July 18, 2022

Prologis Reports Second Quarter 2022 Earnings Results

Market growth indicators remain strong

SAN FRANCISCO, July 18, 2022 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, today reported results for the second quarter of 2022.

Net earnings per diluted share was $0.82 for the quarter compared with $0.81 for the second quarter of 2021. Core funds from operations (Core FFO)* per diluted share was $1.11 for the quarter compared with $1.01 for the same period in 2021.

"The pandemic drove record demand for the past two years, which translated into all-time low vacancies and unprecedented rent growth," said Hamid R. Moghadam, co-founder and CEO, Prologis. "As conditions normalize, we are still seeing healthy demand that rivals past peak cycles and, informed by our proprietary data insights, we expect strong demand for our properties to continue."

OPERATING PERFORMANCE

Owned & Managed	2Q22	Notes
Average Occupancy	97.6 %	
Leases Commenced	51.3MSF	*43.6MSF operating portfolio and 7.7MSF development portfolio*
Retention	78.6 %	

Prologis Share	2Q22	Notes
Net Effective Rent Change	45.6 %	*Led by U.S. at 54.0 %*
Cash Rent Change	27.5 %	
Cash Same Store NOI*	8.2 %	*Led by U.S. at 9.0 %*

DEPLOYMENT ACTIVITY

Prologis Share	2Q22
Acquisitions	$846M
Weighted avg stabilized cap rate *(excluding other real estate)*	3.9 %
Development Stabilizations	$817M
Estimated weighted avg yield	6.0 %
Estimated weighted avg margin	74.2 %
Estimated value creation	$606M
% Build-to-suit	27.6 %
Development Starts	$1,669M
Estimated weighted avg yield	6.1 %
Estimated weighted avg margin	53.7 %
Estimated value creation	$896M
% Build-to-suit	25.6 %
Total Dispositions and Contributions	$218M
Weighted avg stabilized cap rate *(excluding land and other real estate)*	3.2 %

BALANCE SHEET & LIQUIDITY

During the second quarter, Prologis and its co-investment ventures issued $5.1 billion of debt at a weighted average interest rate of 1.4 percent. This activity includes $4.0 billion from refinancing our lines of credit and $1.1 billion in term loans, privately placed notes and green bonds. The company has maintained its leading liquidity position with approximately $5.2 billion in cash and availability on its credit facilities.

As of June 30, 2022, debt as a percentage of total market capitalization was 18.5 percent, and the company's weighted average interest rate on its share of total debt was 1.8 percent with a weighted average term of 9.7 years.

2022 GUIDANCE

"We are entering this uncertain economic environment in a position of financial strength, bolstered by our lease mark-to-market of 56 percent, liquidity of over $5 billion, low leverage and insulated earnings from foreign exchange movements through the next four years," said Timothy D. Arndt, chief financial officer, Prologis. "We feel great about our business and are confident in our ability to deliver on the significant organic growth embedded in our portfolio."

2022 GUIDANCE[(A)]

Earnings (per diluted share)	Previous	Revised	Change at M.P.
Net Earnings	$4.85 to $5.00	$5.15 to $5.25	5.6 %
Core FFO*	$5.10 to $5.16	$5.14 to $5.18	0.6 %
Core FFO, excluding net promote income*	$4.50 to $4.56	$4.54 to $4.58	0.7 %
Operations			
Average occupancy	96.75% to 97.50%	97.25% to 97.75%	38 bps
Cash Same Store NOI*- PLD share	7.25% to 8.00%	8.25% to 8.75%	88 bps
Strategic Capital (in millions)			
Strategic Capital revenue, excluding promote revenue	$550 to $565	$550 to $560	(0.4) %
Net promote income	$460	$460	$ -
G&A (in millions)			
General & administrative expenses	$310 to $320	$315 to $320	0.8 %

Capital Deployment – Prologis Share (in millions)	Previous	Revised	Change at M.P.
Development stabilizations	$2,300 to $2,600	$2,300 to $2,600	- %
Development starts	$4,500 to $5,000	$4,500 to $5,000	- %
Acquisitions	$700 to $1,200	$1,200 to $1,700	52.6 %
Contributions	$1,600 to $1,900	$1,600 to $1,900	- %
Dispositions	$1,900 to $2,200	$1,900 to $2,200	- %
Net sources/(uses)	($1,700) to ($2,100)	($2,200) to ($2,600)	($500)
Realized development gains	$750 to $850	$750 to $850	$ -

* This is a non-GAAP financial measure. See the Notes and Definitions in our supplemental information for further explanation and a reconciliation to the most directly comparable GAAP measure.

