

July 23, 2009



ProLogis Reports Second Quarter 2009 Results

- Significant Progress on De-leveraging Plan -

- Solid Pipeline Leasing Despite Weakening Property Market Fundamentals -

DENVER, July 23 /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, for the second quarter of 2009 of \$0.34 per diluted share, compared with \$1.02 per diluted share in the second quarter of 2008. FFO, excluding significant non-cash items, was \$0.19 per diluted share, compared with \$1.02 per diluted share in the same period in 2008. Significant non-cash items per diluted share for the second quarter of 2009 included \$0.35 of gains from early extinguishment of debt, which were partially offset by \$0.20 related to impairment of real estate properties. Also embedded in the \$0.19 per diluted share of FFO, excluding significant non-cash items, was approximately \$0.06 of non-recurring charges associated with ProLogis' share of a loss on the sale of assets by ProLogis European Properties, realized losses on foreign currency transactions and costs associated with the company's workforce reduction.

Net earnings for the second quarter in 2009 were \$0.58 per diluted share, compared with \$0.76 per diluted share in 2008. Included in net earnings per diluted share for the second quarter of 2009 were \$0.46 of additional gains, primarily associated with the sale of non-development properties, which are not included in FFO, compared with \$0.02 of similar gains in 2008. Both net earnings and FFO per diluted share, as previously reported for the second quarter of 2008, were reduced by \$0.04 per diluted share for the company's retroactive adoption of APB 14-1 (also known as ASC 470-20) and related additional interest expense.

FFO, including significant non-cash items, for the six months ended June 30, 2009 was \$1.10 per diluted share, compared with \$2.36 per diluted share in 2008. FFO, excluding significant non-cash items, was \$0.90 per diluted share for the same period in 2009, compared with \$2.36 per diluted share in the first six months of 2008. Net earnings per diluted share for the six months ended June 30, 2009 were \$1.21 per diluted share, compared with \$1.45 per diluted share in the same period of 2008.

Significant Progress on Plan

"During the second quarter, ProLogis made significant progress on the strategy we laid out last year to strengthen our balance sheet and increase liquidity in response to deteriorating global economic conditions. Our accomplishments have put the company on much firmer

financial footing," said Walter C. Rakowich, chief executive officer. "However, the industry is facing declining rents, and we expect the challenging leasing environment will persist. While no one can be certain about the timing of a recovery, with our strengthened financial condition and quality portfolio, we are well positioned to work our way through any additional challenges in the road ahead.

"Over the near term, we will continue to enhance liquidity and reduce risk as we focus on further lease-up of our development portfolio, land monetization and addressing both on-balance sheet and fund debt maturities as appropriate," Rakowich said.

Property Market Fundamentals Softened Further

"Property fundamentals continue to mirror global economic weakness, characterized by reductions in market rental rates and an increase in leasing concessions," Rakowich added. "However, we are seeing some improvement, as the rate of decline in occupancies appears to be leveling off. Our non-development portfolio was 92.5 percent leased at the end of the second quarter, representing a decline of approximately 50 basis points from 93.0 percent at March 31, while the decrease in the previous quarter was approximately 170 basis points. We also continue to see strong customer retention and sharply reduced levels of new supply, with new development starts in the industry in 2009 expected to be at the lowest level in over 25 years."

ProLogis' same-store net operating income as adjusted (excluding same-store assets associated with the company's development portfolio) decreased 0.4 percent, primarily reflecting occupancy declines, offset by reduced rental expenses due to decreases in property taxes and bad debt expense when compared with the prior year. Including development portfolio assets, same-store net operating income for the period increased 2.7 percent. Recent pressure on market rents led to negative rent growth of 12.6 percent for the quarter on turnover of 19.1 million square feet (or 5.0 percent) of the adjusted same-store pool.

Balance Sheet Bolstered by Capital Markets Activity

In November 2008, ProLogis outlined a series of actions to reduce direct debt by roughly \$2 billion by the end of 2009 and to reduce risk in the company's development portfolio and land bank. Through a combination of asset sales and fund contributions, a common equity offering, repurchases of debt at a discount and reductions in business expenditures, the company has reduced its direct debt by \$2.9 billion.

"We have substantially exceeded our 2009 de-levering goal and will continue to focus efforts on further debt repayment through incremental asset sales and contributions, which will be partially offset by funding the remaining costs associated with our development activities," William E. Sullivan, chief financial officer said. "Contributing to the de-levering process during the quarter was the repurchase of \$816.2 million of notional debt at a discount, resulting in \$143.3 million in gains from early extinguishment of debt."

In other direct debt-related activity, ProLogis successfully completed \$391.7 million of secured financings during the quarter. The company also has made significant progress on the extension and amendment of the company's existing \$3.64 billion Global Senior Credit Facility, originally scheduled to mature on October 6, 2009. ProLogis has exercised its

extension option on the existing credit facility to October 6, 2010 and has secured written commitments of approximately \$2.0 billion for its amended credit facility. The company is awaiting receipt of between \$100 and \$300 million in additional commitments. All commitments will be subject to the execution of definitive documentation. The amended line will have a three-year maturity from the date of closing.

