

April 22, 2010



ProLogis Reports First Quarter Results

-- Development Leasing on Track; Total Operating Portfolio Leasing Flat --

-- Fee Deals Leverage Development Organization --

-- More than \$135 Million of Land Sold or Moved into Development --

-- Broadens FY 2010 FFO Guidance and Expands on Timing --

DENVER, April 22 /PRNewswire-FirstCall/ -- ProLogis (NYSE: PLD), a leading global provider of distribution facilities, today reported funds from operations as defined by ProLogis (FFO), including significant non-cash items, of \$0.01 per diluted share for the first quarter of 2010, compared with \$0.90 in the first quarter of 2009. Included in 2010 results are charges of approximately \$53.6 million, or \$0.12 per diluted share, related to losses on early extinguishment of debt and the company's share of fund-related derivative losses. For the first quarter of 2009, FFO included \$178 million, or \$0.66 per diluted share, of net gains related to the sale of the company's property fund investments in Japan and gains on early extinguishment of debt. ProLogis reported a net loss of \$0.19 per diluted share for the first quarter of 2010, compared with net income of \$0.66 for the same period in 2009.

Industrial Fundamentals Expected to Reflect Economic Recovery in Second Half of 2010

Walter C. Rakowich, chief executive officer, noted, "We are encouraged by the positive trends in key global economic indicators. However, industrial real estate generally lags the broader economy and, although we are seeing activity, it has yet to translate into increased occupancies. Fundamentals continued to bump along the bottom during the first quarter, and our operating results reflect a market still in transition. Activity levels remain stronger than six months ago, long-term demand drivers continue to strengthen, and we anticipate these trends will support increases in overall occupancy levels later this year.

"Globally, valuations are improving. However, industrial real estate market leasing conditions remain mixed, with a pick up in leasing in the U.K. and much of Western Europe, while Central and Eastern Europe and most U.S. markets remain soft. And, as we have seen in recent years, demand in Asia continues to be closely related to the lack of modern distribution space," Rakowich said. "We continue to expect that the lack of new supply throughout the majority of our markets will support additional build-to-suit development opportunities, and we anticipate improved leasing activity and positive net absorption as the global economic recovery gains momentum in late 2010 and throughout 2011."

For the quarter, the company's total industrial operating portfolio (including completed development) was 89.2 percent leased, unchanged from the fourth quarter of 2009,

reflecting a 500 basis point increase in leasing of completed development, offset by decreases in the leased percentage of the company's core and investment management portfolios. Total leasing activity was 29.6 million square feet in the first quarter of 2010, compared with average quarterly leasing 27.0 million square feet in 2009. Rental rates on turnovers in the same-store total portfolio declined 12.3 percent in the first quarter, consistent with fourth quarter 2009 levels, while same-store net operating income declined 3.1 percent.

Development-Related Activity

"Development activity was solid during the quarter, and we are making progress toward our goal to monetize \$350 to \$400 million of land this year," noted Ted R. Antenucci, president and chief investment officer. "In addition, our development activity is creating significant value. Given cap rate improvements in many global markets, the development we began in the fourth and first quarters will likely generate in excess of \$60 million of increased value relative to our investment."

The company started construction on three industrial facilities during the quarter, two of which were build-to-suits. The first build-to-suit is a 115,000-square-foot building for a major third-party logistics provider in Budapest, Hungary. The second is a 250,000-square-foot expansion in the U.K. for a large British-based home furnishing retailer. During the quarter, development also began on ProLogis Parc Kawajima, a 1.55-million-square-foot inventory distribution facility located in Tokyo, slated for completion in mid-2011. Pre-development discussions with customers have resulted in letters of intent or expressions of interest for approximately one-third of the space. Total expected investment for these three buildings is expected to be \$252 million, including the monetization of more than \$91 million of land.

"During the quarter, we also signed four fee development agreements for new facilities with total expected development costs of over \$80 million for customers in France, Germany and Sweden," said Antenucci. "This activity utilizes ProLogis' development infrastructure without requiring additional capital investment from us. These fee agreements, together with other projects underway, represent over approximately 50 percent of the development management income that we expect to recognize during 2010. In addition, we have a solid pipeline of additional build-to-suit opportunities and feel good about our goal of starting \$700 - \$800 million of development this year."

