

July 15, 2019



Prologis Reports Second Quarter 2019 Earnings Results and Announces the Signing of a Definitive Agreement to Acquire IPT

SAN FRANCISCO, July 15, 2019 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, reported results for the second quarter of 2019 and announced that, subsequent to quarter end, it has signed a definitive merger agreement to acquire Industrial Property Trust Inc. (IPT).

Net earnings per diluted share was \$0.60 for the quarter compared with \$0.62 for the second quarter of 2018. Core funds from operations (Core FFO)* per diluted share was \$0.77 for the quarter compared with \$0.71 for the same period in 2018.

"We had a terrific quarter—our results reflect strong execution and the quality of our global portfolio," said Hamid R. Moghadam, chairman and CEO, Prologis. "We are off to an excellent start to the second half of the year as we've just entered into an agreement to acquire IPT. The acquisition of this high-quality portfolio will deliver additional shareholder value immediately upon close."

OPERATING PERFORMANCE

Owned & Managed	2Q19	2Q18	Notes
Period End Occupancy	96.8%	97.4%	<i>Flat versus first quarter 2019</i>
Leases Commenced	37MSF	39MSF	

Prologis Share	2Q19	2Q18	Notes
Net Effective Rent Change	25.6%	20.6%	<i>Led by U.S. at 30.1%</i>
Cash Rent Change	12.3%	9.7%	<i>Led by U.S. at 16.3%</i>
Cash Same Store NOI* Change	4.6%	7.0%	<i>Led by Europe at 5.3%</i>

DEPLOYMENT ACTIVITY

Prologis Share	2Q19
Building Acquisitions	\$214M
Weighted avg stabilized cap rate	4.5%
Development Stabilizations	\$493M
Estimated weighted avg yield	6.8%
Estimated weighted avg margin	45.1%
Estimated value creation	\$223M
Development Starts	\$324M
Estimated weighted avg margin	22.0%
Estimated value creation	\$71M
% Build-to-suit	27.1%
Total Dispositions and Contributions	\$607M
Weighted avg stabilized cap rate <i>(excluding land and other real estate)</i>	4.4%

ACQUISITION OF INDUSTRIAL PROPERTY TRUST INC.

Prologis will acquire IPT's wholly owned real estate assets for approximately \$3.99 billion in a cash transaction, including the assumption and repayment of debt. The transaction, currently expected to close in the fourth quarter of 2019/first quarter of 2020, is subject to the approval of IPT stockholders and other customary closing conditions.

"This is a compelling opportunity to acquire a portfolio of excellent asset quality and submarket composition consistent with our U.S. investment strategy and footprint," said Eugene F. Reilly, chief investment officer, Prologis. "We expect to capture significant cost and revenue synergies, in addition to enhancing customer relationships and insights."

The 37.5 million square foot operating portfolio comprises 236 properties, 96 percent of which are in existing Prologis markets. Specifically, the transaction expands the company's position in Southern California, the San Francisco Bay Area, Chicago, Atlanta, Dallas, Seattle and New Jersey.

Following the closing, the company intends to hold the portfolio through either one or both of its U.S. co-investment ventures. The transaction is expected to be accretive to annual Core FFO* by approximately \$0.05-0.061 per share, on a stabilized basis. The transaction is not expected to have a meaningful impact on the company's leverage. Further, Prologis does not expect to add any corporate overhead and, as a result, the transaction is expected to lower general and administrative expenses as a percentage of assets under management by approximately 4 percent.

"We have worked diligently to create a balance sheet that allows us to take advantage of opportunities such as this, and we remain committed to maintaining our financial strength," said Thomas S. Olinger, chief financial officer, Prologis. "This accretive transaction advances our strategy of using our scale to grow earnings with no incremental overhead."

BALANCE SHEET STRENGTH

The company ended the second quarter with leverage of 19.4 percent on a market capitalization basis, debt-to-adjusted EBITDA* of 4.1x and \$4.2 billion of liquidity.

GUIDANCE MIDPOINT RAISED AND RANGE NARROWED FOR 2019²

"We continue to see healthy market conditions, robust customer demand and rent growth that has exceeded our expectations," said Olinger. "As a result, we are increasing our Core FFO* guidance and now anticipate year-over-year growth without promotes of 9.5 percent."

