

# Thriving Amid Uncertainty



Prologis Park Los Altos, Guadalajara, Mexico

## Dear fellow shareholders,

FIBRA Prologis' excellent performance in 2018 showcased our ability to create value amid global uncertainty. Two significant political risks loomed at the outset of 2018: the renegotiation of NAFTA and Mexico's presidential election. The year brought some resolution, with the negotiation of a new USMCA agreement, which must be approved by the U.S. Congress, and an election with a clear result and change in leadership. Still, a sense of volatility persisted.

The underlying forces that support Mexico's logistic markets remained intact. The manufacturing sector, which is largely tied to the U.S.

economy, continued to expand. Private consumption, the largest driver of the Mexican economy, and demand for logistics services, especially in Mexico City, continued to grow.

Our operating performance is healthy. The strength of our portfolio and the expertise of our team allowed us to power through the volatility. As a result, the company succeeded in creating value for the long term—for all stakeholders.

Organizational and financial fitness relies on discipline. In 2018, we were steadfast in focusing on our core markets, maintaining industry-leading

corporate governance and transparency, taking a prudent approach to acquisitions, and building diversity among customers and markets.

**“ The strength of our portfolio and the expertise of our team allowed us to power through the volatility.**





## Operational Excellence

2018 was a year of operational accomplishments that prove our approach and strategy are working. At year-end, FIBRA Prologis had 200 facilities totaling approximately 36 million square feet. Our well-located portfolio comprises state-of-the-art buildings, most of which were developed by our sponsor, Prologis. At the end of 2018, occupancy was 97.4 percent—the fourth straight year above 95 percent.

With occupancy well above historic levels, we set our focus on securing higher rents on lease renewals. Leasing volume was 8.7 million square

feet in 2018, up 11 percent from 2017. Net effective rents on expiration rose 13.1 percent (and have been above 10 percent for seven straight quarters). Our weighted average customer retention rate was 79.3 percent. In many instances, our existing customers renewed their leases. Same store cash NOI grew 2.2 percent.

Robust operating performance combined with smart balance sheet management allowed us to again raise our dividend—this time, by 5 percent in 2018. In 2018, internal cash flow generation was very strong.

For the full year, funds from operations per CBF1 were 2.9038 (US .1506), roughly flat with our 2017 results.

“ **At the end of 2018, occupancy was 97.4 percent—the fourth straight year above 95 percent.** ”



## Designed to Meet Demand

We base our strategy on our customer needs.

We focus on six geographical markets, three of which are tied to manufacturing—Ciudad Juarez, Reynosa and Tijuana—and three of which are tied to consumption: Guadalajara, Mexico City and Monterrey. In 2018, all these markets were strong. E-commerce is growing rapidly, with the largest players actively seeking larger footprints.

Diversity among customers, industries and geographies is an important balancing factor in our performance. Mexico City, where we ended the year with 99.6 percent occupancy, accounted for about 38 percent of annualized revenues. In the fourth quarter of 2018, no single customer accounted for more than 3 percent of our total net effective rent, and the top ten accounted for just 19.1 percent.

Our customers tell us that FIBRA Prologis is often the first logistics provider they call. Thanks to our access to the Prologis development pipeline, we have the largest number of high-quality buildings in key locations within those markets (especially in Mexico City, where land is scarce).

## Portfolio Management

In 2018, we chose to limit our capital deployment activity, as we assessed developments in the operating environment and the capital markets. Our approach to growth is intentional and strategic. All our acquisitions must both grow the portfolio and benefit shareholders in the long term. In 2018, we acquired four fully leased buildings in

Guadalajara and Monterrey from Prologis for \$80.4 million. While this volume was smaller than anticipated, these acquisitions were and will be accretive to earnings. We continue to make progress on selling our non-strategic holdings.



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## Financial Strength

FIBRA Prologis' balance sheet provides the financial core strength that enables us to maintain stability regardless of the broader environment. In 2018, we continued our efforts to refinance debt and preserve financial flexibility. At the end of 2018, our \$842 million in debt had a weighted average cash interest rate of 4.13 percent. (The

average effective interest rate is 4.3 percent.) Our debt was structured conservatively, with a loan-to-value ratio of 35.2 percent and a debt service coverage ratio of 3.89 times. We have no debt maturities until 2020.