A. The earnings guidance described above does not give effect to the recently announced acquisition of Duke Realty Corporation.

The earnings guidance described above includes potential gains recognized from real estate transactions but excludes any future or potential foreign currency or derivative gains or losses as our guidance assumes constant foreign currency rates. In reconciling from net earnings to Core FFO*, Prologis makes certain adjustments, including but not limited to real estate depreciation and amortization expense, gains (losses) recognized from real estate transactions and early extinguishment of debt, impairment charges, deferred taxes and unrealized gains or losses on foreign currency or derivative activity. The difference between the company's Core FFO* and net earnings guidance for 2022 relates predominantly to these items. Please refer to our quarterly Supplemental Information, which is available on our Investor Relations website at https://ir.prologis.com and on the SEC's website at www.sec.gov for a definition of Core FFO* and other non-GAAP measures used by Prologis, along with reconciliations of these items to the closest GAAP measure for our results and guidance.

JULY 18, 2022, CALL DETAILS
The call will take place on Monday, July 18, 2022, at 9:00 a.m. PT/12:00 p.m. ET. To access a live broadcast of the call, please dial +1 (877) 897-2615 (toll-free from the United States and Canada) or +1 (201) 689-8514 (from all other countries). A live webcast can be accessed from the Investor Relations section of www.prologis.com.

A telephonic replay will be available July 18 – August 1 at +1 (877) 660-6853 (from the United States and Canada) or +1 (201) 612-7415 (from all other countries) using access code 13731159. The webcast replay will be posted in the Investor Relations section of www.prologis.com under "Events & Presentations."

ABOUT PROLOGIS
Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of June 30, 2022, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 1.0 billion square feet (95 million square meters) in 19 countries. Prologis leases modern logistics facilities to a diverse base of approximately 5,800 customers principally across two major categories: business-to-business and retail/online fulfillment.

FORWARD-LOOKING STATEMENTS
The statements in this document that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," and "estimates," including variations of such words and similar expressions, are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to rent and occupancy growth, development activity, contribution and disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures—are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and, therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic and political climates; (ii) changes in global financial markets, interest rates and foreign currency exchange rates; (iii) increased or unanticipated competition for our properties; (iv) risks associated with acquisitions,

dispositions and development of properties; (v) maintenance of real estate investment trust status, tax structuring and changes in income tax laws and rates; (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings; (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures; (viii) risks of doing business internationally, including currency risks; (ix) environmental uncertainties, including risks of natural disasters; (x) risks related to the current coronavirus pandemic; and (xi) those additional factors discussed in reports filed with the Securities and Exchange Commission by us under the heading "Risk Factors." We undertake no duty to update any forward-looking statements appearing in this document except as may be required by law.

dollars in millions, except per share/unit data	**Three Months ended June 30,**		**Six Months ended June 30,**	
	2022	**2021**	**2022**	**2021**
Rental and other revenues	$ 1,096	$ 1,022	$ 2,181	$ 2,050
Strategic capital revenues	156	129	290	249
Total revenues	1,252	1,151	2,471	2,299
Net earnings attributable to common stockholders	610	599	1,759	964
Core FFO attributable to common stockholders/unitholders*	848	775	1,681	1,517
AFFO attributable to common stockholders/unitholders*	805	807	1,727	1,617
Adjusted EBITDA attributable to common stockholders/unitholders*	1,136	1,112	2,346	2,184
Estimated value creation from development stabilizations - Prologis Share	606	267	778	436
Common stock dividends and common limited partnership unit distributions	605	482	1,210	965
Per common share - diluted:				
Net earnings attributable to common stockholders	$ 0.82	$ 0.81	$ 2.36	$ 1.30
Core FFO attributable to common stockholders/unitholders*	1.11	1.01	2.20	1.98
Business line reporting:				
Real estate operations*	1.00	0.93	2.00	1.82
Strategic capital*	0.11	0.08	0.20	0.16
*Core FFO attributable to common stockholders/unitholders**	*1.11*	*1.01*	*2.20*	*1.98*
Realized development gains, net of taxes*	0.13	0.22	0.39	0.44
Dividends and distributions per common share/unit	0.79	0.63	1.58	1.26