Accelerated Development Portfolio Leasing

The company's static development portfolio (in place at December 31, 2008) was 54.1 percent leased at the end of the second quarter, up from 46.4 percent at March 31, 2009, an increase of nearly 800 basis points. "During the quarter, leasing in our development portfolio exceeded our expectations, given the difficult environment. As a result, we remain comfortable with our goal of achieving leasing of 60 - 70 percent in our static development portfolio by the end of 2009," said Ted R. Antenucci, president and chief investment officer.

Commentary on Guidance

During the second quarter, ProLogis completed gross asset sales and contributions of \$840 million, generating \$783 million of net proceeds after fund and joint venture co-investments. These transactions included the previously announced sale of North American assets, European property fund contributions and the sale of an asset in Japan. "Earlier in the year, we outlined our expectation for a total of \$1.5 - \$1.7 billion of contributions and asset sales, excluding the sale of our China operations and our property fund interests in Japan," Antenucci said. "With \$976 million of sales and contributions completed year to date, we have made excellent progress and are on track to achieve this goal by the end of 2009."

"We established a guidance range for 2009 FFO of between \$1.31 and \$1.48 per diluted share during our first quarter conference call. We believe this range is still appropriate when FFO is adjusted for the significant non-cash items and other non-recurring charges that have been, and may be, incurred in 2009," noted Sullivan. "As we work through the remaining asset sales and contributions, as well as additional activities related to our debt instruments, it is probable that additional gains and charges will be realized in 2009." The company also provided adjusted guidance for 2009 net earnings of \$1.10 to \$1.20 per diluted share after including the impairments and other charges reported in the second quarter.

Copies of ProLogis' second quarter 2009 supplemental information will be available from the company's website at <http://ir.prologis.com> in the "Annual & Supplemental Reports" section before open of market on Thursday, July 23, 2009. The company will host a webcast/conference call on Thursday, July 23, 2009, at 10:00 a.m. Eastern Time. The live webcast and replay will be available on the company's website at <http://ir.prologis.com>. Additionally, a podcast of the company's conference call will be available on the company's website as well as on the REITCafe website located at www.REITCafe.com.

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 4,500 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.

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 "Item 1A. Risk Factors" of ProLogis' Annual Report on Form 10-K for the year ended December 31, 2008. 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 June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 (1) -----	2009 ----	2008 (1) -----
Revenues - see note 8	\$263,416	\$1,490,646	\$700,663	\$3,119,154
Net earnings (a)	\$238,865	\$206,332	\$417,597	\$389,853
Net earnings per share - Diluted (a)	\$0.58	\$0.76	\$1.21	\$1.45
FFO, including significant non-cash items (a)	\$137,194	\$277,305	\$379,459	\$635,942
Add (deduct) significant non-cash items:				
Our share of losses on				

derivative activity recognized by the property funds	-	-	11,283	-
Impairment of real estate properties	84,218	-	84,218	-
Net gain related to disposed assets - China operations	-	-	(3,315)	-
Gain on early extinguishment of debt	(143,280)	-	(161,208)	-
	-----	---	-----	---
Total adjustments for significant non-cash items	(59,062)	-	(69,022)	-
	-----	---	-----	---
FFO, excluding significant non-cash items (a)	\$78,132	\$277,305	\$310,437	\$635,942
	=====	=====	=====	=====
FFO per share - Diluted, including significant non-cash items (a)	\$0.34	\$1.02	\$1.10	\$2.36
Deduct - summarized significant non-cash adjustments - per share	(0.15)	-	(0.20)	-
	-----	---	-----	---
FFO per share - Diluted, excluding significant non-cash items (a)	\$0.19	\$1.02	\$0.90	\$2.36
	=====	=====	=====	=====
Distributions per common share (b)	\$0.15	\$0.5175	\$0.40	\$1.035
	=====	=====	=====	=====

- (a) These amounts are attributable to common shares.
- (b) In April 2009, our Board of Trustees ("Board") set our 2009 annualized distribution level at \$0.70 per common share (including the \$0.25 per share paid in the first quarter of 2009). The payment of distributions, including the composition between cash and stock, is subject to authorization by the Board out of funds legally available for the payment of distributions and is subject to market conditions, our financial condition and Real Estate Investment Trust ("REIT") distribution requirements and may be adjusted at the discretion of the Board during the year.