## ESG: Woven into our Business

Environmental stewardship, social responsibility and governance (ESG) are key tenets of FIBRA Prologis' business practices. Focusing on ESG strengthens our relationships with customers, investors, employees and the communities in which we do business.

At Prologis, our parent company and sponsor, ESG is good business and has been for over two decades since its inception. One of the strongest balance sheets in the industry allows Prologis and its affiliates to go beyond the role of landlord and focus on key initiatives and innovation. In 2018, Prologis was ranked the top U.S. company and sixth overall on the 2019 Global 100 Most Sustainable Corporations in the World list published by Corporate Knights – a brand differentiator driven by ESG. In addition, Prologis (through affiliates) was the first logistics real estate company globally to issue green bonds, tying a financial benefit to the business related to ESG progress. After exceeding the original greenhouse gas (GHG) emissions reduction goal four years early, Prologis further demonstrated industry leadership by becoming the first logistics real estate company with an approved Science Based Target (SBT).

This target aims to reduce absolute scope 1 and 2 GHG emissions 21 percent by 2025 and scope 3 emissions 15 percent by 2025 from a 2016 baseline for our global business. Prologis plans to meet this goal by continuing to incorporate new technologies and building design features that increase efficiency, minimize impacts and reduce costs, and through engagement with customers and suppliers.

Prologis operates one common ESG platform across all its entities, including FIBRA, that includes ESG principles, policies, goals, and monitoring systems. We at FIBRA Prologis, engage with employees and customers to reduce energy, water and waste across our operations and portfolio. For example, a property in San Sebastianito, Mexico uses xeriscaping (water-efficient landscaping technique) to reduce outdoor water usage. With 21 LEED building certifications, up from 17 in 2017, FIBRA Prologis continues to support the global goal of designing 100% to sustainable building certification standards or with sustainable design features as appropriate and in line with customer specifications. By the end of 2018, we had installed efficient lighting in 83 percent of the FIBRA portfolio, up from 66 percent in 2017—bringing us closer to our goal of 100 percent. FIBRA increased the volume of space covered by cool or reflective roofing material 33 percent in 2018 to 8 million square feet, up from 6 million square feet in 2017. We future-proof our buildings

to stay ahead of customer needs. For example, in 2018, 25 FIBRA properties had smart metering installed, which helps monitor energy usage and fluctuations. Technologies such as this will allow customers to better understand their properties associated usage, helping them work to reduce both costs and energy emissions.

As a responsible business partner in Mexico, we work with community organizations to support educational, environmental and social causes. In May, our team in Mexico joined global Prologis employees to engage in the sixth annual IMPACT Day, our global day of service. We sponsor and participate in charitable events that help our communities and boost the health and wellness of our employees, such as the Prologis Race in Mexico (A 5 and 10K run sponsored by Prologis to raise funds towards the construction of a clinic in Tepetzotlán and to Ecological Xochitla Park). This type of investment strengthens the connections between our business and local communities to allow us to continue to thrive where we live and work.

Good governance ensures resiliency across the Prologis FIBRA business, employee base, and portfolio. We deliver regular training to employees on our Code of Ethics and Business Conduct, information security, global fraud prevention, Global Anti-Corruption and the Foreign Corrupt Practices Act. Safety is a foundation of our work, and measures are implemented that prioritize both our employees and customers. For example, in 2018 FIBRA Prologis installed almost 600 preventative skylight fall safety devices to further protect our customers, employees, and others that work with us. We build high quality, resilient properties that suit our customers' current and future needs. Our unique positioning in the market, as well as our dedication to ESG allow us to deliver value to the business and stay ahead of what's next.



Prologis Park Apodaca, Monterrey, Mexico

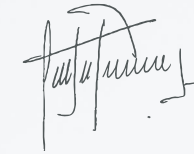
## Looking Ahead

Our outlook is positive. While we have not seen any evidence of a slowdown from our customers in these uncertain times, we take a conservative, though optimistic, perspective. We expect market rents to continue to rise in 2019 amid a strong operating environment, driving growth in our cash flow. We continue to maintain a strategic and cautious approach to new acquisitions. We will assess the financial environment for new opportunities. FIBRA Prologis has the exclusive

right to acquire properties from the Prologis development pipeline, which contains approximately 4.3 million square feet of logistics property.

We are grateful for the diligent work of our colleagues and the support of our unit holders. At FIBRA Prologis, we work every day to reward the trust put into us by acting as responsible stewards of capital and striving to create value for all our stakeholders.