in thousands	June 30, 2022	March 31, 2022	December 31, 2021
Assets:			
Investments in real estate properties:			
Operating properties	$ 45,708,272	$ 44,751,126	$ 44,453,760
Development portfolio	3,465,438	3,268,705	2,729,340
Land	2,855,734	2,513,854	2,519,590
Other real estate investments	3,241,586	3,009,333	3,302,500
	55,271,030	53,543,018	53,005,190
Less accumulated depreciation	8,251,995	7,941,540	7,668,187
Net investments in real estate properties	47,019,035	45,601,478	45,337,003
Investments in and advances to unconsolidated entities	8,443,644	8,679,011	8,610,958
Assets held for sale or contribution	403,617	373,664	669,688
Net investments in real estate	55,866,296	54,654,153	54,617,649
Cash and cash equivalents	437,515	1,912,750	556,117
Other assets	3,460,006	3,212,968	3,312,454
Total assets	**$59,763,817**	**$59,779,871**	**$ 58,486,220**
Liabilities and Equity:			
Liabilities:			
Debt	$ 18,040,832	$ 18,368,538	$ 17,715,054
Accounts payable, accrued expenses and other liabilities	2,849,047	2,949,131	3,028,956
Total liabilities	20,889,879	21,317,669	20,744,010
Equity:			
Stockholders' equity	34,575,767	34,172,068	33,426,873
Noncontrolling interests	3,333,421	3,324,050	3,397,538
Noncontrolling interests - limited partnership unitholders	964,750	966,084	917,799
Total equity	38,873,938	38,462,202	37,742,210
Total liabilities and equity	**$59,763,817**	**$59,779,871**	**$ 58,486,220**

in thousands, except per share amounts	Three Months Ended June 30, 2022	2021	Six Months Ended June 30, 2022	2021
Revenues:				
Rental	$1,093,452	$1,014,763	$ 2,170,313	$2,036,419
Strategic capital	156,239	129,387	290,164	249,348
Development management and other	2,389	6,692	10,731	13,391
Total revenues	1,252,080	1,150,842	2,471,208	2,299,158
Expenses:				
Rental	270,465	245,133	546,139	523,017
Strategic capital	57,052	45,099	108,863	94,549
General and administrative	83,114	74,342	157,760	152,374
Depreciation and amortization	402,313	392,736	798,960	790,311
Other	11,621	7,194	21,210	10,638
Total expenses	824,565	764,504	1,632,932	1,570,889
Operating income before gains on real estate transactions, net	**427,515**	**386,338**	**838,276**	**728,269**
Gains on dispositions of development properties and land, net	105,802	187,361	316,008	361,004
Gains on other dispositions of investments in real estate, net (excluding development properties and land)	-	127,167	584,835	143,790
Operating income	**533,317**	**700,866**	**1,739,119**	**1,233,063**
Other income (expense):				
Earnings from unconsolidated co-investment ventures, net	73,439	57,330	141,549	116,007
Earnings from other unconsolidated ventures, net	6,155	15,089	15,007	23,461
Interest expense	(60,293)	(68,412)	(124,357)	(139,693)
Foreign currency and derivative gains (losses) and interest and other income, net	144,382	(5,365)	192,791	79,533
Losses on early extinguishment of debt, net	(730)	-	(18,895)	(187,453)
Total other income (expense)	162,953	(1,358)	206,095	(108,145)
Earnings before income taxes	696,270	699,508	1,945,214	1,124,918
Current income tax expense	(39,769)	(36,499)	(61,499)	(61,054)
Deferred income tax expense	(10,065)	(12,696)	(17,557)	(13,858)
Consolidated net earnings	646,436	650,313	1,866,158	1,050,006
Net earnings attributable to noncontrolling interests	(17,612)	(33,284)	(54,278)	(55,362)
Net earnings attributable to noncontrolling interests - limited partnership units	(17,431)	(16,853)	(49,702)	(27,121)
Net earnings attributable to controlling interests	611,393	600,176	1,762,178	967,523
Preferred stock dividends	(1,538)	(1,551)	(3,069)	(3,083)
Net earnings attributable to common stockholders	**$ 609,855**	**$ 598,625**	**$1,759,109**	**$ 964,440**
Weighted average common shares outstanding - Diluted	766,074	764,652	765,859	764,724
Net earnings per share attributable to common stockholders - Diluted	**$ 0.82**	**$ 0.81**	**$ 2.36**	**$ 1.30**

