daily outstanding borrowings of $1.5 billion on our variable rate debt not subject to interest rate swap agreements. Based on the results of the sensitivity analysis, which assumed a 10% adverse change in interest rates and is based on our outstanding balances during the nine months ended September 30, 2012, the impact was approximately $2.1 million for the nine months ended September 30, 2012, which equates to a change in interest rates of 18 basis points.

Foreign Currency Risk

Foreign currency risk is the possibility that our financial results could be better or worse than planned because of changes in foreign currency exchange rates.

Our primary exposure to foreign currency exchange rates relates to the translation of the net income and net investment of our foreign subsidiaries into U.S. dollar, principally euro, British pound sterling and yen, especially to the extent we wish to repatriate funds to the U.S. To mitigate our foreign currency exchange exposure, we borrow in the functional currency of the borrowing entity, when appropriate. We also may use foreign currency put option contracts or other forms of hedging instruments to manage foreign currency exchange rate risk associated with the projected net operating income or net equity of our foreign consolidated subsidiaries and unconsolidated entities. Hedging arrangements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements. The funds required to settle such arrangements could be significant depending on the stability and movement of foreign currency. The failure to hedge effectively against exchange and interest rate changes may materially adversely affect our results of operations and financial position. At September 30, 2012, we had no put option contracts outstanding and, therefore, we may experience fluctuations in our earnings as a result of changes in foreign currency exchange rates. On October 31, 2012, we entered into foreign currency forward contracts that expire in April 2013 with an aggregate notional amount of €600 million ($781 million using the forward rate of 1.30) to further hedge a portion of our investment in Europe at a fixed euro rate in U.S. dollars. Based on a sensitivity analysis, a strengthening or weakening of the U.S. dollar against the euro by 10% would result in a $78.1 million positive or negative change, respectively, in our cash flows upon settlement of the forward contract. These derivatives were designated and qualify as hedging instruments and therefore the changes in fair value of these derivatives will be recorded in *Accumulated Other Comprehensive Income* in our Consolidated Balance Sheets. We may enter into similar agreements in the future to further hedge our investment in Europe.

We also have some exposure to movements in exchange rates related to certain intercompany loans we issue from time to time and we may use foreign currency forward contracts to manage these risks. At September 30, 2012, we had no forward contracts outstanding and, therefore, we may experience fluctuations in our earnings from the remeasurement of these intercompany loans due to changes in foreign currency exchange rates.

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 Co-Chief Executive Officers 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") as of September 30, 2012. Based on this evaluation, the Co-Chief Executive Officers and the Chief Financial Officer have concluded that the disclosure controls and procedures are effective to ensure 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.

There have been no changes in the internal controls over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Controls and Procedures (Prologis, L.P.)

Prologis, L.P. carried out an evaluation under the supervision and with the participation of management, including the Co-Chief Executive Officers and Chief Financial Officer, of the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-14(c)) under the Exchange Act as of September 30, 2012. Based on this evaluation, the Co-Chief Executive Officers and the Chief Financial Officer have concluded that the disclosure controls and procedures are effective to ensure 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.

There have been no changes in the internal controls over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II

Item 1. Legal Proceedings

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

In December 2011, arbitration hearings began in connection with a dispute related to a real estate development project known as Pacific Commons. The plaintiff, Cisco Technology, Inc. was seeking rescission of a 2007 Restructuring and Settlement Agreement (the "Contract") and other agreements, and declaratory relief, and damages for breach of the Contract. In August 2012, the arbitrator issued a ruling denying the relief sought by Cisco, and therefore Prologis has no further obligation.

Item 1A. Risk Factors

As of September 30, 2012, no material changes had occurred in our risk factors as discussed in Item 1A of our Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

10.1*	Form of Restricted Stock Unit Agreement; Prologis, Inc. 2012 Long-Term Incentive Plan.
12.1	Computation of Ratio of Earnings to Fixed Charges of Prologis, Inc.
12.2	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends, of Prologis, Inc.
12.3	Computation of Ratio of Earnings to Fixed Charges of Prologis, L.P.
12.4	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends, of Prologis, L.P.
15.1	KPMG LLP Awareness Letter of Prologis, Inc.
15.2	KPMG LLP Awareness Letter of Prologis, L.P.
31.1	Certification of Co-Chief Executive Officers of Prologis, Inc.
31.2	Certification of Chief Financial Officer of Prologis, Inc.
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32.1	Certification of Co-Chief Executive Officers and Chief Financial Officer of Prologis, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Co-Chief Executive Officers and Chief Financial Officer for Prologis, L.P., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* *Management Contract or Compensatory Plan or Arrangement*

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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
Senior Vice President 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
Senior Vice President and Chief Accounting Officer

Date: November 6, 2012

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* *Management Contract or Compensatory Plan or Arrangement*

PROLOGIS, INC.
2012 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT
RESTRICTED STOCK UNIT NOTICE OF GRANT

CAPITALIZED TERMS USED BUT NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE PLAN.

Participant Name:	%%FIRST_NAME%-% %%MIDDLE_NAME%-% %%LAST_NAME%-%
Address:	%%ADDRESS_LINE_1%-% %%ADDRESS_LINE_2%-% %%ADDRESS_LINE_3%-% %%CITY%-%, %%STATE%-% %%ZIPCODE%-% %%COUNTRY%-%

You (“Participant”) have been granted a Full Value Award under the Plan in the form of Restricted Stock Units, subject to the terms and conditions of the Plan and this Award Agreement (as defined in the attached Restricted Stock Unit Terms & Conditions), as follows:

Grant Number %%NUMBER%-%

Date of Grant %%DATE%-%

Vesting Commencement Date %%VEST_BASE_DATE%-%

Number of Restricted Stock Units %%TOTAL_UNITS_GRANTED%-%

Subject to any express acceleration provisions contained in the Plan or set forth below, the Restricted Stock Units will vest in accordance with the following schedule:

%%SHARES_PERIOD1%-% %%VEST_DATE_PERIOD1%-%
%%SHARES_PERIOD2%-% %%VEST_DATE_PERIOD2%-%
%%SHARES_PERIOD3%-% %%VEST_DATE_PERIOD3%-%
%%SHARES_PERIOD4%-% %%VEST_DATE_PERIOD4%-%

By Participant’s acceptance of this Award, Participant agrees that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including any country-specific terms and conditions applicable to Participant set forth in the Country Appendix. Participant further acknowledges and agrees that he or she has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to acceptance and fully understands the Award Agreement and all provisions of the Plan relating to the Award. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained in this Award Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan and this Award Agreement. Participant further agrees to notify Prologis, Inc., upon any change in Participant’s residence address indicated above.

PROLOGIS, INC.
2012 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT
RESTRICTED STOCK UNIT TERMS & CONDITIONS

Unless otherwise defined herein, the terms defined in the Prologis, Inc. 2012 Long-Term Incentive Plan (the "Plan") will have the same defined meanings in this Restricted Stock Unit Terms & Conditions (together with the Restricted Stock Unit Notice of Grant and Country Appendix, which are incorporated herein, the "Award Agreement").

1. Grant. Prologis, Inc. ("Prologis"), hereby grants to Participant under the Plan a Full Value Award in the form of Restricted Stock Units (the "Restricted Stock Units"), subject to all of the terms and conditions in this Award Agreement (including, without limitation, paragraph 23(a) concerning specific provisions relating to employment agreements of Participants and any specific terms and conditions for Participant's Country set forth in the Country Appendix) and the Plan, which is incorporated herein by reference. Subject to the terms and conditions of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Award Agreement, the terms and conditions of the Plan will prevail.

2. Prologis' Obligation to Pay. Unless and until the Restricted Stock Units will have vested in the manner set forth in the related Restricted Stock Unit Notice of Grant, paragraph 3 below or the express terms of the Plan, Participant will have no right to payment with respect to any such Restricted Stock Units. Prior to actual payment with respect to any Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of Prologis, payable (if at all) only from the general assets of Prologis.