Sincerely,



Luis Gutiérrez, Chief Executive Officer of Prologis Mexico



Prologis team members at Prologis Park Grande, Mexico City, Mexico



## Chairman's video



“ FIBRA Prologis’ excellent performance in 2018 showcased our ability to create value amid global uncertainty.

Luis Gutiérrez  
Chief Executive Officer of Prologis Mexico

## Leadership, Prologis Mexico

From left to right:  
Héctor Ibarzabal, Jorge Girault and Luis Gutiérrez



## Luis Gutiérrez

Chief Executive Officer, Prologis Mexico

As chief executive officer of Prologis Mexico since 2014, Mr. Gutierrez has led the Company to significant growth. Mr. Gutierrez has worked in the real estate sector for 30 years and is a Pioneer in Mexico's industrial real estate market.

He co-founded and served as Chief Executive Officer of Fondo Opción (formerly G. Acción), the first public real estate company in Mexico, and served as president of the Mexican Industrial Park Association from 2005-2006.

In addition to serving as CEO of Prologis Mexico, he is President for Latin America for Prologis. In that capacity, he is responsible for all Brazil- and Mexico-related activities including operations, investments, acquisitions and industrial property development. He is a member of the board of directors of Finances and Central de Estacionamientos.

Mr. Gutiérrez holds a civil engineering degree from Universidad Iberoamericana and an MBA from Instituto Panamericano de Alta Dirección de Empresas



## Héctor Ibarzabal

Chief Operating Officer, Prologis Mexico

A 30-year veteran of the real estate sector, Hector Ibarzabal has extensive experience in structuring, financing and fundraising for real estate in the office, industrial, retail and residential sectors.

In addition to serving as chief operating officer of Prologis Mexico, Mr. Ibarzabal has served as Managing Director and Chief Operating Officer in Mexico for Prologis since 2011. In that capacity, he runs Prologis' development, operations and capital deployment.

Before joining Prologis, Mr. Ibarzabal was co-founder of G. Accion, a publicly traded real estate company, where he served as CFO, COO, and President. He is a member of the technical committee of Prologis Mexico Fondo Logistico, a Mexican industrial real estate investment vehicle managed by an affiliate of Prologis.

Mr. Ibarzabal is currently President of AMPIP (Mexican Association of Industrial Parks) and has acted as Independent Director in their Board for Sare, Fibra Shop and Actinver Fondos. Mr. Ibarzabal holds a civil engineering degree from Universidad Iberoamericana and an MBA from IPADE.



## Jorge Girault

Chief Financial Officer, Prologis Mexico

A 25-year veteran of the real estate industry, Mr. Girault has served as chief financial officer of Prologis Mexico since 2015. As an officer of Prologis Mexico manager, and a manager of Prologis México Fondo Logístico, a Mexican industrial real estate investment vehicle managed by an affiliate of Prologis, he was responsible for the structuring and successful launching of the FIBRA Prologis IPO in 2014. Mr. Girault has significant experience managing Prologis' equity and debt-raising activities. He started his professional career at G. Acción, a publicly traded Mexican real estate company, where he rose from Project Manager to VP of Investor Relations and CFO. He is a member of the technical committee of Prologis Mexico Fondo Logístico, was part-time professor at the Business School of Universidad Iberoamericana and is an active member of the Mexican FIBRA association. Mr. Girault holds an industrial engineering degree from Universidad Panamericana and an MBA from Universidad Iberoamericana and AD1 at IPADE.