		June 30,		June 30,
in thousands	2022	2021	2022	2021
Net earnings attributable to common stockholders	$ 609,855	$598,625	$ 1,759,109	$ 964,440
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	389,715	381,865	774,312	769,553
Gains on other dispositions of investments in real estate, net of taxes (excluding development properties and land)	(904)	(127,167)	(590,477)	(143,790)
Reconciling items related to noncontrolling interests	(11,999)	(153)	4,926	(19,148)
Our share of reconciling items related to unconsolidated co-investment ventures	68,445	75,840	145,287	148,781
Our share of reconciling items related to other unconsolidated ventures	5,537	7,741	11,018	14,624
NAREIT defined FFO attributable to common stockholders/unitholders*	**$1,060,649**	**$936,751**	**$2,104,175**	**$1,734,460**
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative gains, net	(122,646)	(1,885)	(155,341)	(83,318)
Deferred income tax expense	10,065	12,696	17,557	13,858
Current income tax expense on dispositions related to acquired tax liabilities	-	427	-	2,992
Reconciling items related to noncontrolling interests	-	(210)	-	(421)
Our share of reconciling items related to unconsolidated co-investment ventures	2,101	(1,861)	1,555	(2,020)
FFO, as modified by Prologis attributable to common stockholders/unitholders*	**$ 950,169**	**$945,918**	**$1,967,946**	**$1,665,551**
Adjustments to arrive at Core FFO attributable to common stockholders/unitholders*:				
Gains on dispositions of development properties and land, net	(105,802)	(187,361)	(316,008)	(361,004)
Current income tax expense on dispositions	2,425	16,678	6,084	24,564
Losses on early extinguishment of debt, net	730	-	18,895	187,453
Reconciling items related to noncontrolling interests	-	(22)	4,484	(24)
Our share of reconciling items related to unconsolidated co-investment ventures	-	2,661	-	2,587
Our share of reconciling items related to other unconsolidated ventures	-	(2,630)	-	(2,054)
Core FFO attributable to common stockholders/unitholders*	**$ 847,522**	**$775,244**	**$1,681,401**	**$1,517,073**
Adjustments to arrive at Adjusted FFO ("AFFO") attributable to common stockholders/unitholders*, including our share of unconsolidated ventures less noncontrolling interest:				
Gains on dispositions of development properties and land, net	105,802	187,361	316,008	361,004
Current income tax expense on dispositions	(2,425)	(16,678)	(6,084)	(24,564)
Straight-lined rents and amortization of lease intangibles	(36,730)	(37,275)	(75,240)	(75,806)
Property improvements	(37,536)	(33,058)	(55,816)	(41,129)
Turnover costs	(90,456)	(76,897)	(175,480)	(148,037)
Amortization of debt premium, financing costs and management contracts, net	2,955	2,531	5,589	5,078
Stock compensation amortization expense	36,923	23,946	78,352	58,521
Reconciling items related to noncontrolling interests	14,140	8,294	22,015	15,159
Our share of reconciling items related to unconsolidated ventures	(34,809)	(26,587)	(63,780)	(50,731)
AFFO attributable to common stockholders/unitholders*	**$ 805,386**	**$806,881**	**$1,726,965**	**$1,616,568**