Footnotes follow Financial Statements

(in thousands, except per share data)

	June 30, 2009 ----	December 31, 2008 (1) -----
Assets:		
Investments in real estate assets (1):		
Industrial properties:		
Core	\$7,446,493	\$7,924,507
Completed development	3,973,690	3,031,449
Properties under development	281,007	1,181,344
Land held for development	2,710,867	2,482,582
Retail and mixed use properties	386,940	358,992
Land subject to ground leases and other	416,028	425,001
Other investments	256,114	321,397
	-----	-----
	15,471,139	15,725,272
Less accumulated depreciation	1,545,883	1,583,299
	-----	-----
Net investments in real estate assets	13,925,256	14,141,973
Investments in and advances to unconsolidated investees:		
Property funds (2)	1,670,608	1,957,977
Other unconsolidated investees	326,989	312,016
	-----	-----
Total investments in and advances to unconsolidated investees	1,997,597	2,269,993
Cash and cash equivalents	74,183	174,636
Accounts and notes receivable	153,922	244,778
Other assets (1)	1,043,889	1,126,993
Discontinued operations - assets held for sale (2)	-	1,310,754
	---	-----
Total assets	\$17,194,847	\$19,269,127
	=====	=====
Liabilities and Equity:		
Liabilities:		
Debt (1) (2) (3)	\$7,886,025	\$10,711,368
Accounts payable and accrued expenses	544,846	658,868
Other liabilities	654,342	751,238
Discontinued operations - assets held for sale (2)	-	389,884
	---	-----
Total liabilities	9,085,213	12,511,358
	-----	-----
Equity (4):		
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	4,428	2,670

Additional paid-in capital (1)	8,193,881	7,070,108
Accumulated other comprehensive loss (5)	(84,055)	(29,374)
Distributions in excess of net earnings (1)	(375,783)	(655,513)
	-----	-----
Total ProLogis shareholders' equity	8,088,471	6,737,891
Noncontrolling interests (6)	21,163	19,878
	-----	-----
Total equity	8,109,634	6,757,769
	-----	-----
Total liabilities and equity	\$17,194,847	\$19,269,127
	=====	=====

Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 (1)	2009	2008 (1)
	----	-----	----	-----
Revenues:				
Rental income (7)	\$229,819	\$238,207	\$450,434	\$483,347
Property management and other fees and incentives	31,774	32,580	65,408	62,070
CDFS disposition proceeds (8):				
Developed and repositioned properties (2)	-	1,136,655	180,237	2,400,068
Acquired property portfolios	-	79,843	-	163,175
Development management and other income	1,823	3,361	4,584	10,494
	-----	-----	-----	-----
Total revenues	263,416	1,490,646	700,663	3,119,154
	-----	-----	-----	-----
Expenses:				
Rental expenses (9)	70,716	72,758	139,375	151,280
Investment management expenses (9)	10,819	12,177	21,395	24,962
Cost of CDFS dispositions (1) (8):				
Developed and repositioned properties	-	936,999	-	1,922,432
Acquired property portfolios	-	79,843	-	163,175
General and administrative (9) (10)	41,450	49,004	89,693	93,712
Reduction in workforce (10)	6,868	-	11,330	-
Impairment of real estate properties (11)	84,218	-	84,218	-
Depreciation and amortization	77,973	76,686	153,759	146,813
Other expenses	4,584	4,693	11,003	7,163
	-----	-----	-----	-----
Total expenses	296,628	1,232,160	510,773	2,509,537

	-----	-----	-----	-----
Operating income	(33,212)	258,486	189,890	609,617
Other income (expense):				
Earnings from				
unconsolidated property				
funds, net (12)	17,398	36,553	19,496	17,986
Earnings from other				
unconsolidated investees,				
net	1,342	5,251	3,543	7,221
Interest expense (1) (13)	(83,049)	(94,835)	(175,981)	(190,462)
Interest and other income,				
net	859	8,395	4,175	13,128
Net gains on dispositions				
of real estate properties (8)	7,904	4,664	8,792	4,664
Foreign currency exchange				
gains (losses), net (14)	(9,025)	12,949	21,512	(22,904)
Gains on early				
extinguishment of debt (3)	143,280	-	161,208	-
	-----	---	-----	---
Total other income				
(expense)	78,709	(27,023)	42,745	(170,367)
	-----	-----	-----	-----
Earnings before income taxes	45,497	231,463	232,635	439,250
Current income tax expense (2)	12,577	12,374	34,766	36,779
Deferred income tax expense				
(benefit)	(8,771)	6,197	(15,599)	8,697
	-----	-----	-----	-----
Total income taxes	3,806	18,571	19,167	45,476
	-----	-----	-----	-----
Earnings from continuing				
operations	41,691	212,892	213,468	393,774
Discontinued operations (15):				
Income (loss) attributable				
to disposed properties	6,824	(2,939)	17,332	3,262
Net gain related to				
disposed assets - China				
operations (2)	-	-	3,315	-
Net gains on dispositions:				
Non-development properties	185,521	1,856	185,521	5,669
Development properties				
and land subject to				
ground leases (2)	11,692	1,994	11,503	2,124
	-----	-----	-----	-----
Total discontinued				
operations	204,037	911	217,671	11,055
	-----	---	-----	-----
Consolidated net earnings	245,728	213,803	431,139	404,829
Net earnings attributable to				
noncontrolling interests (6)	(494)	(1,087)	(804)	(2,238)
	----	-----	----	-----
Net earnings attributable to				
controlling interests (1)	245,234	212,716	430,335	402,591
Less preferred share dividends	6,369	6,384	12,738	12,738
	-----	-----	-----	-----
Net earnings attributable to				
common shares	\$238,865	\$206,332	\$417,597	\$389,853
	=====	=====	=====	=====

