

April 19, 2015



Prologis Announces First Quarter 2015 Earnings Results and New Conference Call Date and Time

- Core Funds From Operations Per Share Grew 14 Percent Year-Over-Year -
- Rent Change on Rollovers Increased 9.7 Percent -
- Stabilized \$358.2 Million of Development with Estimated Margin of 35.5 Percent -
- Increases Mid-Point of 2015 Core FFO Guidance, excluding KTR Capital Partners transaction -

SAN FRANCISCO, April 19, 2015 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in industrial real estate, today reported results for the first quarter 2015.

Core funds from operations (Core FFO) per diluted share was \$0.49 for the first quarter compared with \$0.43 for the same period in 2014.

"We had an excellent start to the year and we continue to deliver growth across our three lines of business," said Hamid R. Moghadam, chairman and CEO, Prologis. "Generally, market conditions are in great shape, and the scale, quality and diversification of our global platform, combined with solid execution by teams throughout the world, are driving strong financial results."

STRONG OPERATING PERFORMANCE RESULTING FROM FOCUSED INVESTMENT STRATEGY

Prologis ended the quarter with 95.9 percent occupancy in its operating portfolio, an increase of 140 basis points over the same period in 2014. In the first quarter, the company leased 39.2 million square feet (3.6 million square meters) in its combined operating and development portfolios, which includes 3.9 million square feet (0.4 million square meters) of properties under development. Tenant retention was 86.3 percent.

Rent change on rollovers was positive, with GAAP rental rates on signed leases increasing 9.7 percent. In the U.S., GAAP rental rates on signed leases increased 15.1 percent.

During the first quarter, same store NOI for the owned and managed portfolio increased 3.5 percent on a GAAP basis and 3.9 percent on an adjusted cash basis. On a Prologis' share basis, same store NOI increased 3.7 percent on a GAAP basis and 4.2 percent on an

adjusted cash basis.

PROFITABLE CAPITAL DEPLOYMENT

During the first quarter, Prologis invested \$421.0 million (\$278.6 million Prologis' share) at attractive yields.

Value Creation

The company generated \$264.2 million (\$259.3 million Prologis' share) of estimated value creation during the quarter. This includes \$127.2 million (\$122.3 million Prologis' share) of estimated value creation from \$358.2 million (\$331.0 million Prologis' share) of development stabilizations at an estimated development margin of 35.5 percent and \$137.0 million (of which 100% is Prologis' share) of value creation recognized through its value-added conversion program.

"During the quarter we monetized one of our significant value-added conversion projects," said Moghadam. "While these projects are episodic, they produce meaningful gains and NAV appreciation as we convert some of our infill industrial properties higher and better use. Through the first quarter of 2015, we have averaged approximately \$50 million annually in gains from our value-add efforts over the last nine years."

Development Starts

The company started \$280.1 million (\$218.4 million Prologis' share) of new developments with an estimated weighted average yield upon stabilization of 7.1 percent and an estimated development margin of 20.5 percent. Build-to-suits represented 16.5 percent of development starts in the first quarter.

At quarter end, the book value of the company's land bank totaled \$1.8 billion with an estimated build-out potential of \$11.1 billion.

Acquisitions

Prologis acquired \$140.9 million (\$60.2 million Prologis' share) of buildings with a stabilized capitalization rate on Prologis' share of 6.8 percent.

Dispositions and Contributions

Prologis completed \$464.7 million (\$461.6 million Prologis' share) of third-party building dispositions, primarily through its value-added conversion program, and contributions to its co-investment ventures of \$29.6 million (\$20.4 million Prologis' share). Prologis' share of dispositions and contributions had a stabilized capitalization rate of 3.6 percent.

CAPITAL MARKETS ACTIVITY INSULATES EARNINGS AND NAV FROM MOVEMENTS IN FOREIGN CURRENCIES

Prologis completed \$405.2 million of capital markets activity in the quarter and increased its U.S. dollar net equity exposure to 91 percent.

"I am very pleased with our financial position, our balance sheet and credit metrics are as strong as they have ever been," said Tom Olinger, chief financial officer, Prologis. "Additionally, we have effectively hedged the impact of foreign currency movements on our estimated 2015 Core FFO, insulating our earnings and net asset value."

NET EARNINGS

Net earnings per diluted share was \$0.65 for the first quarter compared with \$0.01 for the same period in 2014.