in thousands	Three Months Ended June 30 2022	Three Months Ended June 30 2021	Six Months Ended June 30 2022	Six Months Ended June 30 2021
	$	$	$	$
Net earnings attributable to common stockholders	609,855	598,625	1,759,109	964,440
Gains on other dispositions of investments in real estate, net (excluding development properties and land)	-	(127,167)	(584,835)	(143,790)
Depreciation and amortization expense	402,313	392,736	798,960	790,311
Interest expense	60,293	68,412	124,357	139,693
Current and deferred income tax expense, net	49,834	49,195	79,056	74,912
Net earnings attributable to noncontrolling interests - limited partnership units	17,431	16,853	49,702	27,121
Pro forma adjustments	3,081	(2,682)	1,786	(3,632)
Preferred stock dividends	1,538	1,551	3,069	3,083
Unrealized foreign currency and derivative gains, net	(122,646)	(1,885)	(155,341)	(83,318)
Stock compensation amortization expense	36,923	23,946	78,352	58,521
Losses on early extinguishment of debt, net	730	-	18,895	187,453
Adjusted EBITDA, consolidated*	**$1,059,352**	**$1,019,584**	**$2,173,110**	**$2,014,794**
Reconciling items related to noncontrolling interests	(30,113)	(17,092)	(46,209)	(46,679)
Our share of reconciling items related to unconsolidated ventures	107,145	109,357	219,248	215,436
Adjusted EBITDA attributable to common stockholders/unitholders*	**$1,136,384**	**$1,111,849**	**$2,346,149**	**$2,183,551**

*This is a non-GAAP financial measure. Please see our Notes and Definitions for further explanation.

Adjusted EBITDA. We use Adjusted EBITDA attributable to common stockholders/unitholders ("Adjusted EBITDA"), a non-GAAP financial measure, as a measure of our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net earnings.

We calculate Adjusted EBITDA by beginning with consolidated net earnings attributable to common stockholders and removing the effect of: interest expense, income taxes, depreciation and amortization, impairment charges, gains or losses from the disposition of investments in real estate (excluding development properties and land), gains from the revaluation of equity investments upon acquisition of a controlling interest, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other items, such as, amortization of stock based compensation and unrealized gains or losses on foreign currency and derivatives. We also include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire or stabilize during the quarter and to remove NOI on properties we dispose of during the quarter, assuming all transactions occurred at the beginning of the quarter. The pro forma adjustment also includes economic ownership changes in our ventures to reflect the full quarter at the new ownership percentage.

We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view our operating performance, analyze our ability to meet interest payment obligations and make quarterly preferred stock dividends on an unleveraged basis before the effects of income tax, depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. While all items are not infrequent or unusual in nature, these items may result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

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

While we believe Adjusted EBITDA is an important measure, it should not be used alone because it excludes significant components of net earnings, such as our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements, contractual commitments or interest and principal payments on our outstanding debt and is therefore limited as an analytical tool.

Our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies in both the real estate industry and other industries. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation to Adjusted EBITDA from consolidated net earnings attributable to common stockholders.

Business Line Reporting is a non-GAAP financial measure. Core FFO and development gains are generated by our three lines of business: (i) real estate operations; (ii) strategic capital; and (iii) development. The real estate operations line of business represents total Prologis Core FFO, less the amount allocated to the strategic capital line of business. The amount of Core FFO allocated to the strategic capital line of business represents the third party share of asset management fees and, transactional fees that we earn from our consolidated and unconsolidated co-investment ventures less costs directly associated with our strategic capital group and Net Promote Income. Realized development gains include our share of gains on dispositions of development properties and land, net of taxes. To calculate the per share amount, the amount generated by each line of business is divided by the weighted average diluted common shares outstanding used in our Core FFO per share calculation. Management believes evaluating our results by line of business is a useful supplemental measure of our operating performance because it helps the investing public compare the operating performance of Prologis' respective businesses to other companies' comparable businesses. Prologis' computation of FFO by line of business may not be comparable to that reported by other real estate companies as they may use different methodologies in computing such measures.