3. Vesting Schedule and Issuance of Stock.

(a) Subject to paragraph 11 hereof, and subsection 4.3 of the Plan, the Restricted Stock Units awarded by this Award Agreement will vest as to the number of Restricted Stock Units, and on the dates shown, as set forth in the related Restricted Stock Unit Notice of Grant (each a "Vesting Date"); provided, however, that (i) if Participant's Termination Date occurs by reason of death, Disability or Retirement, any unvested Restricted Stock Units subject to the Award shall vest immediately on the Termination Date and the Termination Date shall be deemed the "Vesting Date" for purposes of this Award Agreement, and (ii) all Restricted Stock Units subject to the Award that are not vested on or before Participant's Termination Date shall immediately expire and be forfeited, and Participant shall have no further right with respect to such Restricted Stock Units.

(b) As soon as practicable upon or following each Vesting Date but, except as provided in this Award Agreement, in no event later than March 15 of the year following the year that includes the applicable Vesting Date, one share of Stock shall be issued for each Restricted Stock Unit that vests on such Vesting Date, subject to the terms and provisions of the Plan and this Award Agreement. Notwithstanding the foregoing, if Participant's Termination Date occurs by reason of Retirement, payment shall be made on or within sixty (60) days following Participant's Termination Date.

(c) If vesting of the Award is accelerated, the following shall apply:

(i) If the Committee, in its discretion, accelerates the vesting of the balance, or some lesser portion of the balance, of the Award, the payment of such accelerated portion of the Award shall be made as soon as practicable after the new vesting date, but, except as provided in this Award Agreement, in no event later than two and one-half (2 1/2) months following the end of Prologis' taxable year in which the applicable Vesting Date occurs; provided, however, if Participant is a U.S. taxpayer and the Award is "deferred compensation" within the meaning of Section 409A of the Code ("Section 409A"), the payment of such accelerated portion of the Award nevertheless shall be made at the same time or times as if such Award had vested in accordance with the vesting schedule set forth in paragraph 3(a) (whether or not Participant continues to provide services to Prologis or a Related Company as of such date(s)), unless an earlier payment date, in the judgment of the Committee, would not cause Participant to incur an additional tax under Section 409A, in which case, payment of such accelerated Award shall be made within two and one-half (2 1/2) months following the earliest permissible payment date that would not cause Participant to incur an additional tax under Section 409A. Notwithstanding the foregoing, any delay in payment pursuant to this paragraph 3(c) will cease upon Participant's death and such payment will be made as soon as practicable after the date of Participant's death.

(ii) If the vesting of all or a portion of this Award accelerates pursuant to (A) subsection 4.3 of the Plan in the event of a corporate transaction that is not a "change in control" within the meaning of Section 409A, or (B) any other plan or agreement that provides for acceleration in the event of a corporate transaction that is not a "change in control" within the meaning of Section 409A, then the payment of such accelerated portion of the Award (including any new or additional Awards existing as a result of subsection 4.2 of the Plan) will be made in accordance with the timing of payment rules that apply to discretionary accelerations under paragraph 3(c)(i). If the vesting of all or a portion of this Award accelerates in the event of a corporate transaction that is a "change in control" within the meaning of Section 409A, then the payment of such accelerated portion of the Award (including any new or additional Awards existing as a result of subsection 4.2 of the Plan) will be made within two and one-half (2 1/2) months after the corporate transaction.

(d) No fractional shares of Stock shall be issued under this Award Agreement.

(e) Notwithstanding anything to the contrary set forth in this Award Agreement, this Award is subject to the Recoupment Policy set forth in the Prologis Governance Guidelines and any other clawback policies that are adopted by Prologis.

(f) Except as provided in the foregoing provisions of this paragraph 3, upon Participant's Termination Date, the unvested Restricted Stock Units will thereupon be forfeited at no cost to Prologis and Participant's right to vest in the Restricted Stock Units and acquire any shares of Stock hereunder with respect to such Restricted Stock Units will immediately terminate. For purposes of this Award, the Committee shall have the exclusive discretion to determine Participant's Termination Date.

4. Dividend Equivalent Payments.

(a) As of each dividend payment date with respect to Stock, Participant shall be entitled to a Dividend Equivalent Payment (as defined below) in an amount equal to (i) the dividend paid with respect to a share of Stock, multiplied by (ii) the number of shares of Stock subject to the Award, if any, that are outstanding on the applicable dividend record date with respect to such dividend payment date. Unless otherwise set forth in the Country Appendix, Dividend Equivalent Payments with respect to outstanding shares of Stock subject to the Award generally shall be paid at the same time and in the same form that dividends are paid on Stock; provided, however, that any Dividend Equivalent Payment to which Participant is entitled for any calendar year shall be paid no later than March 15 of the year following the year in which the corresponding dividend record date on the Stock occurs. The Committee may prospectively change the method of crediting dividend equivalents as it, in its sole discretion, determines appropriate from time to time provided that such change does not have a material adverse tax effect on Participant.

(b) The right to Dividend Equivalent Payments under this Award Agreement does not constitute an award of Stock, and nothing in this Award Agreement shall be construed as giving Participant any rights as a shareholder of Prologis prior to payment of the Stock subject to the Restricted Stock Units or Dividend Equivalent Payments (if paid in Stock).

(c) For purposes of this Award Agreement, "Dividend Equivalent Payment" means, for each share of Stock represented by an outstanding Restricted Stock Unit, a payment in an amount equal to, and in the same form of payment as, the dividend paid on one share of Stock, except as otherwise determined by the Committee or set forth in the Country Appendix.

(d) As specified in the Country Appendix, Participants residing in countries where Prologis has, in its sole discretion, determined that payment of Dividend Equivalent Payments in cash is not advisable for legal, tax or administrative reasons will earn a "Dividend Equivalent Unit" equal in value to a Dividend Equivalent Payment for each share of Stock represented by an outstanding Restricted Stock Unit. Dividend Equivalent Units will be subject to the same vesting schedule as the underlying Restricted Stock Units and be settled in shares of Stock at such time as the Restricted Stock Units are settled.

5. Payments after Death. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's beneficiary designated by will or the laws of descent and distribution. Any such beneficiary must furnish Prologis with (a) written notice of his or her status as beneficiary, and (b) evidence satisfactory to Prologis to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

6. Withholding of Taxes.

(a) Participant acknowledges that, regardless of any action taken by Prologis or, if different, Participant's employer (the "Employer") the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items"), is and remains Participant's responsibility and may exceed the amount actually withheld by Prologis or the Employer.

(b) Participant acknowledges and agrees that Prologis and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Award, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Stock acquired pursuant to such settlement, the accrual or settlement of any Dividend Equivalent Payments and/or the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Restricted Stock Units or Dividend Equivalent Payments to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that Prologis and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(c) Prior to any relevant taxable or tax withholding event, as applicable, Participant agrees to make adequate arrangements satisfactory to Prologis and/or the Employer to satisfy all Tax-Related Items. If such arrangements are not made by the Participant by the date specified by Prologis and communicated to the Participant (and in no event less than 30 days prior to the Vesting Date), Participant authorizes Prologis or its agent to satisfy the obligations with regard to all Tax-Related Items by withholding in shares of Stock to be issued upon settlement of the Restricted Stock Units and, if applicable, Dividend Equivalent Units. In the event that such withholding in Stock is problematic under applicable tax or securities law or has adverse accounting consequences, by Participant's acceptance of this Award, Participant authorizes and directs Prologis and any brokerage firm determined acceptable to Prologis to sell, on Participant's behalf, a whole number of shares of Stock from those shares of Stock issued to Participant upon settlement of the Restricted Stock Units and, if applicable, Dividend Equivalent Unit as Prologis determines to be appropriate to generate cash proceeds sufficient to satisfy the obligation for Tax-Related Items.