GUIDANCE NARROWED AND MIDPOINT RAISED FOR 2015

Guidance for 2015 does not include any impact from the KTR Capital Partners transaction

Prologis narrowed its 2015 Core FFO guidance range to \$2.07 to \$2.13 per diluted share from \$2.04 to \$2.12 per diluted share representing 12 percent growth at the midpoint compared with full year 2014. The company expects to recognize net earnings, for GAAP purposes, of \$0.98 to \$1.04 per share. This assumes (on an owned and managed basis):

- Year-end occupancy between 95.5 and 96.5 percent
- GAAP same store NOI growth between 3.75 and 4.50 percent
- Development stabilizations between \$1.7 and \$1.9 billion
- Development starts between \$2.3 and \$2.6 billion
- Building acquisitions between \$1.0 and \$1.5 billion
- Contributions to co-investment ventures between \$1.3 and \$1.8 billion
- Third-party dispositions between \$2.1 billion and 2.5 billion
- Strategic capital revenue between \$195 and \$205 million
- Net G&A between \$235 and \$245 million

The Core FFO and earnings guidance reflected above excludes any potential future gains (losses) recognized from real estate transactions. In reconciling from net earnings to Core FFO, Prologis makes certain adjustments including but not limited to real estate depreciation and amortization expenses, gains (losses) recognized from real estate transactions and early extinguishment of debt or redemption of preferred stock, 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 2015 relates predominantly to real estate depreciation and realized gains or losses on real estate transactions.

NEW WEBCAST & CONFERENCE CALL INFORMATION

Prologis will host a live webcast and conference call with senior management to discuss first quarter results, current market conditions and future outlook on April 20, at 8 a.m. U.S. Eastern time. Interested parties are encouraged to access the webcast by clicking on the Investor Events and Presentations section on the opening page of the Prologis Investor Relations website (<http://ir.prologis.com>). Interested parties also can participate via conference call by dialing +1 877 256 7020 (toll-free from the U.S. and Canada) or +1 973 409 9692 (from all other countries) and entering conference code 48765488.

A telephonic replay will be available April 20-May 20 at +1 855 859 2056 (from the U.S. and Canada) or +1 404 537 3406 (from all other countries) using conference code 48765488. The webcast replay will be posted when available in the "Events & Presentations" section of Investor Relations on the Prologis website.

ABOUT PROLOGIS

Prologis, Inc., is the global leader in industrial real estate. As of March 31, 2015, Prologis owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 594 million square feet (55 million square meters) in 21 countries. The company leases modern distribution facilities to more than 4,700 customers, including third-party logistics providers, transportation companies, retailers and manufacturers.

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 Prologis operates, management's beliefs and assumptions made by management. Such statements 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 properties, disposition activity, general conditions in the geographic areas where we operate, our debt 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 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 ("REIT") 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 in our co-investment ventures and funds, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by Prologis under the heading "Risk Factors." Prologis undertakes no duty to update any forward-looking statements appearing in this document.

<i>(dollars in thousands, except per share data)</i>	Three months ended March 31,	
	2015	2014
Revenues	\$ 462,847	\$ 434,682
Net earnings attributable to common stockholders	345,206	4,666
Core FFO	254,379	217,555
AFFO	212,781	177,465
Adjusted EBITDA	365,996	361,192
Value creation - Prologis share	122,286	50,507
Common stock dividends paid	188,915	166,689
Per common share - diluted:		
Net earnings attributable to common stockholders	\$ 0.65	\$ 0.01
Core FFO	0.49	0.43
Dividends per share	0.36	0.33

<i>(in thousands)</i>	March 31, 2015	December 31, 2014
Assets:		
Investments in real estate properties:		
Operating properties	\$ 18,291,593	\$ 18,635,452
Development portfolio	1,452,266	1,473,980
Land	1,535,622	1,577,786
Other real estate investments	521,018	502,927
	<u>21,800,499</u>	<u>22,190,145</u>
Less accumulated depreciation	2,877,478	2,790,781
Net investments in real estate properties	<u>18,923,021</u>	<u>19,399,364</u>
Investments in and advances to unconsolidated entities	4,559,721	4,824,724
Assets held for sale	337,229	43,934
Note receivable backed by real estate	197,500	-
Net investments in real estate	<u>24,017,471</u>	<u>24,268,022</u>
Cash and cash equivalents	192,013	350,692
Other assets	1,251,337	1,199,509
Total assets	\$ 25,460,821	\$ 25,818,223
Liabilities and Equity:		
Liabilities:		
Debt	\$ 8,641,421	\$ 9,380,199
Accounts payable, accrued expenses, and other liabilities	1,026,593	1,254,425
Total liabilities	<u>9,668,014</u>	<u>10,634,624</u>
Equity:		
Stockholders' equity:		
Preferred stock	78,235	78,235
Common stock	5,240	5,095
Additional paid-in capital	19,052,562	18,467,009
Accumulated other comprehensive loss	(701,713)	(600,337)
Distributions in excess of net earnings	(3,819,351)	(3,974,493)
Total stockholders' equity	<u>14,614,973</u>	<u>13,975,509</u>
Noncontrolling interests	1,122,001	1,159,901
Noncontrolling interests - limited partnership unitholders	55,833	48,189
Total equity	<u>15,792,807</u>	<u>15,183,599</u>
Total liabilities and equity	\$ 25,460,821	\$ 25,818,223