The company completed land sales totaling approximately \$47 million during the quarter, including \$8 million related to the above mentioned development fee agreements. These sales, when combined with land placed into development, represent more than 35 percent of the company's expected \$350 - \$400 million of land monetization in 2010.

Results of Successful Capital Markets Activity

Following the tender offer for certain senior notes and the issuance of \$1.56 billion of new senior notes in the first quarter, the company reduced its 2012 direct debt maturities from \$2.3 billion at year-end 2009, to \$1.3 billion at March 31, 2010, and its 2013 direct debt maturities from \$1.5 billion to \$1.1 billion for the same periods. As a result, debt maturities have been smoothed, with the greatest amount maturing in any given year at just 16 percent of total debt. The company's outstanding borrowings on its line of credit at March 31, 2010, were approximately \$170 million.

Broadens Full-Year Guidance Range and Expands on Timing

A charge of \$53.6 million, or \$0.12 per share, was recognized in the first quarter related to the capital markets activity and settlement of fund-related derivatives. The company expects approximately \$0.04 per share of full-year dilution related to the senior notes offering, in addition to the first quarter charge.

The company widened its full-year 2010 guidance for FFO, excluding significant non-cash items, from its earlier guidance of \$0.74 - \$0.78 per diluted share to \$0.70 - \$0.78 per diluted share, which includes expected gains on dispositions of development and land and dilution from the senior notes offering, but does not include the first quarter charge of \$0.12 per share noted above. Net earnings per share (EPS) guidance has been reduced to \$0.09 - \$0.13, from \$0.25 - \$0.29 per diluted share principally related to the first quarter charge and dilution associated with capital markets activity. "Our internal projection for full-year FFO and EPS guidance was always anticipated to be significantly back-end weighted. This was based on our expectation of flat-to-slightly-negative operating fundamentals in the first half, with the second quarter most negatively impacted by lower capitalized costs associated with completed developments. With the lease up of our development portfolio, as well as our expectation of improved operating fundamentals later this year, we expect to see an increase in our core FFO run rate in the second half," said William E. Sullivan, chief financial officer.

"Results for the first quarter were slightly below our expectations, negatively impacted by roughly \$0.01 per share related to a stronger dollar and modestly lower occupancy. We continue to closely monitor market conditions, real estate values and operating results, as well as potential upside from improved fundamentals and development activity; and we believe that in the second half of the year we will begin to see the impact from the recent positive momentum in the macroeconomic environment," Sullivan said.

About ProLogis

ProLogis is a leading global provider of distribution facilities, with more than 475 million square feet of industrial space owned and managed (44 million square meters) in markets across North America, Europe and Asia. The company leases its industrial facilities to more than 4,400 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. For additional information about the company, go to www.prologis.com.

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The statements above that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which ProLogis operates, management's beliefs and assumptions made by management, they involve uncertainties that could significantly impact ProLogis' financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address

operating performance, events or developments that we expect or anticipate will occur in the future – including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume of developed properties, general conditions in the geographic areas where we operate and the availability of capital in existing or new property funds – are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, (v) maintenance of real estate investment trust (“REIT”) status, (vi) availability of financing and capital, (vii) changes in demand for developed properties, and (viii) those additional factors discussed in reports filed with the Securities and Exchange Commission by ProLogis under the heading “Risk Factors.” ProLogis undertakes no duty to update any forward-looking statements appearing in this press release.

Overview

(in thousands, except per share amounts)

Summary of Results

	Three Months Ended	
	March 31,	
	2010	2009
Revenues	\$ 260,015	\$ 432,756
Net earnings (loss) (a)	\$ (91,129)	\$ 178,732
Net earnings (loss) per share - Diluted (a)	\$ (0.19)	\$ 0.66
FFO, including significant non-cash items (a)	\$ 7,117	\$ 242,265
Add (deduct) significant non-cash items:		
Net gain related to disposed assets - China operations	-	(3,315)
Losses (gains) on early extinguishment of debt	15,233	(17,928)
Our share of certain losses recognized by the property funds	575	11,283
Total adjustments for significant non-cash items	15,808	(9,960)

FFO, excluding significant non-cash items (a)	\$ 22,925	\$ 232,305
FFO per share - Diluted, including significant non-cash items (a)	\$ 0.01	\$ 0.90
Add (deduct) - summarized significant non-cash adjustments - per share	0.04	(0.04)
FFO per share - Diluted, excluding significant non-cash items (a)	\$ 0.05	\$ 0.86

(a) These amounts are attributable to common shares.