(d) Depending on the withholding method, Prologis may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent. If the obligation for Tax-Related Items is satisfied by withholding in shares of Stock, for tax purposes, Participant is deemed to have been issued the full number of shares of Stock subject to the vested Restricted Stock Units and, if applicable, Dividend Equivalent Units, notwithstanding that a number of the shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

(e) Finally, Participant agrees to pay to Prologis or the Employer, including through withholding from Participant's wages or other cash compensation paid to Participant by Prologis and/or the Employer, any amount of Tax-Related Items that Prologis or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. Prologis may refuse to issue or deliver the Stock issuable upon vesting of the Restricted Stock Units and, if applicable, Dividend Equivalent Units, or the proceeds of the sale of such Stock, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

7. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of Prologis in respect of any Stock deliverable hereunder unless and until certificates representing such Stock will have been issued, recorded on the records of Prologis or its transfer agents or registrars, and delivered to Participant. After such issuance, recordation and delivery, Participant will have all the rights of a shareholder of Prologis including with respect to voting such Stock and receipt of dividends and distributions on such Stock.

8. Code Section 409A. Notwithstanding anything in the Plan or this Award Agreement to the contrary, if any payment with respect to any Restricted Stock Units (including any Dividend Equivalent Payments) is subject to Section 409A and if such payment is to be paid or provided on account of Participant's Termination Date (or other separation from service or termination of employment, other than death):

(a) and if Participant is a specified employee (within the meaning of Section 409A) and if any such payment or benefit is required to be made or provided prior to the date which is six months following Participant's Termination Date, such payment or benefit shall be delayed until the date which is six months and one day following Participant's Termination Date; provided, however, that if Participant dies prior to this Termination Date, all remaining payments shall be paid to his estate within ninety (90) days following his death; and

(b) the determination as to whether Participant has had a Termination Date (or other termination of employment or separation from service) shall be made in accordance with the provisions of Section 409A and the guidance issued thereunder without application of any alternative levels of reductions of bona fide services permitted thereunder.

It is the intent of this Award Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units and Dividend Equivalent Payments provided under this Award Agreement or Stock issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Neither Prologis nor any Related Company, however, makes any representation regarding the tax consequences of this Award.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENT UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY REMAINING AN EMPLOYEE OF AND/OR PROVIDING MATERIAL SERVICES TO PROLOGIS OR A RELATED COMPANY AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING STOCK HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER, THE VESTING SCHEDULE SET FORTH HEREIN AND PARTICIPANT'S PARTICIPATION IN THE PLAN (a) DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED EMPLOYMENT WITH THE EMPLOYER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, (b) WILL NOT BE INTERPRETED AS FORMING AN EMPLOYMENT OR SERVICES CONTRACT WITH PROLOGIS, THE EMPLOYER OR ANY RELATED COMPANY, AND (c) WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF PROLOGIS, THE EMPLOYER OR ANY RELATED COMPANY, AS APPLICABLE, TO TERMINATE PARTICIPANT'S EMPLOYMENT OR SERVICE RELATIONSHIP (IF ANY) WITH THE EMPLOYER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Address for Notices. Any notice to be given to Prologis or a Related Company or the Employer under the terms of this Award Agreement will be addressed to the Committee, in care of Prologis, at its principal operational offices at 4545 Airport Way, Denver, CO 80239, U.S.A., Attention: General Counsel, or at such other address as Prologis may hereafter designate in writing.

11. Change in Control. In the event that, prior to the Vesting Date and prior to the date on which the Award has otherwise expired and (a) while Participant is an employee and is providing services to Prologis or a Related Company, Participant's employment is terminated by Prologis or the successor to Prologis or a Related Company which is Participant's employer for reasons other than Cause, in any such case within twenty-four (24) months following a Change in Control or (b) the Plan is terminated by Prologis or its successor following a Change in Control without provision for the continuation of the Award to the extent then outstanding, then the Restricted Stock Units and Dividend Equivalent Units, to the extent they have not otherwise expired or been cancelled or forfeited, shall immediately vest and the date of the vesting shall be the "Vesting Date." Any Restricted Stock Units and Dividend Equivalent Units that vest pursuant to this paragraph 11 shall be paid in accordance with the terms and conditions of paragraph 3 above and the other terms and conditions of the Plan.

For purposes of this paragraph 11, Participant's employment shall be deemed to be terminated by Prologis or the successor to Prologis (or a Related Company) if Participant terminates employment after (i) a substantial adverse alteration in the nature of Participant's status or responsibilities from those in effect immediately prior to the Change in Control, or (ii) a material reduction in Participant's annual base salary and target bonus, if any, as in effect immediately prior to the Change in Control.

In any event, if, upon a Change in Control, awards in other shares or securities are substituted for outstanding Awards pursuant to Section 4 of the Plan (or a successor provision), and immediately following the Change in Control, Participant becomes employed by the entity into which Prologis merged, or the purchaser of substantially all of the assets of Prologis, or a successor to such entity or purchaser, Participant shall not be treated as having terminated employment for purposes of this paragraph 11 until such time as Participant ceases to be an employee and/or ceases to provide services to the merged entity or purchaser (or successor), as applicable.

Notwithstanding the foregoing, unless otherwise provided in the Plan or by Prologis in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Stock of Prologis.

12. Nature of Award. In accepting the Award of Restricted Stock Units, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by Prologis;

(b) the Award of Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future Awards, or benefits in lieu of Awards, even if Awards have been granted in the past;

(c) all decisions with respect to future Awards of Restricted Stock Units, if any, will be at the sole discretion of Prologis;

(d) Participant is voluntarily participating in the Plan;

(e) the Restricted Stock Units and the Stock subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;

(f) the Award of Restricted Stock Units and the Stock subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) the future value of the underlying Stock is unknown, indeterminable and cannot be predicted with certainty;

(h) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units and Dividend Equivalent Units resulting from the termination of Participant's employment or other service relationship (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and in consideration of the Award of the Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against Prologis, the Employer and any Related Company, waives his or her ability, if any, to bring any such claim, and releases Prologis, the Employer and all Related Companies from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(i) the following provisions apply only if Participant is employed or providing services outside the United States:

(i) the Restricted Stock Units and the Stock subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose; and

(ii) Participant acknowledges and agrees that neither Prologis, the Employer nor any Related Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units, Dividend Equivalent Payments and/or Dividend Equivalent Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units, Dividend Equivalent Payments and/or Dividend Equivalent Units or the subsequent sale of any Stock acquired upon settlement of the Restricted Stock Units and Dividend Equivalent Units.

13. Choice of Language. Participant has received this Award Agreement and any other related communications (including the Restricted Stock Unit Notice of Grant) and consents to having received these documents solely in English. In the event that any document distributed to Participant in connection with the Award of Restricted Stock Units is translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

14. No Advice Regarding Award. Neither Prologis, the Employer nor any Related Company is providing any tax, legal or financial advice, nor is Prologis, the Employer or any Related Company making any recommendations regarding Participant's participation in the

Plan, or Participant's acquisition or sale of the underlying Stock. Participant is hereby advised to consult with Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

15. Data Privacy Consent. *Participant hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other materials related to the Award of Restricted Stock Units by and among, as applicable, the Employer, Prologis and its Related Companies for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

Participant understands that the Employer, Prologis and its Related Companies may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Stock or directorships held in Prologis, details of all Restricted Stock Units or any other entitlement to Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

*Participant understands that Data will be transferred to E*TRADE Financial Corporate Services and E*TRADE Securities LLC (together "E*TRADE), or such other stock plan service provider as may be selected by Prologis, which is assisting Prologis with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that a recipient's country (e.g., the United States) may have different data privacy laws and protections from Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative.*

*Participant authorizes Prologis, E*TRADE and any other possible recipients which may assist Prologis (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. If Participant resides outside the United States, Participant may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Participant's local human resources representative.*

Participant acknowledges and agrees that this consent is being provided on a purely voluntary basis and that if Participant does not consent, or if Participant later seeks to revoke this consent, Participant's employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that Prologis would not be able to grant Participant Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing this consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of this consent, Participant understands that Participant may contact his or her local human resources representative.