Weighted average common

shares outstanding - Basic (4)	406,539	262,715	342,183	260,827
Weighted average common shares outstanding - Diluted (4)	409,504	272,317	345,106	270,370

Net earnings per share
attributable to common shares

- Basic:

Continuing operations	\$0.09	\$0.79	\$0.58	\$1.45
Discontinued operations	0.50	-	0.64	0.04
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Net earnings per share
attributable to common
shares - Basic

\$0.59	\$0.79	\$1.22	\$1.49
=====	=====	=====	=====

Net earnings per share
attributable to common shares

- Diluted:

Continuing operations	\$0.08	\$0.76	\$0.58	\$1.41
Discontinued operations	0.50	-	0.63	0.04
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Net earnings per share
attributable to common
shares - Diluted

\$0.58	\$0.76	\$1.21	\$1.45
=====	=====	=====	=====

Footnotes follow Financial Statements

Consolidated Statements of Funds From Operations (FFO)

(in thousands, except per share amounts)

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 (1) -----	2009 ----	2008 (1) -----
Revenues:				
Rental income	\$242,920	\$262,501	\$486,455	\$531,977
Property management and other fees and incentives	31,774	32,580	65,501	62,070
CDFS disposition proceeds (8):				
Developed and repositioned properties (2)	-	1,151,862	180,237	2,415,275
Acquired property portfolios	-	79,843	-	163,175
Development management and other income	1,823	3,374	4,584	10,531
	-----	-----	-----	-----
Total revenues	276,517	1,530,160	736,777	3,183,028
	-----	-----	-----	-----
Expenses:				
Rental expenses (9)	73,985	80,518	149,354	166,042
Investment management expenses (9)	10,819	12,177	21,395	24,962
Cost of CDFS dispositions				

(1) (8) :				
Developed and repositioned properties	-	951,922	-	1,937,225
Acquired property portfolios	-	79,843	-	163,175
General and administrative (9) (10)	41,450	52,822	90,998	102,336
Reduction in workforce (10)	6,868	-	11,330	-
Impairment of real estate properties (11)	84,218	-	84,218	-
Depreciation of corporate assets	3,969	4,731	8,087	8,151
Other expenses	4,584	5,633	11,009	8,103
	-----	-----	-----	-----
Total expenses	225,893	1,187,646	376,391	2,409,994
	-----	-----	-----	-----
	50,624	342,514	360,386	773,034
Other income (expense):				
FFO from unconsolidated property funds (12)	34,874	41,075	71,617	78,387
FFO from other unconsolidated investees	2,966	(4,685)	7,979	480
Interest expense (1)	(83,049)	(94,807)	(175,811)	(190,289)
Interest and other income, net	859	9,644	4,247	15,260
Net gains on dispositions of real estate properties (8)	15,986	-	17,557	-
Foreign currency exchange losses, net	(8,906)	(1,945)	(22,386)	(3,805)
Gains on early extinguishment of debt (3)	143,280	-	161,208	-
Current income tax expense (2) (16)	(12,577)	(12,692)	(34,967)	(27,866)
Net gain related to disposed assets - China operations (2)	-	-	3,315	-
	-----	-----	-----	-----
Total other income (expense)	93,433	(63,410)	32,759	(127,833)
	-----	-----	-----	-----
FFO	144,057	279,104	393,145	645,201
Less preferred share dividends	6,369	6,384	12,738	12,738
Less net earnings (loss) attributable to noncontrolling interests (6)	494	(4,585)	948	(3,479)
	---	-----	---	-----
FFO attributable to common shares, including significant non-cash items	\$137,194	\$277,305	\$379,459	\$635,942
	-----	-----	-----	-----
Adjustments for significant non-cash items	(59,062)	-	(69,022)	-
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FFO attributable to common shares, excluding significant non-cash items	\$78,132 =====	\$277,305 =====	\$310,437 =====	\$635,942 =====
Weighted average common shares outstanding - Basic (4)	406,539	262,715	342,183	260,827
FFO per share attributable to common shares, including significant non-cash items:				
Basic	\$0.34 =====	\$1.06 =====	\$1.11 =====	\$2.44 =====
Diluted	\$0.34 =====	\$1.02 =====	\$1.10 =====	\$2.36 =====
FFO per share attributable to common shares, excluding significant non-cash items:				
Basic	\$0.19 =====	\$1.06 =====	\$0.91 =====	\$2.44 =====
Diluted	\$0.19 =====	\$1.02 =====	\$0.90 =====	\$2.36 =====

Footnotes follow Financial Statements

Reconciliations of Net Earnings to FFO and EBITDA

(in thousands)