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2015	2014
Revenues:		
	\$	\$
Rental income	418,802	388,240
Strategic capital income	42,025	45,310
Development management and other income	2,020	1,132
Total revenues	<u>462,847</u>	<u>434,682</u>
Expenses:		
Rental expenses	126,934	110,517
Strategic capital expenses	20,361	24,163
General and administrative expenses	56,288	63,203
Depreciation and amortization	169,808	160,280
Other expenses	5,575	5,053
Total expenses	<u>378,966</u>	<u>363,216</u>
Operating income	83,881	71,466
Other income (expense):		
Earnings from unconsolidated entities, net	31,042	29,746
Interest expense	(68,761)	(85,523)
Gains on dispositions of development properties and land, net	831	7,510
Gains on dispositions of other investments in real estate properties, net	276,884	9,545
Foreign currency and derivative gains (losses), related amortization and interest		
and other income (expense), net	45,615	(14,134)
Gains (losses) on early extinguishment of debt, net	(16,289)	273
Total other income (expense)	<u>269,322</u>	<u>(52,583)</u>
Earnings before income taxes	353,203	18,883
Income tax expense - current and deferred	(1,891)	(6,880)
Consolidated net earnings	<u>351,312</u>	<u>12,003</u>
Net earnings attributable to noncontrolling interests	(4,436)	(5,202)
Net earnings attributable to controlling interests	<u>346,876</u>	<u>6,801</u>
Preferred stock dividends	(1,670)	(2,135)
	\$	\$
Net earnings attributable to common stockholders	<u>345,206</u>	<u>4,666</u>
Weighted average common shares outstanding - Diluted	529,022	504,373
	\$	\$
Net earnings per share attributable to common stockholders - Diluted	<u>0.65</u>	<u>0.01</u>

(in thousands)

Three Months Ended March 31,

	2015	2014
Reconciliation of net earnings to FFO		
Net earnings attributable to common stockholders	\$ 345,206	\$ 4,666
Add (deduct) NAREIT defined adjustments:		
Real estate related depreciation and amortization	164,251	154,495
Gains on dispositions of other investments in real estate properties, net	(276,884)	(9,545)
Reconciling items related to noncontrolling interests	(11,512)	(6,201)
Our share of reconciling items included in earnings from unconsolidated co-investment ventures	47,372	41,716
Our share of reconciling items included in earnings from other unconsolidated ventures	1,721	1,350
Subtotal-NAREIT defined FFO	270,154	186,481
Add (deduct) our defined adjustments:		
Unrealized foreign currency and derivative losses (gains) and related amortization, net	(32,860)	28,110
Deferred income tax expense	1,052	1,031
Reconciling items related to noncontrolling interests	(1,568)	-
Our share of reconciling items included in earnings from unconsolidated co-investment ventures	1,949	229
FFO, as defined by Prologis	238,727	215,851
Adjustments to arrive at Core FFO:		
Gains on dispositions of development properties and land, net of taxes	(3,234)	(6,158)
Acquisition expenses	1,304	500
Losses (gains) on early extinguishment of debt, net	16,289	(273)
Reconciling items related to noncontrolling interests	(2,029)	-
Our share of reconciling items from unconsolidated ventures	3,322	7,635
Core FFO	\$ 254,379	\$ 217,555
Adjustments to arrive at Adjusted FFO ("AFFO"), including our share of unconsolidated ventures less third party share of consolidated entities:		
Gains on dispositions of development properties and land, net of taxes	4,249	6,112
Straight-lined rents and amortization of lease intangibles	(7,885)	(8,576)
Property improvements	(14,930)	(11,142)
Tenant improvements	(20,393)	(20,072)
Leasing commissions	(14,335)	(15,560)
Amortization of management contracts	944	1,305
Amortization of debt premiums and financing costs, net	(3,939)	(2,269)
Cash received (paid) on net investment hedges	1,457	(5,126)
Stock compensation expense	13,234	15,238
AFFO	\$ 212,781	\$ 177,465
Common stock dividends	\$ 188,915	\$ 166,689