16. Award is Not Transferable. Except to the limited extent provided in paragraph 5, this Award and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process.

17. Binding Agreement. Subject to the limitation on the transferability of this Award contained herein, this Award Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

18. Additional Conditions to Issuance of Stock; Restriction on Sale of Securities If at any time Prologis will determine, in its discretion, that the listing, registration or qualification of the Stock upon any securities exchange or under any local, state, federal or foreign securities or exchange control law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition to the issuance of Stock to Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to Prologis. Participant understands that Prologis is under no obligation to register or qualify the Stock with, or seek any approval or clearance from, any governmental regulatory authority for the issuance or sale of the Stock. Further, Participant agrees that Prologis shall have unilateral authority to amend the Plan and the Award Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to issuance of Stock. Finally, Participant acknowledges that Participant's subsequent sale of the Stock issued pursuant to this Award Agreement may be subject to any market blackout period that may be imposed by Prologis and must comply with Prologis' insider trading policies, and any other applicable securities laws.

19. Committee Authority. The Committee will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units and/or Dividend Equivalent Units have vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon Participant, Prologis and all other interested persons.

20. Electronic Delivery and Acceptance. Prologis may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by Prologis, E*TRADE or another third party designated by Prologis.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

22. Agreement Severable. In the event that any provision in this Award Agreement will be held invalid or unenforceable, whether in whole or in part, such provision (or portion thereof) will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Award Agreement.

23. Modifications to the Award Agreement.

(a) If Participant is an employee, except as expressly set forth in Participant's employment agreement (if any) or any other individual agreements between Prologis and Participant (if any), this Award Agreement (including the Recoupment Policy referenced in paragraph 3(e)) constitutes the entire understanding of the parties on the subjects covered. To the extent that any such agreement between Prologis and an employee-Participant contains more favorable terms with respect to the Restricted Stock Units than the terms contained herein, the terms of such other agreement shall control to the extent that such terms do not conflict with the Plan.

(b) Notwithstanding anything to the contrary in the Plan or this Award Agreement, Prologis may amend this Award Agreement as necessary to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this award of Restricted Stock Units.

(c) Notwithstanding anything to the contrary in the Plan or this Award Agreement, Prologis reserves the right to impose other requirements on Participant's participation in the Plan, on the Award of Restricted Stock Units and on any Stock acquired under the Plan, to the extent that Prologis determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Amendment, Suspension or Termination of the Plan. Participant understands that the Plan is discretionary in nature and may be modified, amended, suspended or terminated by Prologis at any time, to the extent permitted by the Plan.

25. Country Appendix. Notwithstanding any provisions in this Award Agreement, this Award of Restricted Stock Units shall be subject to any special terms and conditions set forth in the Country Appendix to this Award Agreement for Participant's country. Moreover, if Participant relocates to one of the countries included in the Country Appendix, the special terms and conditions for such country, if any, will apply to Participant to the extent that Prologis determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Appendix constitutes part of this Award Agreement.

26. Governing Law & Venue. This Award Agreement will be governed by the laws of the State of Maryland, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Colorado, U.S.A., agree that such litigation shall be conducted in the courts of the county of Denver, Colorado, U.S.A., or the federal courts for the United States for the District of Colorado, where this grant is made and/or to be performed.

27. Waiver. Participant acknowledges that a waiver by Prologis of a breach of any provision of this Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Participant or any other Participant.

Prologis, Inc.
2012 Long-Term Incentive Plan

Country Appendix
Restricted Stock Unit Agreement

The additional terms and conditions set forth in this Country Appendix are specifically incorporated into the Award Agreement. These terms and conditions govern the Restricted Stock Units granted to you under the Prologis, Inc. 2012 Long-Term Incentive Plan (the "Plan") if you work and/or reside in one of the countries listed below.

If you are citizen or resident of a country other than the one in which you are currently working (or are considered as such for local law purposes), or if you move to another country after receiving the Award of Restricted Stock Units, Prologis will, in its discretion, determine the extent to which the terms and conditions herein will be applicable to you.

Certain capitalized terms used but not defined in this Country Appendix have the meanings set forth in the Plan and/or the Award Agreement.

BRAZIL

Compliance with Law

By accepting the Restricted Stock Units, Participant agrees to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the vesting of the Restricted Stock Units and the sale of any Stock acquired under the Plan.

CANADA

Form of Settlement of Award

Notwithstanding subsection 4.1(e) of the Plan, the Restricted Stock Units shall be settled in shares of Stock only.

CHINA

The following provisions govern your participation in the Plan if you are a national of the People's Republic of China ("PRC") resident in mainland China:

Form of Dividend Equivalent Payments

Notwithstanding paragraph 4 of the Award Agreement, Dividend Equivalent Payments shall accrue on the dividend payment date with respect to Stock and be paid to Participant in the form of additional shares of Stock on each Vesting Date of the Restricted Stock Units that entitled Participant to such Dividend Equivalent Payment. For the avoidance of doubt, Dividend Equivalent Payments will be made with respect to the additional shares of Stock described in the preceding sentence. No cash Dividend Equivalent Payments will be made to Participant.

Mandatory Sale Restriction

Due to exchange control restrictions in the People's Republic of China ("PRC"), Participant understands and agrees that Prologis reserves the right to require the automatic sale of any shares of Stock issuable to Participant upon vesting of the Restricted Stock Units and Dividend Equivalent Units. Participant understands and agrees that any automatic sale of the shares of Stock will occur as soon as is practical following settlement of the Restricted Stock Units.

If Prologis does not exercise its right to require the automatic sale of Stock issuable upon settlement of the Restricted Stock Units and Dividend Equivalent Units, as described above, Participant understands and agrees that any Stock acquired by Participant under the Plan must be sold no later than six (6) months after Participant's Termination Date, or within any other such time frame as may be permitted by Prologis or required by the PRC State Administration of Foreign Exchange. Participant understands that any shares of Stock acquired by Participant under the Plan that have not been sold by within six (6) months of Participant's termination date will be automatically sold by Prologis' designated broker at the direction of Prologis.

In this regard, Participant hereby expressly authorizes (i) Prologis to instruct its designated broker to assist with a mandatory sale of such Stock (on Participant's behalf pursuant to this authorization), and (ii) E*TRADE (or any other broker designated by Prologis) to complete the sale of such Stock at the direction of Prologis. Participant acknowledges and agrees that E*TRADE (or any other broker designated by Prologis) is under no obligation to arrange for the sale of the shares of Stock at any particular price. Participant understands and agrees that, upon any such sale of the Stock, the sales proceeds (less any applicable Tax-Related Items and/or broker's fees or commissions) will be remitted to Participant in accordance with any applicable exchange control laws or regulations including, but not limited to, the restrictions set forth in this Country Appendix for China below under "Exchange Control Restrictions."

Exchange Control Restrictions

By accepting the Restricted Stock Units, Participant understands and agrees that, due to PRC exchange control restrictions, Participant is not permitted to transfer any Stock acquired under the Plan out of Participant's account established with E*TRADE (or any other broker with which Prologis deposits the Stock upon vesting of the Restricted Stock Units and Dividend Equivalent Units), and that Participant will be required to immediately repatriate all proceeds from the sale of Stock due to Participant under the Plan to the PRC, including any proceeds from the sale of Stock acquired under the Plan.