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

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 (1) -----	2009 ----	2008 (1) -----
Net earnings (a)	\$238,865	\$206,332	\$417,597	\$389,853
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	74,004	71,955	145,672	138,662
Adjustments to gains on dispositions for depreciation	(452)	(1,710)	(1,203)	(1,710)
Gains on dispositions of non-development/ non-CDFS properties	(3,158)	(4,662)	(1,535)	(4,662)
Reconciling items attributable to discontinued operations (15):				
Gains on dispositions of non-development/ non-CDFS properties	(185,521)	(1,856)	(185,521)	(5,669)
Real estate related depreciation and amortization	3,008	8,335	8,134	15,786
	-----	-----	-----	-----
Total discontinued				

operations	(182,513)	6,479	(177,387)	10,117
Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	37,664	33,494	75,981	66,312
Adjustment to gains/losses on dispositions for depreciation	(6,578)	(111)	(6,578)	(165)
Other amortization items	(2,571)	(3,860)	(6,161)	(8,070)
	-----	-----	-----	-----
Total unconsolidated investees	28,515	29,523	63,242	58,077
	-----	-----	-----	-----
Total NAREIT defined adjustments	(83,604)	101,585	28,789	200,484
	-----	-----	-----	-----
Subtotal- NAREIT defined FFO	155,261	307,917	446,386	590,337
Add (deduct) our defined adjustments:				
Foreign currency exchange losses (gains), net (14)	119	(14,040)	(43,829)	20,801
Current income tax expense (16)	-	-	-	9,658
Deferred income tax expense (benefit)	(8,771)	6,236	(15,611)	8,736
Our share of reconciling items from unconsolidated investees:				
Foreign currency exchange losses (gains), net (14)	(1,885)	943	(234)	1,460
Unrealized losses (gains) on derivative contracts, net	(4,105)	(23,817)	(5,959)	4,815
Deferred income tax expense (benefit)	(3,425)	66	(1,294)	135
	-----	---	-----	---
Total unconsolidated investees	(9,415)	(22,808)	(7,487)	6,410
	-----	-----	-----	-----
Total our defined adjustments	(18,067)	(30,612)	(66,927)	45,605
	-----	-----	-----	-----
FFO, including significant non-cash items (a)	\$137,194	\$277,305	\$379,459	\$635,942
	=====	=====	=====	=====
Reconciliation of FFO, including significant non-cash items, to FFO, excluding significant non-cash items				

Three Months Ended
June 30,

Six Months Ended
June 30,

	2009	2008 (1)	2009	2008 (1)
	----	-----	----	-----
FFO, including significant non-cash items (a)	\$137,194	\$277,305	\$379,459	\$635,942
Add (deduct) significant non-cash items:				
Our share of losses on derivative activity recognized by the property funds (12)	-	-	11,283	-
Impairment of real estate properties (11)	84,218	-	84,218	-
Gain related to disposed assets - China operations (2)	-	-	(3,315)	-
Gains on early extinguishment of debt (3)	(143,280)	-	(161,208)	-
	-----	---	-----	---
Total adjustments for significant non-cash items	(59,062)	-	(69,022)	-
	-----	---	-----	---
FFO, excluding significant non-cash items (a)	\$78,132	\$277,305	\$310,437	\$635,942
	=====	=====	=====	=====

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 (1)	2009	2008 (1)
	----	-----	----	-----
FFO, excluding significant non-cash items (a)	\$78,132	\$277,305	\$310,437	\$635,942
Interest expense	83,049	94,807	175,811	190,289
Depreciation of corporate assets	3,969	4,731	8,087	8,151
Current income tax expense included in FFO	12,577	12,692	34,967	27,866
Adjustments to gains on dispositions for interest capitalized	4,181	16,134	6,939	32,800
Preferred share dividends	6,369	6,384	12,738	12,738
Share of reconciling items from unconsolidated investees	34,576	47,131	86,464	87,534
	-----	-----	-----	-----
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$222,853	\$459,184	\$635,443	\$995,320
	=====	=====	=====	=====

See Consolidated Statements of Operations and Consolidated Statements of FFO.

Footnotes follow Financial Statements

(a) Attributable to common shares.

Calculation of Per Share Amounts

(in thousands, except per share amounts)

Net Earnings Per Share

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Net earnings -				
Basic (a)	\$238,865	\$206,332	\$417,597	\$389,853
Noncontrolling interest attributable to convertible limited partnership units	494 ---	1,087 -----	804 ---	2,238 -----
Adjusted net earnings -				
Diluted (a)	\$239,359 =====	\$207,419 =====	\$418,401 =====	\$392,091 =====
Weighted average common shares outstanding -				
Basic	406,539	262,715	342,183	260,827
Incremental weighted average effect of conversion of limited partnership units	1,235	5,053	1,235	5,053
Incremental weighted average effect of stock awards (b)	1,730 -----	4,549 -----	1,688 -----	4,490 -----
Weighted average common shares outstanding -				
Diluted	409,504 =====	272,317 =====	345,106 =====	270,370 =====
Net earnings per share -				
Diluted (a)	\$0.58 =====	\$0.76 =====	\$1.21 =====	\$1.45 =====