2019 GUIDANCE (Does not include any impact from the proposed acquisition of IPT)		
Earnings (per diluted share)	Previous	Revised
Net Earnings	\$2.08 to \$2.18	\$2.38 to \$2.46
Core FFO*	\$3.20 to \$3.26	\$3.26 to \$3.30

Our guidance reflects the adoption of the new lease accounting standard. For a year-over-year comparison, our 2018 earnings results would have been reduced by approximately \$[0.04] per share.

Operations	Previous	Revised
Year-end occupancy	96.5% to 97.5%	96.5% to 97.5%
Cash Same Store NOI* Growth - Prologis share	4.3% to 5.0%	4.5% to 5.0%

Capital Deployment – Prologis Share (in millions)	Previous	Revised
Development stabilizations	\$2,000 to \$2,300	\$2,000 to \$2,300
Development starts	\$1,800 to \$2,200	\$1,900 to \$2,300
Building acquisitions	\$500 to \$700	\$500 to \$700
Building contributions	\$1,100 to \$1,400	\$1,200 to \$1,500
Building and land dispositions	\$500 to \$800	\$500 to \$800
Realized development gains	\$300 to \$400	\$350 to \$450
Net proceeds (uses)	\$(400)	\$(400)

Strategic Capital (in millions)	Previous	Revised
Strategic capital revenue, excl promote revenue	\$300 to \$310	\$310 to \$320
Net promote income, incl in Core FFO* range	\$90	\$105

G&A (in millions)	Previous	Revised
General & administrative expenses	\$245 to \$255	\$250 to \$260

* 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.

- 1 Due to the impact of non-cash depreciation, Prologis expects the acquisition to be dilutive to net earnings.
- 2 Guidance for 2019 does not include any impact from the proposed acquisition of IPT.

The earnings guidance described above includes potential gains recognized from real estate transactions but excludes any 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 2019 relates predominantly to these items. Please refer to our second quarter Supplemental Information, which is available on our Investor Relations website at <http://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.

WEBCAST & CONFERENCE CALL INFORMATION

Prologis will host a live webcast and conference call to discuss quarterly results, current market conditions, recent transaction activity and its outlook. Here are the event details:

- Tuesday, July 16, 2019, at 12 p.m. U.S. Eastern time.
- Live webcast at <http://ir.prologis.com> by clicking Events and Presentations.
- Dial in: +1 (877) 209-4258 (toll-free from the United States and Canada) or +1 (647) 689-5198 (from all other countries) and enter Passcode 9797336.

A telephonic replay will be available July 16-23 at +1 (800) 585-8367 (from the United States and Canada) or +1 (416) 621-4642 (from all other countries) using conference code 9797336. The webcast replay will be posted when available in the Investor Relations "Events & Presentations" section.

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, 2019, 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 786 million square feet (73 million square meters) in 19 countries. Prologis leases modern distribution facilities to a diverse base of approximately 5,100 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; and (x) 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,	
	2019	2018 (A)	2019	2018 (A)
Rental and other revenues	\$ 701	\$ 545	\$1,399	\$ 1,106
Strategic capital revenues (B)	89	76	163	209
Total revenues	790	621	1,562	1,315
Net earnings attributable to common stockholders	384	335	731	701
Core FFO attributable to common stockholders/unitholders*	506	391	980	834
AFFO attributable to common stockholders/unitholders*	620	399	1,087	962
Adjusted EBITDA attributable to common stockholders*	823	581	1,478	1,295
Estimated value creation from development stabilizations - Prologis Share	223	241	432	371
Common stock dividends and common limited partnership unit distributions	347	267	695	534
Per common share - diluted:				
Net earnings attributable to common stockholders	\$0.60	\$0.62	\$ 1.15	\$1.30
Core FFO attributable to common stockholders/unitholders*	0.77	0.71	1.50	1.51
Business line reporting:				
Real estate operations*	0.70	0.65	1.38	1.29
Strategic capital*	0.07	0.06	0.12	0.22
Core FFO attributable to common stockholders/unitholders*	0.77	0.71	1.50	1.51
Realized development gains, net of taxes*	0.29	0.11	0.35	0.39
Dividends and distributions per common share/unit	0.53	0.48	1.06	0.96

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

A. In the third quarter 2018, Prologis completed the acquisition of DCT Industrial Trust (DCT). The first quarter of 2018 excludes all 2018 amounts related to DCT.