Footnotes follow Financial Statements

Consolidated Balance Sheets

(in thousands, except per share data)

	March 31, 2010	December 31, 2009
Assets:		
Investments in real estate assets:		
Industrial properties:		
Core	\$ 7,431,138	\$ 7,436,539
Core - completed development	4,013,489	4,108,962
Properties under development	194,226	191,127
Land held for development	2,387,984	2,569,343
Retail and mixed use properties	303,191	302,838
Land subject to ground leases and other	428,929	373,422
Other investments	236,741	233,665
	14,995,698	15,215,896
Less accumulated depreciation	1,731,720	1,671,100
Net investments in real estate assets	13,263,978	13,544,796

Investments in and advances to unconsolidated investees:

Property funds	1,985,686	1,876,650
Other unconsolidated investees	283,339	275,073
Total investments in and advances to unconsolidated investees	2,269,025	2,151,723
Cash and cash equivalents	55,878	34,362
Accounts and notes receivable	153,036	136,754
Other assets	1,023,560	1,017,780
Total assets	\$ 16,765,477	\$ 16,885,415

Liabilities and Equity:

Liabilities:

Debt (1)	\$ 8,112,712	\$ 7,977,778
Accounts payable and accrued expenses	436,331	455,919
Other liabilities	473,621	444,432
Total liabilities	9,022,664	8,878,129

Equity:

ProLogis shareholders' equity:

Series C preferred shares at stated liquidation preference of \$50 per share	100,000	100,000
Series F preferred shares at stated liquidation preference of \$25 per share	125,000	125,000
Series G preferred shares at stated liquidation preference of \$25 per share	125,000	125,000
Common shares at \$.01 par value per share	4,765	4,742
Additional paid-in capital	8,559,492	8,524,867
Accumulated other comprehensive income (loss) (2)	(88,502)	42,298
Distributions in excess of net earnings	(1,097,426)	(934,583)
Total ProLogis shareholders' equity	7,728,329	7,987,324

Noncontrolling interests	14,484	19,962
Total equity	7,742,813	8,007,286
Total liabilities and equity	\$ 16,765,477	\$ 16,885,415

Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2010	2009
Revenues:		
Rental income (3)	\$ 230,277	\$ 216,124
Property management and other fees and incentives	28,662	33,634
CDFS disposition proceeds (4)	-	180,237
Development management and other income	1,076	2,761
Total revenues	260,015	432,756
Expenses:		
Rental expenses	67,654	66,795
Investment management expenses	10,319	10,576
General and administrative (5)	42,006	48,243
Reduction in workforce (5)	-	4,462
Depreciation and amortization	86,249	74,501
Other expenses	4,267	6,419
Total expenses	210,495	210,996
Operating income	49,520	221,760

Other income (expense):

Earnings from unconsolidated property funds, net	5,894	2,098
Earnings from other unconsolidated investees, net	2,079	2,201
Interest expense (6)	(109,979)	(92,932)
Other income (expense), net	(172)	1,693
Net gains on dispositions of real estate properties (7)	11,807	2,511
Foreign currency exchange gains, net (8)	3,688	30,537
Gains (loss) on early extinguishment of debt (1)	(47,633)	17,928
Total other income (expense)	(134,316)	(35,964)
Earnings (loss) before income taxes	(84,796)	185,796
Current income tax expense (4)	9,753	22,189
Deferred income tax benefit	(1,551)	(6,828)
Total income taxes	8,202	15,361
Earnings (loss) from continuing operations	(92,998)	170,435
Discontinued operations (9):		
Income attributable to disposed properties	343	11,850
Net gain related to disposed assets - China operations (4)	-	3,315
Net gains (impairments) on dispositions:		
Non-development properties	8,083	-
Development properties and land subject to ground leases	65	(189)
Total discontinued operations	8,491	14,976
Consolidated net earnings (loss)	(84,507)	185,411
Net earnings attributable to noncontrolling interests	(253)	(310)
Net earnings (loss) attributable to controlling interests	(84,760)	185,101
Less preferred share dividends	6,369	6,369
Net earnings (loss) attributable to common shares	\$ (91,129)	\$ 178,732
Weighted average common shares outstanding - Basic	474,991	267,716