Further, Participant understands that such repatriation will need to be effected through a special exchange control account established by Prologis, the Employer, or a Related Company in the PRC, and Participant hereby consents and agrees that the proceeds may be transferred to such special account prior to being delivered to Participant. The proceeds may be paid to Participant in U.S. dollars or in local currency, at Prologis' discretion. If the proceeds are paid in U.S. dollars, Participant understands that he or she will be required to set up a U.S. dollar bank account in the PRC so that the proceeds may be deposited into this account. If the proceeds are paid in local currency, Participant acknowledges that neither Prologis nor any Related Company is under an obligation to secure any particular currency conversion rate and that Prologis (or a Related Company) may face delays in converting the proceeds to local currency due to exchange control requirements in the PRC. Participant agrees to bear any currency fluctuation risk between the time the shares of Stock are sold and the time the proceeds are converted into local currency and distributed to Participant. Participant further agrees to comply with any other requirements that may be imposed by Prologis in the future to facilitate compliance with PRC exchange control requirements.

CZECH REPUBLIC

Form of Dividend Equivalent Payments

Notwithstanding paragraph 4 of the Award Agreement, Dividend Equivalent Payments shall accrue on each dividend payment date with respect to Stock and be paid to Participant in the form of additional shares of Stock on the Vesting Date of the Restricted Stock Units that entitled Participant to such Dividend Equivalent Payment. For the avoidance of doubt, Dividend Equivalent Payments will be made with respect to the additional shares of Stock described in the preceding sentence. No cash Dividend Equivalent Payments will be made to Participant.

FRANCE

Not Tax Qualified Awards

The Restricted Stock Units do not qualify for, and are not intended to qualify for, the specific tax and social security treatment applicable to French-qualified Restricted Stock Units under Section L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended.

Consent to Receive Information in English

By accepting the Restricted Stock Units, Participant confirms having read and understood the Plan and the Award Agreement, which were provided in the English language. Participant accepts the terms of those documents accordingly.

En acceptant cette attribution gratuite d'actions, le Participant confirme avoir lu et compris le Plan et ce Contrat, incluant tous leurs termes et conditions, qui lui ont été transmis en langue anglaise. Le Participant accepte les dispositions de ces documents en connaissance de cause.

GERMANY

Form of Dividend Equivalent Payments

Notwithstanding paragraph 4 of the Award Agreement, Dividend Equivalent Payments shall accrue on each dividend payment date with respect to Stock and be paid to Participant in the form of additional shares of Stock on the Vesting Date of the Restricted Stock Units that entitled Participant to such Dividend Equivalent Payment. For the avoidance of doubt, Dividend Equivalent Payments will be made with respect to the additional shares of Stock described in the preceding sentence. No cash Dividend Equivalent Payments will be made to Participant.

HUNGARY

There are no country-specific provisions.

ITALY

Form of Dividend Equivalent Payments

Notwithstanding paragraph 4 of the Award Agreement, Dividend Equivalent Payments shall accrue on each dividend payment date with respect to Stock and be paid to Participant in the form of additional shares of Stock on the Vesting Date of the Restricted Stock Units that entitled Participant to such Dividend Equivalent Payment. For the avoidance of doubt, Dividend Equivalent Payments will be made with respect to the additional shares of Stock described in the preceding sentence. No cash Dividend Equivalent Payments will be made to Participant.

Data Privacy Consent

This provision replaces paragraph 15 of the Award Agreement ("Data Privacy Consent"):

Participant understands that the Employer, Prologis and any Related Company may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any Stock or directorships held in Prologis or any Related Company, details of all Restricted Stock Units, or any other entitlement to Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data") and will process such Data in compliance with applicable laws and regulations for the exclusive purpose of implementing, managing and administering Participant's participation in the Plan.

Participant understands that providing Prologis with Data is mandatory for compliance with local law and necessary for the performance of the Plan and that Participant's refusal to provide such Data would make it impossible for Prologis to perform its contractual obligations under the Plan. Participant acknowledges and agrees that this consent is being provided on a purely voluntary basis and that if Participant does not consent, or if Participant later seeks to revoke this consent, Participant's employment status or service and career with the Employer *will not be adversely affected; the only adverse consequence of refusing or withdrawing Participant's consent is that Prologis would not be able to grant Participant Restricted Stock units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing this consent may affect Participant's ability to participate in the Plan.*

Participant understands that the Controller of personal data processing is Prologis, Inc., with its principal operational offices at 4545 Airport Way, Denver, Colorado 80239, U.S.A., and, pursuant to Legislative Decree no. 196/2003, its Representative in Italy for privacy purposes is ProLogis Italy Management S.r.l., with its registered offices at Via Milano 150, Cologno Monzese MI, Italy.

Participant understands that Participant's Data will not be publicized, but it may be transferred to banks, other financial institutions or brokers involved in the management and administration of the Plan. Participant further understands that Prologis and its Related Companies will transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of Participant's participation in the Plan, and that Prologis and/or its Related Companies may each further transfer Data to third parties assisting Prologis in the implementation, administration and management of the Plan, including any requisite transfer to a broker or another third party with whom Participant may elect to deposit any Stock acquired under the Plan. Such recipients may receive, possess, use, retain and transfer the Data in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan. Participant understands that these recipients may be located in the European Economic Area, or elsewhere, such as the U.S. Should Prologis exercise its discretion in suspending all necessary legal obligations connected with the management and administration of the Plan, it will delete Participant's Data as soon as it has accomplished all the necessary legal obligations connected with the management and administration of the Plan.

Participant understands that Data processing related to the purposes specified above shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to Legislative Decree no. 196/2003. The processing activity, including communication, the transfer of Participant's Data abroad, including outside of the European Economic Area, as herein specified and pursuant to applicable laws and regulations, does not require Participant's consent thereto as the processing is necessary to performance of contractual obligations related to implementation, administration and management of the Plan. Participant understands that, pursuant to Section 7 of the Legislative Decree no. 196/2003, Participant has the right to, including but not limited to, access, delete, update, ask for rectification of Participant's Data and cease, for legitimate reason, the Data processing. Furthermore, Participant is aware that Participant's Data will not be used for direct marketing purposes. In addition, Participant understands that the Data provided may be reviewed by Participant at any time and that any questions or complaints with respect to the matters described herein may be addressed by contacting Participant's local human resources representative.

Terms of Grant

By accepting the Restricted Stock Units, Participant acknowledges and agrees that he or she has received a copy of the Plan and the Award Agreement, including this Country Appendix, has reviewed these documents in their entirety and fully understands the contents thereof, and accepts the terms and conditions contained in these documents. Specifically, Participant expressly approves the following portions of the Award Agreement: (i) paragraph 2 ("Prologis' Obligation to Pay); (ii) paragraph 3 ("Vesting Schedule and Issuance of Stock); (iii) paragraph 6 ("Withholding of Taxes"); (iv) paragraph 12 ("Nature of Award"); (v) paragraph 13 ("Choice of Language"); (vi) paragraph 23 ("Modifications to the Award Agreement"); (vii) paragraph 26 ("Governing Law and Venue"); and (viii) the Data Privacy Consent set forth above in this Country Appendix for Italy.

JAPAN

There are no country-specific provisions.

LUXEMBOURG

There are no country-specific provisions.

MEXICO

Plan Document Acknowledgement

By accepting the Restricted Stock Units, Participant acknowledges that he or she has received a copy of the Plan, the Restricted Stock Unit Notice of Grant, and the Award Agreement, including this Country Appendix, which Participant has reviewed. Participant acknowledges further that he or she accepts all the provisions of the Plan, the Restricted Stock Unit Notice of Grant, and the Award Agreement, including this Country Appendix. Participant also acknowledges that he or she has read and specifically and expressly approves the terms and conditions set forth in paragraph 12 of the Award Agreement ("Nature of Award"), which clearly provides as follows:

(1) Participant's participation in the Plan does not constitute an acquired right;

(2) The Plan and Participant's participation in it are offered by Prologis on a wholly discretionary basis;

(3) Participant's participation in the Plan is voluntary; and

(4) Prologis, its Related Companies and Participant's Employer are not responsible for any decrease in the value of any Stock acquired at vesting of the Restricted Stock Units.