FFO Per Share, including significant non-cash items

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
FFO - Basic, including significant non-cash items (a)	\$137,194	\$277,305	\$379,459	\$635,942
Noncontrolling interest attributable to convertible limited partnership units	-	1,087	804	2,238
FFO - Diluted, including significant non-cash items (a)	\$137,194	\$278,392	\$380,263	\$638,180
Weighted average common shares outstanding - Basic	406,539	262,715	342,183	260,827
Incremental weighted average effect of conversion of limited partnership units	-	5,053	1,235	5,053
Incremental weighted average effect of stock awards (b)	1,730	4,549	1,688	4,490
Weighted average common shares outstanding - Diluted	408,269	272,317	345,106	270,370
FFO per share - Diluted, including significant non-cash items (a)	\$0.34	\$1.02	\$1.10	\$2.36

FFO Per Share, excluding significant non-cash items

Three Months Ended June 30,	Six Months Ended June 30,
--------------------------------	------------------------------

	----- 2009 ----	2008 ----	----- 2009 ----	2008 ----
FFO - Basic, including significant non-cash items (a)	\$137,194	\$277,305	\$379,459	\$635,942
Noncontrolling interest attributable to convertible limited partnership units	-	1,087	804	2,238
Adjustments for significant non-cash items	(59,062)	-	(69,022)	-
	-----	---	-----	---
FFO - Diluted, excluding significant non-cash items (a)	\$78,132 =====	\$278,392 =====	\$311,241 =====	\$638,180 =====
Weighted average common shares outstanding - Basic	406,539	262,715	342,183	260,827
Incremental weighted average effect of conversion of limited partnership units	-	5,053	1,235	5,053
Incremental weighted average effect of stock awards (b)	1,730 -----	4,549 -----	1,688 -----	4,490 -----
Weighted average common shares outstanding - Diluted	408,269 =====	272,317 =====	345,106 =====	270,370 =====
FFO per share - Diluted, excluding significant non-cash items (a)	\$0.19 =====	\$1.02 =====	\$0.90 =====	\$2.36 =====

- (a) Attributable to common shares.
- (b) Total weighted average potentially dilutive awards outstanding were 12,147 and 10,276 for the three months ended June 30, 2009 and 2008, respectively, and 12,101 and 10,453 for the six months ended June 30, 2009 and 2008, respectively. Of the potentially dilutive instruments, 8,252 were anti-dilutive for the three months ended June 30, 2009 while substantially all were dilutive for the three months ended June 30, 2008, and 8,699 were anti-dilutive for the six months ended June 30, 2009 while substantially all were dilutive for the six months ended June 30, 2008.

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. Certain 2008 amounts included in our financial statements have been reclassified to conform to the 2009 presentation.

- (1) In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position APB 14-1 "Accounting for Convertible Debt Instruments that May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" also known as FASB Accounting Standards Codification ("ASC") 470-20 Debt with Conversion and Other Options ("ASC 470-20"), that requires separate accounting for the debt and equity components of convertible debt. The value assigned to the debt component is the estimated fair value of a similar bond without the conversion feature at the time of issuance, which would result in the debt being recorded at a discount. The resulting debt discount is amortized through the first redeemable option date as additional non-cash interest expense. We adopted ASC 470-20 on January 1, 2009, as required, on a retroactive basis to the convertible notes we issued in 2007 and 2008. As a result, we restated our 2008 results to reflect the additional interest expense and the additional capitalized interest related to our development activities for both properties we currently own, as well as properties that were contributed during the applicable periods. This restatement impacted earnings and FFO.

The following tables illustrate the impact of the restatement on our Consolidated Balance Sheets and Consolidated Statements of Operations and FFO for these periods (in thousands):

		As of December 31, 2008	
		ASC 470-20	
	As Reported	adjustments	As Adjusted
	-----	-----	-----
Consolidated Balance Sheet:			

Net investments in real			
estate assets	\$15,706,172	\$19,100	\$15,725,272
Other assets	\$1,129,182	\$(2,189)	\$1,126,993
Debt	\$11,007,636	\$(296,268)	\$10,711,368
Additional paid in capital	\$6,688,615	\$381,493	\$7,070,108
Distributions in excess of			
net earnings	\$(587,199)	\$(68,314)	\$(655,513)

For the three months ended, June 30, 2008

	As Reported	ASC 470-20 Adjustments (a)	As Adjusted (before 2009 discontinued operations adjustment)
Consolidated Statements of Operations:			
Cost of CDFS dispositions	\$1,016,453	\$389	\$1,016,842
Interest expense, net of capitalization	\$84,136	\$10,671	\$94,807
Net earnings attributable to controlling interests	\$223,776	\$ (11,060)	\$212,716

For the six months ended, June 30, 2008

	As Reported	ASC 470-20 Adjustments (a)	As Adjusted (before 2009 discontinued operations adjustment)
Consolidated Statements of Operations:			
Cost of CDFS dispositions	\$2,085,092	\$515	\$2,085,607
Interest expense, net of capitalization	\$169,260	\$21,029	\$190,289
Net earnings attributable to controlling interests	\$424,135	\$ (21,544)	\$402,591

(a) The adjustments are the same in our Consolidated Statements of FFO.