Weighted average common shares outstanding - Diluted	474,991	270,278
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Net earnings (loss) per share attributable to common shares - Basic:

Continuing operations	\$ (0.21)	\$ 0.61
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Discontinued operations	0.02	0.06
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Net earnings (loss) per share attributable to common shares - Basic	\$ (0.19)	\$ 0.67
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Net earnings (loss) per share attributable to common shares - Diluted:

Continuing operations	\$ (0.21)	\$ 0.60
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Discontinued operations	0.02	0.06
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Net earnings (loss) per share attributable to common shares - Diluted	\$ (0.19)	\$ 0.66
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Footnotes follow Financial Statements

Consolidated Statements of Funds From Operations (FFO)

(in thousands, except per share amounts)

Three Months Ended

March 31,

2010	2009
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Revenues:

Rental income	\$ 230,918	\$ 243,535
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Property management and other fees and incentives	28,662	33,727
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CDFS disposition proceeds (4)	-	180,237
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Development management and other income	1,076	2,761
Total revenues	260,656	460,260
Expenses:		
Rental expense	67,886	75,369
Investment management expenses	10,319	10,576
General and administrative	42,006	49,548
Reduction in workforce (5)	-	4,462
Depreciation of corporate assets	3,395	4,118
Other expenses	4,267	6,456
Total expenses	127,873	150,529
Operating FFO	132,783	309,731
Other income (expense):		
FFO from unconsolidated property funds	34,036	36,743
FFO from other unconsolidated investees	3,632	5,013
Interest expense	(109,979)	(92,762)
Other income (expense), net	(172)	3,419
Net gains on dispositions of real estate properties (7) (10)	9,495	1,571
Foreign currency exchange gains (losses), net	479	(13,480)
Gains (losses) on early extinguishment of debt (1)	(47,633)	17,928
Current income tax expense (4) (10)	(8,902)	(22,390)
Net gain related to disposed assets - China operations (4)	-	3,315
Total other income (expense)	(119,044)	(60,643)
FFO	13,739	249,088
Less preferred share dividends	6,369	6,369
Less net earnings (loss) attributable to noncontrolling interests	253	454

FFO attributable to common shares, including significant non-cash items	\$ 7,117	\$ 242,265
Adjustments for significant non-cash items	15,808	(9,960)
FFO attributable to common shares, excluding significant non-cash items	\$ 22,925	\$ 232,305
Weighted average common shares outstanding - Basic	474,991	267,716
FFO per share attributable to common shares, including significant non-cash items:		
Basic	\$ 0.01	\$ 0.90
Diluted	\$ 0.01	\$ 0.90
FFO per share attributable to common shares, excluding significant non-cash items:		
Basic	\$ 0.05	\$ 0.87
Diluted	\$ 0.05	\$ 0.86

Footnotes follow Financial Statements

Reconciliations of Net Earnings (Loss) to FFO and EBITDA

(in thousands)

Reconciliation of net earnings (loss) to FFO, including significant non-cash items

Three Months Ended
March 31,
2010 2009

Net earnings (loss) (a)	\$ (91,129)	\$ 178,732
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Add (deduct) NAREIT defined adjustments:

Real estate related depreciation and amortization	82,854	70,383
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Adjustments to gains on dispositions for depreciation	(1,629)	(751)
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Gains on dispositions of non-development properties	103	1,621
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Reconciling items attributable to discontinued operations: (9)

Gains on dispositions of non-development properties	(8,083)	-
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Real estate related depreciation and amortization	66	6,413
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Total discontinued operations	(8,017)	6,413
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Our share of reconciling items from unconsolidated investees:

Real estate related depreciation and amortization	37,641	38,317
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Other amortizations items	(3,474)	(3,590)
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Total unconsolidated investees	34,167	34,727
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Total NAREIT defined adjustments	107,478	112,393
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Subtotal-NAREIT defined adjustments	16,349	291,125
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Add (deduct) our defined adjustments:

Foreign currency exchange gains, net (8)	(3,209)	(43,948)
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Deferred income tax benefit	(1,551)	(6,840)
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Our share of reconciling items from unconsolidated investees:

Foreign currency exchange losses (gains), net (8)	(787)	1,651
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Unrealized gains on derivative contracts, net	(4,060)	(1,854)
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Deferred income tax expense	375	2,131
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Total unconsolidated investees	(4,472)	1,928
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Total our defined adjustments	(9,232)	(48,860)
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FFO, including significant non-cash items (a)	\$ 7,117	\$ 242,265
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Reconciliation of FFO, including significant non-cash items to FFO, excluding significant non-cash items

Three Months Ended

	March 31,	
	2010	2009
FFO, including significant non-cash items (a)	\$ 7,117	\$ 242,265
Add (deduct) significant non-cash items:		
Net gain related to disposed assets - China operations (4)	-	(3,315)
Losses (gains) on early extinguishment of debt (1)	15,233	(17,928)
Our share of certain losses recognized by the property funds	575	11,283
Total adjustments for significant non-cash items	15,808	(9,960)
FFO, excluding significant non-cash items (a)	\$ 22,925	\$ 232,305

Reconciliation of FFO, excluding significant non-cash items, to EBITDA

	Three Months Ended	
	March 31,	
	2010	2009
FFO, excluding significant non-cash items (a)	\$ 22,925	\$ 232,305
Interest expense	109,979	92,762
Depreciation of corporate assets	3,395	4,118
Current income tax expense included in FFO	9,753	22,390
Adjustments to gains on dispositions for interest capitalized	593	2,758
Preferred share dividends	6,369	6,369
Impairment charges	-	189
Share of reconciling items from unconsolidated investees	51,467	51,888
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	\$ 204,481	\$ 412,779

(a) Attributable to common shares.

See Consolidated Statements of Operations and Consolidated Statements of FFO

Footnotes follow Financial Statements

Calculation of Per Share Amounts

(in thousands, except per share amounts)

Net Earnings (Loss) Per Share

	Three Months Ended	
	March 31,	
	2010 (a)	2009
Net earnings (loss) - Basic (b)	\$ (91,129)	\$ 178,732
Noncontrolling interest attributable to convertible limited partnership units (c)	-	310
Adjusted net earnings (loss) - Diluted (b)	\$ (91,129)	\$ 179,042
Weighted average common shares outstanding - Basic	474,991	267,716
Incremental weighted average effect of conversion of limited partnership units (c)	-	1,235
Incremental weighted average effect of stock awards (d)	-	1,327
Weighted average common shares outstanding - Diluted (e)	474,991	270,278
Net earnings (loss) per share - Diluted (b)	\$ (0.19)	\$ 0.66

FFO Per Share, including significant non-cash items

	Three Months Ended	
	March 31,	
	2010	2009
FFO - Basic, including significant non-cash items (b)	\$ 7,117	\$ 242,265
Noncontrolling interest attributable to convertible limited partnership units (c)	-	310

FFO - Diluted, including significant non-cash items (b)	\$ 7,117	\$ 242,575
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Weighted average common shares outstanding - Basic	474,991	267,716
Incremental weighted average effect of conversion of limited partnership units (c)	-	1,235
Incremental weighted average effect of stock awards (d)	3,004	1,327
Weighted average common shares outstanding - Diluted (e)	477,995	270,278

FFO per share - Diluted, including significant non-cash items (b)	\$ 0.01	\$ 0.90
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FFO Per Share, excluding significant non-cash items

Three Months Ended
March 31,
2010 2009

FFO - Basic, including significant non-cash items (b)	\$ 7,117	\$ 242,265
Adjustments for significant non-cash items	15,808	(9,960)
Noncontrolling interest attributable to convertible limited partnership units (c)	-	310
FFO - Diluted, excluding significant non-cash items (b)	\$ 22,925	\$ 232,615

Weighted average common shares outstanding - Basic	474,991	267,716
Incremental weighted average effect of conversion of limited partnership units (c)	-	1,235
Incremental weighted average effect of stock awards (d)	3,004	1,327
Weighted average common shares outstanding - Diluted (e)	477,995	270,278

FFO per share - Diluted, excluding significant non-cash items (b)	\$ 0.05	\$ 0.86
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(a) In periods with a net loss, the inclusion of any incremental shares is anti-dilutive, and therefore, both basic and diluted shares are the same.