Labor Law Policy and Acknowledgment

This provision supplements paragraph 12 of the Award Agreement ("Nature of Award"):

In accepting the Award of Restricted Stock Units, Participant expressly recognizes that Prologis with its principal operating offices at 4545 Airport Way, Denver, Colorado 80239, U.S.A., is solely responsible for the administration of the Plan and that Participant's participation in the Plan and acquisition of Stock do not constitute an employment relationship between Participant and Prologis since Participant is participating in the Plan on a wholly commercial basis and his or her sole Employer is Servicios Corporativos GC, S.A. de C.V. Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that he or she may derive from participating in the Plan do not establish any rights between Participant and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that his or her participation in the Plan is as a result of a unilateral and discretionary decision of Prologis; therefore, Prologis reserves the absolute right to amend and/or discontinue Participant's participation at any time without any liability to Participant.

Finally, Participant hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against Prologis for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and Participant therefore grants a full and broad release to Prologis, and its affiliates, branches, representation offices, shareholders, trustees, directors, officers, employees, agents, or legal representatives with respect to any such claim that may arise.

Spanish Translation

Reconocimiento del Documento del Plan

Al aceptar las Unidades de Acciones Restringidas, el Participante reconoce que ha recibido una copia del Plan, la Notificación del Otorgamiento y el Convenio, incluyendo este Apéndice por país, mismos que el Participante ha revisado. El Participante reconoce, además, que acepta todas las disposiciones del Plan, la Notificación del Otorgamiento y el Convenio, incluyendo este Apéndice por país. El Participante también reconoce que ha leído y que específicamente aprueba de forma expresa los términos y condiciones establecidos en la Sección 11 del Convenio: "Naturaleza de la Subvención", que claramente dispone lo siguiente:

(1) La participación del Participante en el Plan no constituye un derecho adquirido;

(2) El Plan y la participación del Participante en el Plan se ofrecen por Prologis de manera totalmente discrecional;

(3) La participación del Participante en el Plan es voluntaria; y

(4) Prologis, sus Compañías Relacionadas y el Patrón del Participante no son responsables de ninguna disminución en el valor de las Acciones adquiridas al momento de tener el derecho respecto a las Unidades de Acciones Restringidas.

Política Laboral y Reconocimiento

Esta disposición suplementa la Sección 13 del Convenio (“naturaleza del Otorgamiento):

Al aceptar esta Recompensa, el Participante expresamente reconoce que Prologis, con domicilio de operaciones ubicado en 4545 Airport Way, Denver, Colorado 80239, EE.UU., es únicamente responsable por la administración del Plan y que la participación del Participante en el Plan y la adquisición de Acciones no constituyen una relación de trabajo entre el Participante y Prologis, ya que el Participante participa en el Plan de una manera totalmente comercial y su único Patrón es Servicios Corporativos GC, S.A. de C.V. Derivado de lo anterior, el Participante expresamente reconoce que el Plan y los beneficios que le pudieran derivar de la participación en el Plan no establecen derecho alguno entre el Participante y el Patrón del Participante y no forman parte de las condiciones de trabajo y/o las prestaciones otorgadas por el Patrón y que cualquier modificación al Plan o su terminación no constituye un cambio o menoscabo de los términos y condiciones de la relación de trabajo del Participante.

Asimismo, el Participante reconoce que su participación en el Plan es resultado de una decisión unilateral y discrecional de Prologis; por lo tanto, Prologis se reserva el derecho absoluto de modificar y/o discontinuar la participación del Participante en cualquier momento y sin responsabilidad alguna frente el Participante.

Finalmente, el Participante por este medio declara que no se reserva derecho o acción alguna en contra de la Compañía por cualquier compensación o daños y perjuicios en relación con cualquier disposición del Plan o de los beneficios derivados del Plan y, por lo tanto, el Participante otorga el más amplio finiquito que en derecho proceda a Prologis, y sus afiliadas, sucursales, oficinas de representación, accionistas, fiduciarios, directores, funcionarios, empleados, agentes o representantes legales en relación con cualquier demanda o reclamación que pudiera surgir.

NETHERLANDS

Prohibition Against Insider Trading

If Participant is a resident of the Netherlands, Participant should be aware of the Dutch insider-trading rules, which may impact Participant’s ability to sell Stock acquired under the Plan. In particular, Participant may be prohibited from effectuating certain share transactions if Participant has inside information regarding Prologis.

Below is a discussion of the applicable restrictions. Participant is advised to read the discussion carefully to determine whether the Dutch insider-trading rules could apply to him or her. If it is uncertain whether the Dutch insider-trading rules apply to Participant, Prologis recommends that Participant should contact his or her own legal advisor. Please note that Prologis cannot be held liable if Participant violates the Dutch insider-trading rules. Participant is responsible for ensuring compliance with these rules.

In accepting the Award of Restricted Stock Units, entering into the Award Agreement and participating in the Plan, Participant acknowledges having read and understood the notification below and acknowledges that it is his or her responsibility to comply with the following Dutch insider-trading rules:

Under Article 5:56 of Dutch Financial Supervision Act, anyone who has "inside information" related to Prologis is prohibited from effectuating a transaction in securities in or from the Netherlands. "Inside information" is defined as knowledge of specific information concerning the issuing company to which the securities relate or the trade in securities by such company, which has not been made public and which, if published, would reasonably be expected to affect the stock price, regardless of the development of the price. The insider could be any employee of Prologis or a Related Company in the Netherlands who has inside information as described herein.

Given the broad scope of the definition of "inside information," certain employees of Prologis or a Related Company who are resident in the Netherlands may have inside information and, thus, would be prohibited from effectuating a transaction Prologis' Stock (*e.g.*, selling shares of Stock acquired under the Plan) in the Netherlands at a time when the employee has such inside information.

POLAND

There are no country-specific provisions.

SINGAPORE

Securities Law Information

The Restricted Stock Units are being granted in reliance on Section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"), under which the grant of Restricted Stock Units is exempt from the prospectus and registration requirements under the SFA. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. Participant hereby acknowledges and agrees that the Restricted Stock Units are subject to Section 257 of the SFA and that Participant will not be able to sell, or offer for sale, Stock acquired upon vesting of the Restricted Stock Units unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than Section 280) of the SFA (Chapter 289, 2006 Ed.).

Director Notification Requirement

Participant understands and agrees that if he or she is a director of a Related Company in Singapore, the Singapore Companies Act requires Participant to notify such Related Company in Singapore in writing of any interest (*e.g.*, Restricted Stock Units, Stock, etc.) that Participant holds in Prologis (or any Related Company) within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously-disclosed interest (*e.g.*, upon vesting of the Restricted Stock units), or (iii) becoming a director, if Participant holds such an interest at that time.

Prohibition Against Insider Trading

Participant should be aware of the Singapore insider-trading rules, which may impact Participant's right to acquire or dispose of Stock acquired under the Plan. Under the Singapore insider-trading rules, Participant is prohibited from selling Stock when he or she is in possession of information concerning Prologis that is not generally available and that Participant knows (or should know) will have a material effect on the price of the Stock once such information is generally available.

In accepting the Award of Restricted Stock Units, entering into the Award Agreement and participating in the Plan, Participant acknowledges having read and understood the notification above and acknowledges that it is his or her responsibility to comply with the following Singapore insider-trading rules.