- (2) 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). We used the proceeds primarily to pay down borrowings on our credit facilities.

All of the assets and liabilities associated with our China operations were classified as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008. In the fourth quarter of 2008, based on the carrying values of these assets and liabilities, as compared with the estimated sales proceeds less costs to sell, we recognized an impairment of \$198.2 million. In connection with the sale in the first quarter of 2009, we recognized a \$3.3 million gain on sale. In addition, the results of our China operations are presented as discontinued operations in our accompanying Consolidated Statements of Operations for all periods. All operating information presented throughout this report excludes China operations.

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. In April 2009, we sold one property in Japan to GIC RE for \$128.1 million, resulting in a gain on sale of \$13.1 million that is reflected as Discontinued Operations - Net Gains on Dispositions of Development Properties and Land Subject to Ground Leases and as Net Gains on Dispositions of Real Estate Properties in our Consolidated Statements of Operations and FFO, respectively. The building and related borrowings were classified as held for sale at December 31, 2008.

- (3) During the first and second quarters of 2009, in connection with our announced initiatives to reduce debt, we repurchased several series of notes outstanding at a discount, which resulted in a gain, as follows (in thousands):

	For the Three Months Ended June 30, 2009 -----	For the Six Months Ended June 30, 2009 -----
Convertible Senior Notes		
Original principal amount	\$473,057	\$521,257
Cash purchase price	\$313,256	\$338,077
Senior Notes (a)		
Original principal amount	\$343,192	\$343,192
Cash purchase price	\$302,090	\$302,090
Total		
Original principal amount	\$816,249	\$864,449
Cash purchase price	\$615,346	\$640,167
Gain on early extinguishment of debt (b)	\$143,280	\$161,208

- (a) Included in the three and six months ended June 30, 2009 is the repurchase of Euro 97.7 million (\$136.0 million) original principal amount of our Euro senior notes for Euro 82.6 million (\$115.1 million).
- (b) Represents the difference between the recorded debt (net of the discount) and the consideration we paid to retire the convertible debt.
- (4) On April 14, 2009, we completed a public offering of 174.8 million common shares at a price of \$6.60 per share and received net proceeds of \$1.1 billion that were used to repay borrowings under our credit facilities.
- (5) The additional losses recognized in Accumulated Other Comprehensive Loss in the first half of 2009 in our Consolidated Balance Sheet are principally the result of the sale of our China operations and investments in the Japan property funds in February 2009 and the strengthening of the U.S. dollar against the euro and yen, offset somewhat by the strengthening of the pound sterling to the U.S. dollar during this time. The strengthening U.S. dollar results in lower net assets upon translation of our international operations into U.S. dollars.
- (6) We adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 160 "Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51" ("SFAS 160") also known as FASB ASC 810-10 Consolidation ("ASC 810-10") on January 1, 2009. ASC 810-10 requires noncontrolling interests (previously referred to as minority interests) to be reported as a component of

equity and changes the accounting for transactions with noncontrolling interest holders.

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

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Rental income	\$166,259	\$170,621	\$328,420	\$354,301
Rental expense				
recoveries	53,627	58,784	103,359	113,585
Straight-lined rents	9,933	8,802	18,655	15,461
	-----	-----	-----	-----
	\$229,819	\$238,207	\$450,434	\$483,347
	=====	=====	=====	=====

The decrease in rental income is generally due to the contribution and sale of properties.

- (8) In response to market conditions, during the fourth quarter of 2008 we modified our business strategy. As a result, as of December 31, 2008, we have two operating segments - Direct Owned and Investment Management, and we no longer have a CDFS Business segment. We presented the results of operations of our CDFS Business segment separately in 2008.

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 with the intent to contribute the properties to an unconsolidated property fund that we previously referred to as our "CDFS Pipeline" and, beginning December 31, 2008, we now refer to as our Completed Development Portfolio. Our intent is to hold and use the Core and Development properties, however, 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). However, beginning January 1, 2009, we now present the results as net gains on dispositions, rather than as CDFS Disposition Proceeds and Cost of CDFS Dispositions. In addition, we have industrial properties that are currently under development (also included in our Development Portfolio) 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. See note 15 for information on properties sold to third parties.

- (9) Beginning in 2009, we are reporting the direct costs associated with our investment management segment for all periods presented as a separate line item "Investment Management Expenses" in our Consolidated Statements of Operations and FFO. These costs include

the property management expenses associated with the property-level management of the properties owned by the property funds (previously included in Rental Expenses) and the investment management expenses associated with the asset management of the property funds (previously included in General and Administrative Expenses). In order to allocate the property management expenses between the properties owned by us and the properties owned by the property funds, we use the square feet owned at the beginning of the period by the respective portfolios.