(b) Attributable to common shares.

(c) If the impact of the conversion of limited partnership units is anti-dilutive, the income and shares of the limited partnerships are not

included in the diluted per share calculation.

(d) Total weighted average potentially dilutive awards outstanding were 11,042 and 11,515 for the three months ended March 31, 2010 and 2009, respectively. Of the potentially dilutive instruments, 5,185 and 8,294, were anti-dilutive for the three months ended March 31, 2010 and 2009, respectively. During a loss period, the effect of stock awards is not included as the impact is anti-dilutive.

(e) The shares underlying the convertible debt have not been included because the impact would be anti-dilutive.

Notes to Financial Statements

Please also refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q for further information about us and our business.

Our direct owned segment represents the direct, long-term ownership of industrial properties. Our investment strategy in this segment focuses primarily on the ownership and leasing of industrial properties in key distribution markets. We consider these properties to be our Core Portfolio. Also included in this segment are operating properties we developed that we refer to as Completed Development Properties. Our intent is to hold and use the Core and Development properties, however, depending on market and other conditions, we may contribute either Core or Development properties to the property funds, to the extent there is fund capacity, or sell them to third parties. When we contribute or sell Development properties, we recognize FFO to the extent the proceeds received exceed our original investment (i.e. prior to depreciation) and present the results as Net Gains on Dispositions. In addition, we have industrial properties that are currently under development and land available for development that are part of this segment as well. The investment management segment represents the investment management of unconsolidated property funds and joint ventures and the properties they own.

- (1) In March 2010, we issued \$800 million of senior notes with a stated interest rate of 6.875% and a maturity of March 2020, \$300 million of senior notes with a stated interest rate of 6.250% and a maturity of March 2017, and \$460 million of convertible notes with a stated interest rate of 3.25% and a maturity of March 2015. We used the proceeds primarily to repay borrowings under our Global Line. We utilized proceeds from our Global Line to repurchase the debt, as discussed below.

During the three months ended March 31, 2010 and 2009, in connection with our announced initiatives to stagger and extend our debt securities and

reduce debt, we repurchased several series of senior and convertible senior notes outstanding with maturities in 2012 and 2013. In addition, in 2010 we repaid certain secured mortgage debt in connection with the sale of a property in Japan. The repurchase activity is summarized, as follows (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Convertible Senior Notes (a):		
Original principal amount	\$ 490,039	\$ 48,200
Cash purchase price	\$ 465,094	\$ 24,821
Senior Notes:		
Original principal amount	\$ 422,476	\$ -
Cash purchase price	\$ 449,382	\$ -
Secured Mortgage Debt:		
Original principal amount	\$ 45,140	\$ -
Cash repayment price	\$ 46,659	\$ -
Total:		
Original principal amount	\$ 957,655	\$ 48,200
Cash purchase / repayment price	\$ 961,135	\$ 24,821
Gain (loss) on early extinguishment of debt (b)	\$ (47,633)	\$ 17,928

(a) Although the purchase price is less than the principal amount outstanding, due to the non-cash discount, the repurchase of these notes results in a non-cash loss. Therefore, we have adjusted for this non-cash loss of \$15.2 million to arrive at FFO, excluding significant non-cash items.

(b) Represents the difference between the recorded debt (including unamortized related debt issuance costs, premiums and discounts) and the consideration we paid to retire the debt.

(2) The net losses recognized in Accumulated Other Comprehensive Income (Loss) in the three months ended March 31, 2010 in our Consolidated Balance Sheet are principally the result of the strengthening of the U.S. dollar against the euro, yen and pound sterling. The strengthening of the U.S. dollar against these currencies results in less reported net assets upon translation of our international operations into U.S. dollars.