B. Strategic capital revenue for the first quarter of 2018 includes \$62.5 million of promote revenue, from first quarter.

in thousands	June 30, 2019	March 31, 2019	December 31, 2018
Assets:			
Investments in real estate properties:			
Operating properties	\$31,005,284	\$30,667,227	\$ 30,632,155
Development portfolio	1,959,234	1,939,637	2,142,801
Land	1,156,846	1,143,294	1,192,220
Other real estate investments	773,687	645,540	619,811
	<u>34,895,051</u>	<u>34,395,698</u>	<u>34,586,987</u>
Less accumulated depreciation	5,085,219	4,868,611	4,656,680
Net investments in real estate properties	<u>29,809,832</u>	<u>29,527,087</u>	<u>29,930,307</u>
Investments in and advances to unconsolidated entities	5,813,582	5,613,060	5,745,294
Assets held for sale or contribution	609,121	899,976	622,288
Net investments in real estate	<u>36,232,535</u>	<u>36,040,123</u>	<u>36,297,889</u>
Cash and cash equivalents	401,190	251,030	343,856
Other assets ^(A)	2,073,025	2,100,959	1,775,919
Total assets	<u>\$38,706,750</u>	<u>\$38,392,112</u>	<u>\$ 38,417,664</u>
Liabilities and Equity:			
Liabilities:			
Debt	\$10,968,320	\$10,706,139	\$ 11,089,815
Accounts payable, accrued expenses and other liabilities ^(A)	1,960,997	1,861,912	1,526,961
Total liabilities	<u>12,929,317</u>	<u>12,568,051</u>	<u>12,616,776</u>
Equity:			
Stockholders' equity	22,330,808	22,334,483	22,298,093
Noncontrolling interests	2,786,183	2,799,521	2,836,469
Noncontrolling interests - limited partnership unitholders	660,442	690,057	666,326
Total equity	<u>25,777,433</u>	<u>25,824,061</u>	<u>25,800,888</u>
Total liabilities and equity	<u>\$38,706,750</u>	<u>\$38,392,112</u>	<u>\$ 38,417,664</u>

A. In connection with the adoption of the lease accounting standard, we recognized right of use assets of \$393 million and lease liabilities of \$400 million as of January 1, 2019.

in thousands, except per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues:				
Rental	\$700,689	\$544,679	\$1,397,496	\$1,100,622
Strategic capital	89,144	75,697	162,949	208,658
Development management and other	539	900	1,979	5,652
Total revenues	<u>790,372</u>	<u>621,276</u>	<u>1,562,424</u>	<u>1,314,932</u>
Expenses:				
Rental	181,138	133,329	369,206	276,270
Strategic capital	37,206	34,850	75,264	78,710
General and administrative	66,276	57,615	135,977	120,043
Depreciation and amortization	284,376	203,673	568,385	407,754
Other	3,515	4,515	7,349	7,754
Total expenses	<u>572,511</u>	<u>433,982</u>	<u>1,156,181</u>	<u>890,531</u>
Operating income before gains	217,861	187,294	406,243	424,401
Gains on dispositions of development properties and land, net	196,941	63,669	239,382	221,237
Gains on real estate transactions, net (excluding development properties and land)	27,254	30,592	173,021	68,135
Operating income	442,056	281,555	818,646	713,773
Other income (expense):				
Earnings from unconsolidated co-investment ventures, net	45,876	53,346	98,963	108,641
Earnings from other unconsolidated ventures, net	2,680	9,203	6,259	16,564
Interest expense	(59,122)	(56,314)	(119,629)	(102,575)
Foreign currency and derivative gains and interest and other income, net	6,353	91,023	22,997	51,905
Gains (losses) on early extinguishment of debt, net	(385)	282	(2,501)	(702)
Total other income (expense)	<u>(4,598)</u>	<u>97,540</u>	<u>6,089</u>	<u>73,833</u>
Earnings before income taxes	437,458	379,095	824,735	787,606
Current income tax expense	(18,190)	(13,234)	(30,909)	(31,850)
Deferred income tax benefit (expense)	(8,442)	(870)	(9,235)	1,194
Consolidated net earnings	410,826	364,991	784,591	756,950
Net earnings attributable to noncontrolling interests	(13,864)	(18,882)	(28,509)	(32,940)
Net earnings attributable to noncontrolling interests - limited partnership units	(11,686)	(10,022)	(22,260)	(20,545)
Net earnings attributable to controlling interests	385,276	336,087	733,822	703,465
Preferred stock dividends	(1,492)	(1,476)	(2,991)	(2,952)
Net earnings attributable to common stockholders ^(A)	\$383,784	\$334,611	\$ 730,831	\$ 700,513
Weighted average common shares outstanding - Diluted	655,447	554,515	654,766	554,066
Net earnings per share attributable to common stockholders - Diluted	\$ 0.60	\$ 0.62	\$ 1.15	\$ 1.30