# Strategic locations

200 Properties

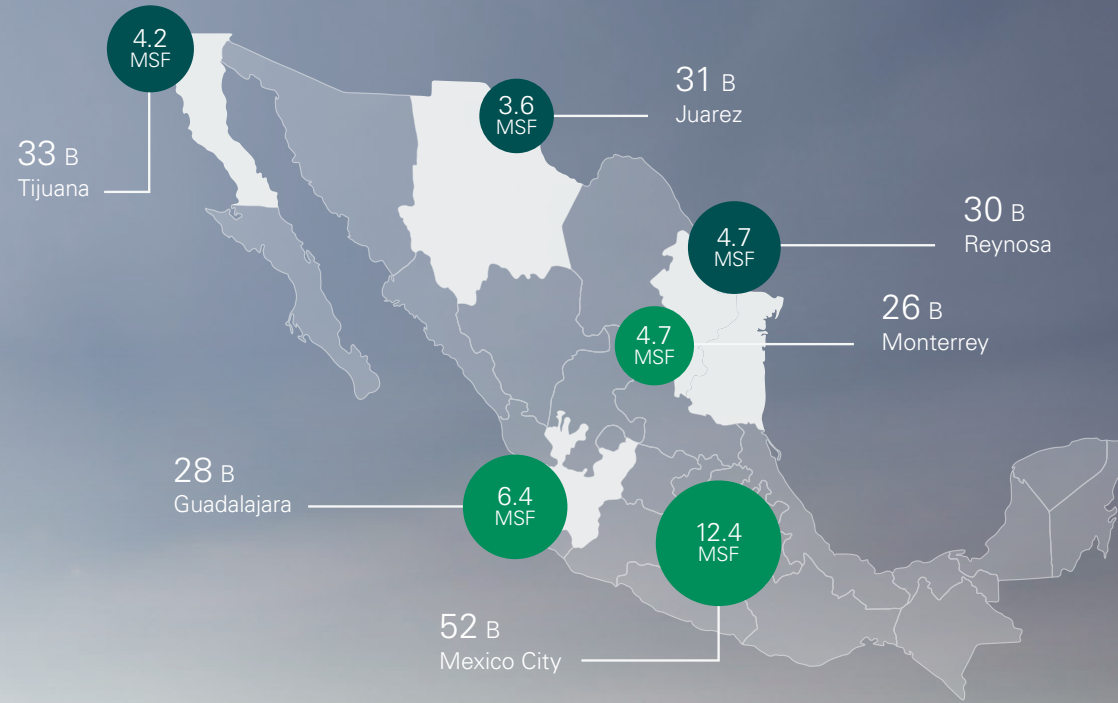
236 Customers

36.0 MSF

\$5.20 Average net effective rent per leased SF

97.4% Occupancy

68.6% USD-denominated leases



- B Buildings
- Regional Market
- Global Market



Prologis Park Tres Rios, Mexico City, Mexico

## Our key metrics tell a strong growth story

### OPERATING PORTFOLIO PERIOD-END OCCUPANCY

PERCENT

2018 **97.4**

2017 97.8

2016 96.8

### NET EFFECTIVE RENT CHANGE

2018 **13.1**

2017 11.9

2016 9.6

### CUSTOMER RETENTION

2018 **79.3**

2017 80.1

2016 87.6



Prologis Park Tres Rios, Mexico City, Mexico

## Financial results reflect our strength and resilience

### REVENUE SUMMARY

(in millions of pesos)

2018	3,673
2017	3,503
2016	3,239

### FFO PER CBFI

(in pesos, including incentive fees<sup>1</sup>)

2018	2.90
2017	2.91
2016	3.03

### DISTRIBUTION PER CBFI

(in pesos)

2018	2.33
2017	2.20
2016	2.07





This presentation includes certain terms and non-IFRS financial measures that are not specifically defined herein. These terms and financial measures are defined and, in the case of the non-IFRS financial measures, reconciled to the most directly comparable IFRS measure, in our 4<sup>th</sup> quarter Earnings Release and Supplemental Information that is available on our website at [www.fibraprologis.com](http://www.fibraprologis.com).

The statements in this release that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which FIBRA Prologis operates, management's beliefs and assumptions made by management. Such statements involve uncertainties that could significantly impact FIBRA 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, acquisition activity, development activity, disposition activity, general conditions in the geographic areas where we operate, our debt and financial position, 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, dispositions and development of properties, (v) maintenance of real estate investment trust ("FIBRA") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain

and our credit ratings, (vii) risks related to our investments (viii) environmental uncertainties, including risks of natural disasters, and (ix) those additional factors discussed in reports filed with the "Comisión Nacional Bancaria y de Valores" and the Mexican Stock Exchange by FIBRA Prologis under the heading "Risk Factors." FIBRA Prologis undertakes no duty to update any forward-looking statements appearing in this release.

Non-Solicitation - Any securities discussed herein or in the accompanying presentations, if any, have not been registered under the Securities Act of 1933 or the securities laws of any state and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Securities Act and any applicable state securities laws. Any such announcement does not constitute an offer to sell or the solicitation of an offer to buy the securities discussed herein or in the presentations, if and as applicable.

December 31, 2018



Prologis Park Agua Fría, Monterrey, Mexico