Calculation of Per Share Amounts is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2015	2014
Net earnings		
Net earnings	\$ 345,206	\$ 4,666
Noncontrolling interest attributable to exchangeable limited partnership units	1,650	17
Gains, net of expenses, associated with exchangeable debt assumed exchanged	(1,614)	-
Adjusted net earnings - Diluted	\$ 345,242	\$ 4,683
Weighted average common shares outstanding - Diluted		
Weighted average common shares outstanding - Basic	514,022	498,696
Incremental weighted average effect on exchange of limited partnership units	3,794	1,767
Incremental weighted average effect of stock awards	2,394	3,910
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	8,812	-
Weighted average common shares outstanding - Diluted	529,022	504,373
Net earnings per share - Basic	\$ 0.67	\$ 0.01
Net earnings per share - Diluted	\$ 0.65	\$ 0.01
Core FFO		
Core FFO	\$ 254,379	\$ 217,555
Noncontrolling interest attributable to exchangeable limited partnership units	881	207
Interest expense on exchangeable debt assumed exchanged	3,506	4,246
Core FFO - Diluted	\$ 258,766	\$ 222,008
Weighted average common shares outstanding - Diluted		
Weighted average common shares outstanding - Basic	514,022	498,696
Incremental weighted average effect on exchange of limited partnership units	3,794	3,715
Incremental weighted average effect of stock awards	2,394	3,910
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	8,812	11,879
Weighted average common shares outstanding - Diluted	529,022	518,200
Core FFO per share - Diluted	\$ 0.49	\$ 0.43

(a) In March 2015, the exchangeable debt was settled primarily through the issuance of common stock. The adjustment in 2015 assumes the exchange occurred on January 1, 2015.

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

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

NAREIT's FFO measure adjusts net earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales, along with impairment charges, of

previously depreciated properties. We agree that these NAREIT adjustments are useful to investors for the following reasons:

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

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

Our FFO Measures

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

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

cause both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

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

FFO, as defined by Prologis

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

- (i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
- (ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in GAAP earnings that is excluded from our defined FFO measure;
- (iii) unhedged foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;
- (iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of certain third party debt of our foreign consolidated subsidiaries and our foreign unconsolidated entities; and
- (v) mark-to-market adjustments and related amortization of debt discounts associated with derivative financial instruments.

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

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

Core FFO

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

- (i) gains or losses from contribution or sale of land or development properties;
- (ii) income tax expense related to the sale of investments in real estate and third-party acquisition costs related to the acquisition of 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;
- (v) merger, acquisition and other integration expenses; and
- (vi) expenses related to natural disasters.

We believe it is appropriate to further adjust our *FFO*, as defined by *Prologis* for certain recurring items as they were driven by transactional activity and factors relating to the financial and real estate markets, rather than factors specific to the on-going operating performance of our properties or investments. The impairment charges we have recognized were primarily based on valuations of real estate, which had declined due to market conditions, that we no longer expected to hold for long-term investment. Over the last few years, we made it a priority to strengthen our financial position by reducing our debt, our investment in certain low yielding assets and our exposure to foreign currency exchange fluctuations. As a result, we changed our intent to sell or contribute certain of our real estate properties and recorded impairment charges when we did not expect to recover the costs of our investment. Also, we purchased portions of our debt securities when we believed it was advantageous to do so, which was based on market conditions, and in an effort to lower our borrowing costs and extend our debt maturities. As a result, we have recognized net gains or losses on the early extinguishment of certain debt due to the financial market conditions at that time. In addition, we and our co-investment ventures make acquisitions of real estate and we believe the costs associated with these transactions are transaction based and not part of our core operations.

We analyze our operating performance primarily by the rental income of our real estate and the revenue driven by 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. Although these items discussed above have had a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term.

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

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties and to exclude our share of the impact of; (i) straight-line rents; (ii) amortization of above- and below-market lease intangibles; (iii) recurring capital expenditures; (iv) amortization of management contracts; (v) amortization of debt premiums and discounts and financing costs, net of amounts capitalized, and; (vi) stock compensation expense.

We believe AFFO provides a meaningful indicator of our ability to fund cash needs, including cash distributions to our stockholders.