SLOVAK REPUBLIC

There are no country-specific provisions.

SPAIN

Labor Law Acknowledgement

This provision supplements paragraph 12 of the Award Agreement ("Nature of Award"):

In accepting the Award of Restricted Stock Units, Participant consents to participation in the Plan and has received a copy of the Plan. Participant understands that Prologis has unilaterally, gratuitously and in its sole discretion decided to make an Award of Restricted Stock Units under the Plan to individuals who may be employees of Prologis or its Related Companies throughout the world. This decision is a limited decision that is entered into upon the express assumption and condition that any Award will not economically or otherwise bind Prologis or any of its Related Companies on an ongoing basis except as provided in the Award Agreement and Plan. Consequently, Participant understands that the Award of Restricted Stock Units is made on the assumption and condition that the Restricted Stock Units, any Dividend Equivalent Payments and any Stock issuable upon vesting of the Restricted Stock Units (i) shall not become a part of any employment contract (either with Prologis or any of its Related Companies), (ii) shall not be considered a mandatory benefit, right or entitlement for any purpose, and (iii) shall not be considered salary, wages or compensation for any purpose (including calculating severance compensation). Participant understands that the Award of Restricted Stock Units would not be made to Participant but for the assumptions and conditions referred to above; thus, Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any Award made to Participant under the Plan shall be null and void.

Further, the vesting of the Restricted Stock Units and/or Dividend Equivalent Units is expressly conditioned on Participant's continued and active rendering of service to Prologis or a Related Company, such that if Participant's service terminates for any reason (other than death, Disability or Retirement), the Restricted Stock Units and Dividend Equivalent Units may cease vesting immediately, in whole or in part, effective on Participant's Termination Date (unless otherwise specifically provided in the Plan or the Award Agreement). This will be the case, for example, even if (1) Participant is considered to be unfairly dismissed without good cause; (2) Participant is dismissed for disciplinary or objective reasons or due to a collective dismissal; (3) Participant terminates employment or service due to a change of work location, duties or any other employment or contractual condition; (4) Participant terminates employment or service due to a unilateral breach of contract by Prologis or a Related Company; or (5) Participant's service terminates for any other reason whatsoever. Consequently, upon termination of Participant's employment or service for any of the above reasons, Participant may automatically lose any rights to Restricted Stock Units and Dividend Equivalent Units that were not vested on Participant's Termination Date, as described in the Plan and the Award Agreement.

The Participant acknowledges that he or she has read and specifically accepts the conditions referred to in paragraph 2 and paragraph 3 of the Award Agreement.

Securities Law Notice

The Restricted Stock Units do not qualify as "securities" under Spanish law. No "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the Award of the Restricted Stock Units. Further, none of the materials distributed to Participant in connection with the Award of Restricted Stock Units, including the Plan document and the Award Agreement (i) have been, or will be, registered with the *Comisión Nacional del Mercado de Valores*, and (ii) do not constitute a public offering prospectus.

SWEDEN

There are no country-specific provisions.

UNITED KINGDOM

Tax Acknowledgment

This provision supplements paragraph 6 of the Award Agreement ("Withholding of Taxes"):

If payment or withholding of income tax due by Participant in connection with the Restricted Stock Units is not made within 90 days of the event giving rise to the income tax or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003 (the "Due Date"), Participant agrees that the amount of any uncollected income tax shall (assuming Participant is not a director or executive officer of Prologis (within the meaning of Section 13(k) of the Exchange Act)), constitute a loan owed by Participant to the Employer, effective on the Due Date. Participant agrees that the loan (i) will bear interest at the then-current Her Majesty's Revenue and Customs ("HMRC") Official Rate, (ii) will be immediately due and repayable, and (iii) may be recovered by Prologis and/or the Employer any time by any of the means referred to in paragraph 6 of the Award Agreement.

If Participant is a director or executive officer of Prologis (as described above) and such income tax is not collected from or paid by Participant by the Due Date, the amount of such uncollected income tax will constitute an additional benefit to Participant on which additional income tax and national insurance contributions ("NICs") will be payable. Participant will be responsible for reporting any income tax and NICs due on this additional benefit directly to HMRC under the self-assessment regime.

UNITED STATES

There are no country-specific provisions.

EXHIBIT 12.1

PROLOGIS, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollar amounts in thousands)

	Nine Months Ended September 30,	Year Ended December 31,				
	2012	2011	2010	2009	2008	2007
Earnings (loss) from continuing operations	$ 175,314	$(244,459)	$(1,589,462)	$(355,089)	$(367,062)	$ 841,022
Add (Deduct):						
Fixed charges	434,488	531,965	518,399	471,130	556,046	514,636
Capitalized interest	(40,054)	(52,651)	(53,661)	(94,205)	(168,782)	(123,880)
Loss (earnings) from unconsolidated entities, net	(20,447)	(59,935)	(23,678)	(28,059)	55,774	(99,026)
Distributed income from equity entities	27,644	72,976	27,404	63,885	50,042	98,134
Income tax expense (benefit)	216	1,776	(30,499)	5,975	68,011	66,855
Earnings (loss), as adjusted	**$ 577,161**	**$ 249,672**	**$(1,151,497)**	**$ 63,637**	**$ 194,029**	**$1,297,741**
Fixed charges:						
Interest expense	$ 384,489	$ 468,738	$ 461,166	$ 372,768	$ 383,781	$ 387,910
Capitalized interest	40,054	52,651	53,661	94,205	168,782	123,880
Portion of rents representative of the interest factor	9,945	10,576	3,572	4,157	3,483	2,846
Total fixed charges	**$ 434,488**	**$ 531,965**	**$ 518,399**	**$ 471,130**	**$ 556,046**	**$ 514,636**
Ratio of earnings (loss), as adjusted, to fixed charges	**1.3**	**(a)**	**(a)**	**(a)**	**(a)**	**2.5**

(a) The loss from continuing operations for 2011, 2010, 2009 and 2008 includes impairment charges of $147.7 million, $1.1 billion, $495.2 million, and $595.3 million, respectively, that are discussed in our Annual Report on Form 10-K. Our fixed charges exceed our earnings (loss), as adjusted, by $282.3 million, $1.7 billion, $407.5 million and $362.0 million for 2011, 2010, 2009 and 2008, respectively.

EXHIBIT 12.2

PROLOGIS, INC.
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED SHARE DIVIDENDS
(Dollar amounts in thousands)

	Nine Months Ended September 30,	Year Ended December 31,				
	2012	2011	2010	2009	2008	2007
Earnings (loss) from continuing operations	$ 175,314	$(244,459)	$(1,589,462)	$(355,089)	$(367,062)	$ 841,022
Add (Deduct):						
Fixed charges	434,488	531,965	518,399	471,130	556,046	514,636
Capitalized interest	(40,054)	(52,651)	(53,661)	(94,205)	(168,782)	(123,880)
Loss (earnings) from unconsolidated entities, net	(20,447)	(59,935)	(23,678)	(28,059)	55,774	(99,026)
Distributed income from equity entities	27,644	72,976	27,404	63,885	50,042	98,134
Income tax expense (benefit)	216	1,776	(30,499)	5,975	68,011	66,855
Earnings (loss), as adjusted	**$ 577,161**	**$ 249,672**	**$(1,151,497)**	**$ 63,637**	**$ 194,029**	**$1,297,741**
Combined fixed charges and preferred share dividends:						
Interest expense	$ 384,489	$ 468,738	$ 461,166	$ 372,768	$ 383,781	$ 387,910
Capitalized interest	40,054	52,651	53,661	94,205	168,782	123,880
Portion of rents representative of the interest factor	9,945	10,576	3,572	4,157	3,483	2,846
Total fixed charges	434,488	531,965	518,399	471,130	556,046	514,636
Preferred share dividends	30,921	34,696	25,424	25,423	25,423	25,423
Combined fixed charges and preferred share dividends	**$ 465,409**	**$ 566,661**	**$ 543,823**	**$ 496,553**	**$ 581,469**	**$ 540,059**
Ratio of earnings (loss), as adjusted, to combined fixed charges and preferred share dividends	**1.2**	**(a)**	**(a)**	**(a)**	**(a)**	**2.4**

(a) The loss from continuing operations for 2011, 2010, 2009 and 2008 includes impairment charges of $147.7 million, $1.1 billion, $495.2 million, and $595.3 million, respectively, that are discussed in our Annual Report on Form 10-K. Our combined fixed charges and preferred share dividends exceeded our earnings (loss), as adjusted, by $317.0 million, $1.7 billion, $432.9 million and $387.4 million for 2011, 2010, 2009 and 2008, respectively.