A. In connection with the adoption of the new lease accounting standard, beginning in 2019, we expense internal leasing costs that were previously capitalized. Had we adopted in 2018, we would have expensed an additional \$5.1 million and \$10.5 million of such costs in the three and six months ended June 30, 2018.

in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net earnings attributable to common stockholders	\$383,784	\$334,611	730,831	700,513
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	275,743	194,426	550,630	390,329
Gains on real estate transactions, net (excluding development properties and land)	(27,254)	(30,592)	(173,021)	(68,135)
Reconciling items related to noncontrolling interests	(11,920)	(12,956)	(25,390)	(23,427)
Our share of reconciling items related to unconsolidated co-investment ventures	58,354	50,425	112,054	101,910
Our share of reconciling items related to other unconsolidated ventures	2,581	1,514	5,593	3,274
NAREIT defined FFO attributable to common stockholders/unitholders*	\$681,288	\$537,428	\$1,200,697	\$1,104,464
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative losses (gains), net	3,451	(86,490)	(4,037)	(52,526)
Deferred income tax expense (benefit)	8,442	870	9,235	(1,194)
Current income tax expense on dispositions related to acquired tax assets	-	-	-	878
Reconciling items related to noncontrolling interests	15	(56)	35	44
Our share of reconciling items related to unconsolidated co-investment ventures	(1,745)	3,098	(2,889)	1,190
FFO, as modified by Prologis attributable to common stockholders/unitholders*	\$691,451	\$454,850	\$1,203,041	\$1,052,856
Adjustments to arrive at Core FFO attributable to common stockholders/unitholders*:				
Gains on dispositions of development properties and land, net	(196,941)	(63,669)	(239,382)	(221,237)
Current income tax expense on dispositions	7,645	3,808	10,044	10,419
Losses (gains) on early extinguishment of debt, net	385	(282)	2,501	702
Reconciling items related to noncontrolling interests	(2)	6,020	(2)	5,420
Our share of reconciling items related to unconsolidated co-investment ventures	3,654	(1,373)	4,238	728
Our share of reconciling items related to other unconsolidated ventures	4	(8,130)	7	(14,544)
Core FFO attributable to common stockholders/unitholders*	\$506,196	\$391,224	\$ 980,447	\$ 834,344
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	196,941	63,669	239,382	221,237
Current income tax expense on dispositions	(7,645)	(3,808)	(10,044)	(10,419)
Straight-lined rents and amortization of lease intangibles	(25,402)	(11,309)	(54,951)	(26,369)
Property improvements	(25,634)	(21,976)	(34,332)	(30,974)
Turnover costs	(40,631)	(31,315)	(80,969)	(59,342)
Amortization of debt discount, financing costs and management contracts, net	4,575	3,275	9,055	6,805
Stock compensation expense	20,186	19,086	51,944	39,082
Reconciling items related to noncontrolling interests	5,604	(311)	10,968	7,132
Our share of reconciling items related to unconsolidated ventures	(14,032)	(9,975)	(24,508)	(19,000)
	\$	\$	\$	
AFFO attributable to common stockholders/unitholders*	620,158	398,560	1,086,992	\$ 962,496

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

in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	\$		\$	
Net earnings attributable to common stockholders	383,784	\$334,611	730,831	\$ 700,513
Gains on real estate transactions, net (excluding development properties and land)	(27,254)	(30,592)	(173,021)	(68,135)
Depreciation and amortization expenses	284,376	203,673	568,385	407,754
Interest expense	59,122	56,314	119,629	102,575
Losses (gains) on early extinguishment of debt, net	385	(282)	2,501	702
Current and deferred income tax expense, net	26,632	14,104	40,144	30,656
Net earnings attributable to noncontrolling interests - limited partnership unitholders	11,686	10,022	22,260	20,545
Pro forma adjustments	(240)	5,110	2,307	4,143
Preferred stock dividends	1,492	1,476	2,991	2,952
Unrealized foreign currency and derivative losses (gains), net	3,451	(86,490)	(4,037)	(52,526)
Stock compensation expense	20,186	19,086	51,944	39,082
Adjusted EBITDA, consolidated*	\$763,620	\$527,032	\$1,363,934	\$1,188,261
Reconciling items related to noncontrolling interests	(24,005)	(23,636)	(48,176)	(45,428)
Our share of reconciling items related to unconsolidated ventures	83,811	77,244	162,078	152,626
Adjusted EBITDA attributable to common stockholders/unitholders*	\$823,426	\$580,640	\$1,477,836	\$1,295,459

* 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 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, 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, Net Promotes and transactional fees that we earn from our consolidated and unconsolidated co-investment ventures less costs directly associated to our strategic capital group. 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 investment trusts as they may use different methodologies in computing such measures.