in thousands, except per share amount	Three Months Ended Jun. 30, 2022	2021	Six Months Ended Jun. 30, 2022	2021
Net earnings				
Net earnings attributable to common stockholders	$ 609,855	$ 598,625	$ 1,759,109	$ 964,440
Noncontrolling interest attributable to exchangeable limited partnership units	17,518	16,921	49,856	27,241
Adjusted net earnings attributable to common stockholders - Diluted	**$ 627,373**	**$ 615,546**	**$ 1,808,965**	**$ 991,681**
Weighted average common shares outstanding - Basic	740,637	739,190	740,506	739,105
Incremental weighted average effect on exchange of limited partnership units	21,289	21,179	21,221	21,084
Incremental weighted average effect of equity awards	4,148	4,283	4,132	4,535
Weighted average common shares outstanding - Diluted	**766,074**	**764,652**	**765,859**	**764,724**
Net earnings per share - Basic	**$ 0.82**	**$ 0.81**	**$ 2.38**	**$ 1.30**
Net earnings per share - Diluted	**$ 0.82**	**$ 0.81**	**$ 2.36**	**$ 1.30**
Core FFO				
Core FFO attributable to common stockholders/unitholders	$ 847,522	$ 775,244	$ 1,681,401	$ 1,517,073
Noncontrolling interest attributable to exchangeable limited partnership units	25	137	164	262
Core FFO attributable to common stockholders/unitholders - Diluted	**$ 847,547**	**$ 775,381**	**$ 1,681,565**	**$ 1,517,335**
Weighted average common shares outstanding - Basic	740,637	739,190	740,506	739,105
Incremental weighted average effect on exchange of limited partnership units	21,289	21,179	21,221	21,084
Incremental weighted average effect of equity awards	4,148	4,283	4,132	4,535
Weighted average common shares outstanding - Diluted	**766,074**	**764,652**	**765,859**	**764,724**
Core FFO per share - Diluted	**$ 1.11**	**$ 1.01**	**$ 2.20**	**$ 1.98**

Estimated Value Creation represents the value that we expect to create through our development and leasing activities. We calculate Estimated Value Creation by estimating the Stabilized NOI that the property will generate and applying a stabilized capitalization rate applicable to that property. Estimated Value Creation is calculated as the amount by which the value exceeds our TEI and does not include any fees or promotes we may earn.

Estimated Weighted Average Margin is calculated on development properties as Estimated Value Creation, less estimated closing costs and taxes, if any, on properties expected to be sold or contributed, divided by TEI.

Estimated Weighted Average Stabilized Yield is calculated on the properties in the Development Portfolio as Stabilized NOI divided by TEI. The yields on a Prologis Share basis were as follows:

	Pre-Stabilized Developments	2022 Expected Completion	2023 and Thereafter Expected Completion	Total Development Portfolio
U.S.	6.3 %	5.7 %	5.9 %	5.9 %
Other Americas	7.8 %	7.1 %	8.0 %	7.6 %
Europe	5.9 %	5.4 %	5.2 %	5.4 %
Asia	5.4 %	5.6 %	5.7 %	5.5 %
Total	5.9 %	5.7 %	5.8 %	5.8 %

Fee Related Earnings ("FRE") is a non-GAAP financial measure and component of NAV. It is used to assess the performance of our strategic capital business and enables management and investors to estimate the corresponding fair value. FRE is calculated as the third party share of asset management fees and transactional fees from our consolidated and unconsolidated co-investment ventures, net of direct and allocated related expenses. As non-GAAP financial measures, FRE has certain limitations as an analytical tool and may vary among real estate and asset management companies. As a result, we provide a reconciliation of Strategic Capital Revenues (from our Consolidated Financial Statements prepared in accordance with U.S. GAAP) to our FRE measure, as follows:

in thousands	Three Months Ended		Six Months Ended Jun. 30, 2022	
Strategic capital revenues	$	156,239	$	290,164
Less: Strategic capital revenue from property management fees and other unconsolidated ventures		(27,630)		(54,488)
Less: Prologis share of asset management fees and transactional fees from our unconsolidated co-investment ventures		(22,991)		(45,814)
Add: Third party share of asset management fees and transactional fees from our consolidated co-investment ventures		15,860		31,256
Effect of foreign currency exchange		(2,489)		(4,136)
Third party share of fee related and promote revenue	**$**	**118,989**	**$**	**216,982**
Less: Promote revenue		(19,046)		(19,046)
Fee related revenue	**$**	**99,943**	**$**	**197,936**
Less: Strategic capital expenses for asset management fees and transactional fees		(23,367)		(44,473)
Fee Related Earnings	**$**	**76,576**	**$**	**153,463**

Fee Related Earnings Annualized utilizes the components of the current quarter FRE to calculate an estimated annual FRE amount. FRE annualized is calculated as the current quarter third party share of asset management fees from consolidated and unconsolidated co-investment ventures multiplied by four plus the third party share of transactional fees from consolidated and unconsolidated co-investment ventures for the trailing twelve months. This total is reduced by trailing twelve months of strategic capital expenses for asset management and transactional fees.

FFO, as modified by Prologis attributable to common stockholders/unitholders ("FFO, as modified by Prologis"); Core FFO attributable to common stockholders/unitholders ("Core FFO"); AFFO attributable to common stockholders/unitholders ("AFFO"); (collectively referred to as "FFO"). FFO is a non-GAAP financial measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings.

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

Our FFO Measures

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

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

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

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

FFO, as modified by Prologis

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

(i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
(ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in earnings that is excluded from our defined FFO measure;
(iii) foreign currency exchange gains and losses resulting from (a) debt transactions between us and our foreign entities, (b) third-party debt that is used to hedge our investment in foreign entities, (c) derivative financial instruments related to any such debt transactions, and (d) mark-to-market adjustments associated with other derivative financial instruments.

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

Core FFO

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

(i) gains or losses from the disposition of land and development properties that were developed with the intent to contribute or sell;
(ii) income tax expense related to the sale of investments in real estate;
(iii) impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
(iv) gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock; and
(v) expenses related to natural disasters.

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

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties, net of current tax expense, and recurring capital expenditures and exclude the following items that we recognize directly in Core FFO:

(i) straight-line rents;
(ii) amortization of above- and below-market lease intangibles;
(iii) amortization of management contracts;
(iv) amortization of debt premiums and discounts and financing costs, net of amounts capitalized, and;
(v) stock compensation amortization expense.

We use AFFO to (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; and (v) evaluate how a specific potential investment will impact our future results.

Limitations on the use of our FFO measures

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

- The current income tax expenses that are excluded from our modified FFO measures represent the taxes that are payable.
- Depreciation and amortization of real estate assets are economic costs that are excluded from FFO. FFO is limited, as it does not reflect the cash requirements that may be necessary for future replacements of the real estate assets. Furthermore, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of logistics facilities are not reflected in FFO.
- Gains or losses from property dispositions and impairment charges related to expected dispositions represent changes in value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our modified FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our modified FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our modified FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net

assets that result from periodic foreign currency exchange rate movements.

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

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

Guidance. The following is a reconciliation of our annual guided Net Earnings per share to our guided Core FFO per share:

	Low	High
Net Earnings (a)	**$ 5.15**	**$ 5.25**
Our share of:		
Depreciation and amortization	2.31	2.35
Net gains on real estate transactions, net of taxes	(2.17)	(2.27)
Unrealized foreign currency losses (gains), loss on early extinguishment of debt and other, net	(0.15)	(0.15)
Core FFO	**$ 5.14**	**$ 5.18**

(a) Earnings guidance includes potential future gains recognized from real estate transactions, but excludes future foreign currency or derivative gains or losses as these items are difficult to predict.

Owned and Managed represents the consolidated properties and properties owned by our unconsolidated co-investment ventures, which we manage.