EXHIBIT 12.3

PROLOGIS, L.P.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollar amounts in thousands)

	Nine Months Ended September 30,	Year Ended December 31,				
	2012	2011	2010	2009	2008	2007
Earnings (loss) from continuing operations	$ 175,314	$(244,459)	$(1,589,462)	$(355,089)	$(367,062)	$ 841,022
Add (Deduct):						
Fixed charges	434,488	531,965	518,399	471,130	556,046	514,636
Capitalized interest	(40,054)	(52,651)	(53,661)	(94,205)	(168,782)	(123,880)
Loss (earnings) from unconsolidated entities, net	(20,447)	(59,935)	(23,678)	(28,059)	55,774	(99,026)
Distributed income from equity entities	27,644	72,976	27,404	63,885	50,042	98,134
Income tax expense (benefit)	216	1,776	(30,499)	5,975	68,011	66,855
Earnings (loss), as adjusted	**$ 577,161**	**$ 249,672**	**$(1,151,497)**	**$ 63,637**	**$ 194,029**	**$1,297,741**
Fixed charges:						
Interest expense	$ 384,489	$ 468,738	$ 461,166	$ 372,768	$ 383,781	$ 387,910
Capitalized interest	40,054	52,651	53,661	94,205	168,782	123,880
Portion of rents representative of the interest factor	9,945	10,576	3,572	4,157	3,483	2,846
Total fixed charges	**$ 434,488**	**$ 531,965**	**$ 518,399**	**$ 471,130**	**$ 556,046**	**$ 514,636**
Ratio of earnings (loss), as adjusted, to fixed charges	**1.3**	**(a)**	**(a)**	**(a)**	**(a)**	**2.5**

(a) The loss from continuing operations for 2011, 2010, 2009 and 2008 includes impairment charges of $147.7 million, $1.1 billion, $495.2 million and $595.3 million, respectively, that are discussed in our Annual Report on Form 10-K. Our fixed charges exceeded our earnings (loss), as adjusted, by $282.3 million, $1.7 billion, $407.5 million and $362.0 million for 2011, 2010, 2009 and 2008, respectively.

PROLOGIS, L.P.
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED UNIT DIVIDENDS
(Dollar amounts in thousands)

	Nine Months Ended September 30,	Year Ended December 31,				
	2012	2011	2010	2009	2008	2007
Earnings (loss) from continuing operations	$ 175,314	$(244,459)	$(1,589,462)	$(355,089)	$(367,062)	$ 841,022
Add (Deduct):						
Fixed charges	434,488	531,965	518,399	471,130	556,046	514,636
Capitalized interest	(40,054)	(52,651)	(53,661)	(94,205)	(168,782)	(123,880)
Loss (earnings) from unconsolidated entities, net	(20,447)	(59,935)	(23,678)	(28,059)	55,774	(99,026)
Distributed income from equity entities	27,644	72,976	27,404	63,885	50,042	98,134
Income tax expense (benefit)	216	1,776	(30,499)	5,975	68,011	66,855
Earnings (loss), as adjusted	**$ 577,161**	**$ 249,672**	**$(1,151,497)**	**$ 63,637**	**$ 194,029**	**$1,297,741**
Combined fixed charges and preferred unitdividends:						
Interest expense	$ 384,489	$ 468,738	$ 461,166	$ 372,768	$ 383,781	$ 387,910
Capitalized interest	40,054	52,651	53,661	94,205	168,782	123,880
Portion of rents representative of the interest factor	9,945	10,576	3,572	4,157	3,483	2,846
Total fixed charges	434,488	531,965	518,399	471,130	556,046	514,636
Preferred unit dividends	30,921	34,696	25,424	25,423	25,423	25,423
Combined fixed charges and preferred unit dividends	**$ 465,409**	**$ 566,661**	**$ 543,823**	**$ 496,553**	**$ 581,469**	**$ 540,059**
Ratio of earnings (loss), as adjusted, to combined fixed charges and preferred unit dividends	**1.2**	**(a)**	**(a)**	**(a)**	**(a)**	**2.4**

(a) The loss from continuing operations for 2011, 2010, 2009 and 2008 includes impairment charges of $147.7 million, $1.1 billion, $495.2 million, and $595.3 million, respectively, that are discussed in our Annual Report on Form 10-K. Our combined fixed charges and preferred unit dividends exceeded our earnings (loss), as adjusted, by $317.0 million, $1.7 billion, $432.9 million and $387.4 million for 2011, 2010, 2009 and 2008, respectively.

EXHIBIT 15.1

The Board of Directors
Prologis, Inc.:

Re: Registration Statement Nos. 333-78699, 333-81475, 333-75951, and 333-177112 on Form S-3; Registration Statement Nos. 333-173891 and 333-172741 on Form S-4; and Registration Statement Nos. 333-42015, 333-78779, 333-90042, 333-100214, 333-144489, 333-177378, 333-178955, and 333-181529 on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated November 6, 2012 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.

KPMG LLP

Denver, Colorado
November 6, 2012

EXHIBIT 15.2

The Partners
Prologis, L.P.:

Re: Registration Statement No. 333-177112 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 November 6, 2012 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.

KPMG LLP

Denver, Colorado
November 6, 2012

EXHIBIT 31.1

CERTIFICATION

We, Hamid R. Moghadam and Walter C. Rakowich, certify that:

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

2. Based on our 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 our 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. We, and the registrant's other certifying officer, 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. We, and the registrant's other certifying officer, 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: November 6, 2012

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

/s/ Walter C. Rakowich
Name: Walter C. Rakowich
Title: Co-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: November 6, 2012

/s/ Thomas S. Olinger

Name: Thomas S. Olinger

Title: Chief Financial Officer

EXHIBIT 31.3

CERTIFICATION

We, Hamid R. Moghadam and Walter C. Rakowich, certify that:

1. We have reviewed this quarterly report on Form 10-Q of Prologis, L.P.;
2. Based on our 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 our 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. We, and the registrant's other certifying officer, 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. We, and the registrant's other certifying officer, 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: November 6, 2012

	/s/ Hamid R. Moghadam
Name:	Hamid R. Moghadam
Title:	Co-Chief Executive Officer
	/s/ Walter C. Rakowich
Name:	Walter C. Rakowich
Title:	Co-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: November 6, 2012

/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, 2012 (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: November 6, 2012

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

Dated: November 6, 2012

/s/ Walter C. Rakowich
Name: Walter C. Rakowich
Title: Co-Chief Executive Officer

Dated: November 6, 2012

/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, 2012 (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: November 6, 2012		/s/ Hamid R. Moghadam
	Name:	Hamid R. Moghadam
	Title:	Co-Chief Executive Officer
Dated: November 6, 2012		/s/ Walter C. Rakowich
	Name:	Walter C. Rakowich
	Title:	Co-Chief Executive Officer
Dated: November 6, 2012		/s/ Thomas S. Olinger
	Name:	Thomas S. Olinger
	Title:	Chief Financial Officer