(3) In our Consolidated Statements of Operations, rental income includes the following (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Rental income	\$ 168,266	\$ 159,352
Rental expense recoveries	50,724	48,082
Straight-lined rents	11,287	8,690
	\$ 230,277	\$ 216,124

(4) On February 9, 2009, we sold our operations in China and our property fund interests in Japan to affiliates of GIC Real Estate, the real estate investment company of the Government of Singapore Investment Corporation ("GIC RE"), for total cash consideration of \$1.3 billion (\$845 million related to China and \$500 million related to the Japan investments).

In connection with the sale of our investments in the Japan property funds, we recognized a gain of \$180.2 million. The gain is reflected as CDFS Proceeds in our Consolidated Statements of Operations and FFO, as it represents previously deferred gains on the contribution of properties to the property funds based on our ownership interest in the property funds at the time of original contribution of properties. We also recognized \$20.5 million in current income tax expense related to the Japan portion of the transaction. We continued to manage the Japan properties until July 2009.

(5) In the fourth quarter of 2008, in response to the difficult economic climate, we initiated general and administrative expense ("G&A") reductions. These initiatives included a Reduction in Workforce ("RIF") program and reductions to other expenses through various cost savings measures. Lower gross G&A and less development has resulted in lower capitalized G&A. Our G&A included in our Statements of Operations consisted of the following (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Gross G&A expense	\$ 66,853	\$ 77,840
Reported as rental expense	(5,001)	(4,935)
Reported as investment management expenses	(10,319)	(10,576)
Capitalized amounts	(9,527)	(14,086)
Net G&A	\$ 42,006	\$ 48,243

(6) The following table presents the components of interest expense as reflected in our Consolidated Statements of Operations (in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Gross interest expense	\$ 105,009	\$ 101,859
Amortization of discount, net	15,334	18,712

Amortization of deferred loan costs	6,482	3,378
Interest expense before capitalization	126,825	123,949
Capitalized amounts	(16,846)	(31,017)
Net interest expense	\$ 109,979	\$ 92,932

Gross interest expense increased in 2010 from 2009 due to increased borrowing rates and the decrease in interest capitalized in 2010 from 2009 is due to less development activity.

(7) Included in Net Gains on Dispositions of Real Estate Properties is a gain of \$1.1 million from the sale of land during the three months ended March 31, 2010 that was previously impaired.

(8) Included in Foreign Currency Exchange Gains (Losses), Net, for the three months ended March 31, 2010 and 2009, are net foreign currency exchange gains related to the remeasurement of inter-company loans between the U.S. and our consolidated subsidiaries in Japan and Europe due to the fluctuations in the exchange rates of U.S. dollars to the yen, the euro and pound sterling between December 31, and March 31, of the applicable years. We do not include the gains and losses related to inter-company loans in our calculation of FFO.

(9) The operations of the properties held for sale and properties that are disposed of to third parties during a period, including the aggregate net gains recognized upon their disposition, are presented as discontinued operations in our Consolidated Statements of Operations for all periods presented, unless the property was developed under a pre-sale agreement.

During the three months ended March 31, 2010, we disposed of 8 properties to third parties aggregating 0.4 million square feet, none of which were development properties. During all of 2009, other than our China operations, we disposed of land subject to ground leases and 140 properties aggregating 14.8 million square feet to third parties, 3 of which were development properties.

The income attributable to these properties was as follows

(in thousands):

	Three Months Ended	
	March 31,	
	2010	2009
Rental income	\$ 641	\$ 27,411
Rental expenses	(232)	(8,574)
Depreciation and amortization	(66)	(6,413)
Other expenses, net	-	(574)
Income attributable to disposed properties	\$ 343	\$ 11,850

For purposes of our Consolidated Statements of FFO, we do not segregate discontinued operations. In addition, we include the gains from disposition of land parcels and Completed Development Properties in the calculation of FFO, including those classified as discontinued operations.

(10) For the three months ended March 31, 2010, this amount is net of \$851,000 of current income tax expense related to the sale of a building.

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