Limitations on Use of our FFO Measures

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

- The current income tax expenses and acquisition costs that are excluded from our defined FFO measures represent the taxes and transaction costs 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. Further, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of industrial properties are not reflected in FFO.
- Gains or losses from non-development property acquisitions and dispositions or 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 acquired or disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our defined FFO measures result from the creation of a deferred income tax asset or liability that may have to be settled at some future point. Our defined FFO measures do not currently reflect any income or expense that may result from such settlement.
- The foreign currency exchange gains and losses that are excluded from our defined FFO measures are generally recognized based on movements in foreign currency exchange rates through a specific point in time. The ultimate settlement of our foreign currency-denominated net assets is indefinite as to timing and amount. Our FFO measures are limited in that they do not reflect the current period changes in these net assets that result from periodic foreign currency exchange rate movements.
- The gains and losses on extinguishment of debt that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our debt at less or more than our future obligation.
- The merger, acquisition and other integration expenses and 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 defined FFO measures to our net earnings computed under GAAP.

Same Store. We evaluate the operating performance of the operating properties we own and manage using a "Same Store" analysis because the population of properties in this analysis is consistent from period to period, thereby eliminating the effects of changes in the composition of the portfolio on performance measures. We include the properties included in our owned and managed portfolio that were in operation at January 1, 2014 and throughout the full periods in both 2014 and 2015. We have removed all properties that were disposed of to a third party from the population for both periods. We believe the factors that impact rental income, rental expenses and NOI in the Same Store portfolio are generally the same as for the total operating portfolio. In order to derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the current exchange rate to translate from local currency into U.S. dollars, for both periods.

Our same store measures are non-GAAP measures that are commonly used in the real estate industry and are calculated beginning with rental income and rental expenses from the financial statements prepared in accordance with GAAP. It is also common in the real estate industry and expected from the analyst and investor community that these numbers be further adjusted to remove certain non-cash items included in the financial statements prepared in accordance with GAAP to reflect a cash same store number. In order to clearly label these metrics, we call one Same Store NOI- GAAP and one Same Store NOI-Adjusted Cash. As these are non-GAAP measures they have certain limitations as an analytical tool and may vary among real estate companies. As a result, we provide a reconciliation from our financial statements prepared in accordance with GAAP to Same Store NOI-GAAP and then to Same Store NOI-Adjusted Cash with explanations of how these metrics are calculated and adjusted.

The following is a reconciliation of our consolidated rental income, rental expenses and NOI, as included in the Consolidated Statements of Operations, to the respective amounts in our Same Store portfolio analysis (*dollars in thousands*):

	Three Months Ended		Change (%)
	March 31,		
	2015	2014	
Rental Income:			
Per the Consolidated Statements of Operations	\$ 418,802	\$ 388,240	
Properties not included and other adjustments (a)	(37,028)	(47,052)	
Unconsolidated Co-Investment Ventures	415,666	422,070	
Same Store - Rental Income	\$ 797,440	\$ 763,258	4.5%
Rental Expense:			
Per the Consolidated Statements of Operations	\$ 126,934	\$ 110,517	
Properties not included and other adjustments (b)	(5,521)	(7,138)	
Unconsolidated Co-Investment Ventures	97,385	101,053	
Same Store - Rental Expense	\$ 218,798	\$ 204,432	7.0%
NOI-GAAP:			
Per the Consolidated Statements of Operations	\$ 291,868	\$ 277,723	
Properties not included and other adjustments	(31,507)	(39,914)	
Unconsolidated Co-Investment Ventures	318,281	321,017	
Same Store - NOI - GAAP	\$ 578,642	\$ 558,826	3.5%
NOI-Adjusted Cash:			
Same store- NOI - GAAP	\$ 578,642	\$ 558,826	
Adjustments (c)	(7,964)	(9,830)	
Same Store - NOI- Adjusted Cash	\$ 570,678	\$ 548,996	3.9%

(a) To calculate Same Store rental income, we exclude the net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance.

(b) To calculate Same Store rental expense, we include an allocation of the property management expenses for our consolidated properties based on the property management fee that is provided for in the individual management agreements under which our wholly owned management companies provide property management services (generally the fee is based on a percentage of revenue). On consolidation, the management fee income and expenses are eliminated and the actual cost of providing property management services is recognized.

(c) In order to derive Same Store- NOI - Adjusted Cash, we adjust Same Store- NOI- GAAP to exclude non-cash items included in our rental income in our GAAP financial statements, including straight line rent adjustments and adjustments related to purchase accounts to reflect leases at fair value at the time of acquisition.

Value Creation represents the value that we will create through our development and leasing activities. We calculate value creation by estimating the NOI that the property will generate at Stabilization and applying an estimated stabilized capitalization rate applicable to that property. The value creation is calculated as the amount by which the estimated value exceeds our total expected investment and does not include any fees or promotes we may earn. This can also include realized economic gains from value-added conversion properties.



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