Prologis Share represents our proportionate economic ownership of each entity included in our total Owned and Managed portfolio whether consolidated or unconsolidated.

Rent Change (Cash) represents the percentage change in starting rental rates per the lease agreement, on new and renewed leases, commenced during the period compared with the previous ending rental rates in that same space. This measure excludes any short-term leases of less than one-year, holdover payments, free rent periods and introductory (teaser rates) defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the percentage change in net effective rental rates (average rate over the lease term), on new and renewed leases, commenced during the period compared with the previous net effective rental rates in that same space. This measure excludes any short-term leases of less than one year and holdover payments.

Retention is the square footage of all leases commenced during the period that are rented by existing tenants divided by the square footage of all expiring and in-place leases during the reporting period. The square footage of tenants that default or buy-out prior to expiration of their lease and short-term leases of less than one year, are not included in the calculation.

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

We define our same store population for the three months ended June 30, 2022 as the properties in our Owned and Managed Operating Portfolio, including the property NOI for both consolidated properties and properties owned by the unconsolidated co-investment ventures at January 1, 2021 and owned throughout the same three-month period in both 2021 and 2022. We believe the drivers of property NOI for the consolidated portfolio are generally the same for the properties owned by the ventures in which we invest and therefore we evaluate the same store metrics of the Owned and Managed portfolio based on Prologis' ownership in the properties ("Prologis Share"). The same store population excludes properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period (January 1, 2021) and properties acquired or disposed of to third parties during the period. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the reported period-end exchange rate to translate from local currency into the U.S. dollar, for both periods.

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

	Three Months Ended Jun. 30,		
dollars in thousands	**2022**	**2021**	**Change (%)**
Reconciliation of Consolidated Property NOI to Same Store Property NOI measures:			
Rental revenues	$ 1,093,452	$ 1,014,763	
Rental expenses	(270,465)	(245,133)	
Consolidated Property NOI	**$ 822,987**	**$ 769,630**	
Adjustments to derive same store results:			
Property NOI from consolidated properties not included in same store portfolio and other adjustments (a)	(112,018)	(103,686)	
Property NOI from unconsolidated co-investment ventures included in same store portfolio (a)(b)	623,378	581,216	
Third parties' share of Property NOI from properties included in same store portfolio (a)(b)	(504,466)	(475,892)	
Prologis Share of Same Store Property NOI – Net Effective (b)	**$ 829,881**	**$ 771,268**	**7.6 %**
Consolidated properties straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(24,667)	(25,778)	
Unconsolidated co-investment ventures straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(16,146)	(16,502)	
Third parties' share of straight-line rent and fair value lease adjustments included in the same store portfolio (b)(c)	13,941	13,043	
Prologis Share of Same Store Property NOI – Cash (b)(c)	**$ 803,009**	**$ 742,031**	**8.2 %**

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

(b) We include the Property NOI for the same store portfolio for both consolidated properties and properties owned by the co-investment ventures based on our investment in the underlying properties. In order to calculate our share of Same Store Property NOI from the co-investment ventures in which we own less than 100%, we use the co-investment ventures' underlying Property NOI for the same store portfolio and apply our ownership percentage at June 30, 2022 to the Property NOI for both periods, including the properties contributed during the period. We adjust the total Property NOI from the same store portfolio of the co-investment ventures by subtracting the third parties' share of both consolidated and unconsolidated co-investment ventures. During the periods presented, certain wholly owned properties were contributed to a co-investment venture and are included in the same store portfolio. Neither our consolidated results nor those of the co-investment ventures, when viewed individually, would be comparable on a same store basis because of the changes in composition of the respective portfolios from period to period (e.g. the results of a contributed property are included in our consolidated results through the contribution date and in the results of the venture subsequent to the contribution date based on our ownership interest at the end of the period). As a result, only line items labeled "Prologis Share of Same Store Property NOI" are comparable period over period.

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

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

Weighted Average Interest Rate is based on the effective rate, which includes the amortization of related premiums and discounts and finance costs.

Weighted Average Stabilized Capitalization ("Cap") Rate is calculated as Stabilized NOI divided by the Acquisition Price.

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