Calculation of Per Share Amounts

in thousands, except per share amount	Three Months Ended Jun. 30,		Six Months Ended Jun. 30,	
	2019	2018	2019	2018
Net earnings				
Net earnings attributable to common stockholders	\$ 383,784	\$ 334,611	\$ 730,831	\$ 700,513
Noncontrolling interest attributable to exchangeable limited partnership units	11,759	10,216	22,416	20,909
Adjusted net earnings attributable to common stockholders - Diluted	\$ 395,543	\$ 344,827	\$ 753,247	\$ 721,422
Weighted average common shares outstanding - Basic	630,271	532,639	629,990	532,427
Incremental weighted average effect on exchange of limited partnership units	19,556	16,847	19,637	16,560
Incremental weighted average effect of equity awards	5,620	5,029	5,139	5,079
Weighted average common shares outstanding - Diluted	655,447	554,515	654,766	554,066
Net earnings per share - Basic	\$ 0.61	\$ 0.63	\$ 1.16	\$ 1.32
Net earnings per share - Diluted	\$ 0.60	\$ 0.62	\$ 1.15	\$ 1.30
Core FFO				
Core FFO attributable to common stockholders/unitholders	\$ 506,196	\$ 391,224	\$ 980,447	\$ 834,344
Noncontrolling interest attributable to exchangeable limited partnership units	159	412	353	782
Core FFO attributable to common stockholders/unitholders - Diluted	\$ 506,355	\$ 391,636	\$ 980,800	\$ 835,126
Weighted average common shares outstanding - Basic	630,271	532,639	629,990	532,427
Incremental weighted average effect on exchange of limited partnership units	19,556	16,847	19,637	16,560
Incremental weighted average effect of equity awards	5,620	5,029	5,139	5,079
Weighted average common shares outstanding - Diluted	655,447	554,515	654,766	554,066
Core FFO per share - Diluted	\$ 0.77	\$ 0.71	\$ 1.50	\$ 1.51

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 Value Creation for our Value-Added Properties that are sold includes the realized economic gain.

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 development properties as Stabilized NOI divided by TEI.

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 the sales, 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) 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 and unconsolidated entities; and
- (v) mark-to-market adjustments associated with 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 recognized 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 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 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 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. 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 non-development 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)	\$ 2.38	\$ 2.46
Our share of:		
Depreciation and amortization	1.92	1.96
Net gains on real estate transactions, net of taxes	(1.05)	(1.13)
Unrealized foreign currency gains and other, net	0.01	0.01
Core FFO	\$ 3.26	\$ 3.30

(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.

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.

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, 2019 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, 2018 and owned throughout the same three-month period in both 2018 and 2019. 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, 2018) 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:

dollars in thousands	Three Months Ended Jun. 30,		Change (%)
	2019	2018	
Reconciliation of Consolidated Property NOI to Same Store Property NOI measures:			
Rental revenues	\$ 700,689	\$ 544,679	
Rental expenses	(181,138)	(133,329)	
Consolidated Property NOI	\$ 519,551	\$ 411,350	
<i>Adjustments to derive same store results:</i>			
Property NOI from consolidated properties not included in same store portfolio and other adjustments (a)	(141,732)	(39,949)	
Property NOI from unconsolidated co-investment ventures included in same store portfolio (a)(b)	454,433	434,230	
Third parties' share of Property NOI from properties included in same store portfolio (a)(b)	(365,783)	(357,797)	
Prologis Share of Same Store Property NOI – Net Effective (b)	\$ 466,469	\$ 447,834	4.2 %
Consolidated properties straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(4,351)	(3,659)	
Unconsolidated co-investment ventures straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(2,750)	(8,768)	
Third parties' share of straight-line rent and fair value lease adjustments included in the same store portfolio (b)(c)	2,965	6,706	
Prologis Share of Same Store Property NOI – Cash (b)(c)	\$ 462,333	\$ 442,113	4.6 %

- (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 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, 2019 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 Stabilized Capitalization ("Cap") Rate is calculated as Stabilized NOI divided by the Acquisition Price.



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