- (10) As we previously announced in the fourth quarter of 2008, in response to the difficult economic climate, we initiated general and administrative expense ("G&A") reductions with a near-term target of a 20 to 25% reduction in G&A prior to capitalization or allocation. These initiatives include a Reduction in Workforce ("RIF") and reductions to other expenses through various cost savings measures. Due to the changes in our business strategy in the fourth quarter of 2008, we have halted the majority of our new development activities, which, along with lower gross G&A, 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 June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Gross G&A expense	\$69,320	\$99,605	\$147,160	\$194,979
Capitalized amounts and amounts reported as rental and investment management expenses	(27,870)	(50,601)	(57,467)	(101,267)
Net G&A	----- \$41,450 =====	----- \$49,004 =====	----- \$89,693 =====	----- \$93,712 =====

In the fourth quarter of 2008 and the first half of 2009, we recognized \$23.1 million and \$11.3 million, respectively, of expenses related to the RIF program.

- (11) During the second quarter of 2009, we recorded impairment charges of \$84.2 million related primarily to completed development properties that we expect to contribute or sell during the remainder of 2009. The charges represent the difference between the estimated proceeds and our cost basis at the time of contribution/sale and may vary depending on market conditions.
- (12) The following table represents our share of income (loss) recognized by the property funds related to derivative activity (in thousands):

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Included in Earnings from Unconsolidated				

Property Funds in our Consolidated Statements of Operations :	\$4,920	\$20,977	\$ (4,810)	\$ (10,642)
---	---------	----------	------------	-------------

Included in FFO from Unconsolidated Property Funds in our Consolidated Statements of FFO :	\$815	\$ (2,840)	\$ (10,769)	\$ (5,827)
--	-------	------------	-------------	------------

In addition, we recognized losses of \$4.9 million and \$11.3 million in our Consolidated Statements of Operations and FFO, respectively, representing our share of the losses recognized by ProLogis European Properties ("PEPR") from the sale of properties in the second quarter of 2009.

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

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Interest expense	\$88,377	\$118,835	\$190,237	\$240,806
Amortization of discount, net	16,630	13,815	35,343	26,982
Amortization of deferred loan costs	2,873	2,913	6,249	5,722
	-----	-----	-----	-----
Interest expense before capitalization	107,880	135,563	231,829	273,510
Capitalized amounts	(24,831)	(40,728)	(55,848)	(83,048)
	-----	-----	-----	-----
Net interest expense	\$83,049	\$94,835	\$175,981	\$190,462
	=====	=====	=====	=====

The decrease in interest expense in 2009 over 2008 is due to significantly lower debt levels, offset by lower capitalization due to less development activity.

- (14) Included in Foreign Currency Exchange Gains (Losses), Net, for the first half of 2009 and 2008, are net foreign currency exchange gains and losses, respectively, 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 31st and June 30th of the applicable years. We do not include these gains and losses related to inter-company loans in our calculation of FFO.
- (15) The operations of the properties held for sale or disposed of to third parties and 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.

As discussed in Note 2 above, all of the assets and liabilities associated with our China operations were classified as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008, as well as one property in Japan that we sold to GIC RE in April 2009.

During the first six months of 2009, other than our China operations, we disposed of 125 properties to third parties aggregating 13.1 million square feet, three of which were development properties. This includes a portfolio of 90 properties that were sold to a single venture in which we retained a 5% interest and for which we will continue to manage the properties. During all of 2008, we disposed of 15 properties to third parties, 6 of which were development properties, as well as land subject to ground leases.

The income (loss) attributable to these properties was as follows (in thousands):

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	2009 ----	2008 ----	2009 ----	2008 ----
Rental income	\$13,101	\$24,294	\$36,021	\$48,630
Rental expenses	(3,269)	(7,760)	(9,979)	(14,762)
Depreciation and amortization	(3,008)	(8,335)	(8,134)	(15,786)
Other expenses, net	-	(11,138)	(576)	(14,820)
	---	-----	----	-----
Income (loss) attributable to disposed properties	\$6,824 =====	\$(2,939) =====	\$17,332 =====	\$3,262 =====

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 (2009) and CDFS properties (2008) in the calculation of FFO, including those classified as discontinued operations.

- (16) In connection with purchase accounting, we record all of the acquired assets and liabilities at the estimated fair values at the date of acquisition. For our taxable subsidiaries, we recognize the deferred tax liabilities that represent the tax effect of the difference between the tax basis carried over and the fair values at the date of acquisition. As taxable income is generated in these subsidiaries, we recognize a deferred tax benefit in earnings as a result of the reversal of the deferred tax liability previously recorded at the acquisition date and we record current income tax expense representing the entire current income tax liability. In our calculation of FFO, we only include the current income tax expense to the extent the associated income is recognized for financial reporting purposes.

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