

Section 07

Looking Ahead

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Financial
Framework

Growth
Potential

Compelling
Opportunity

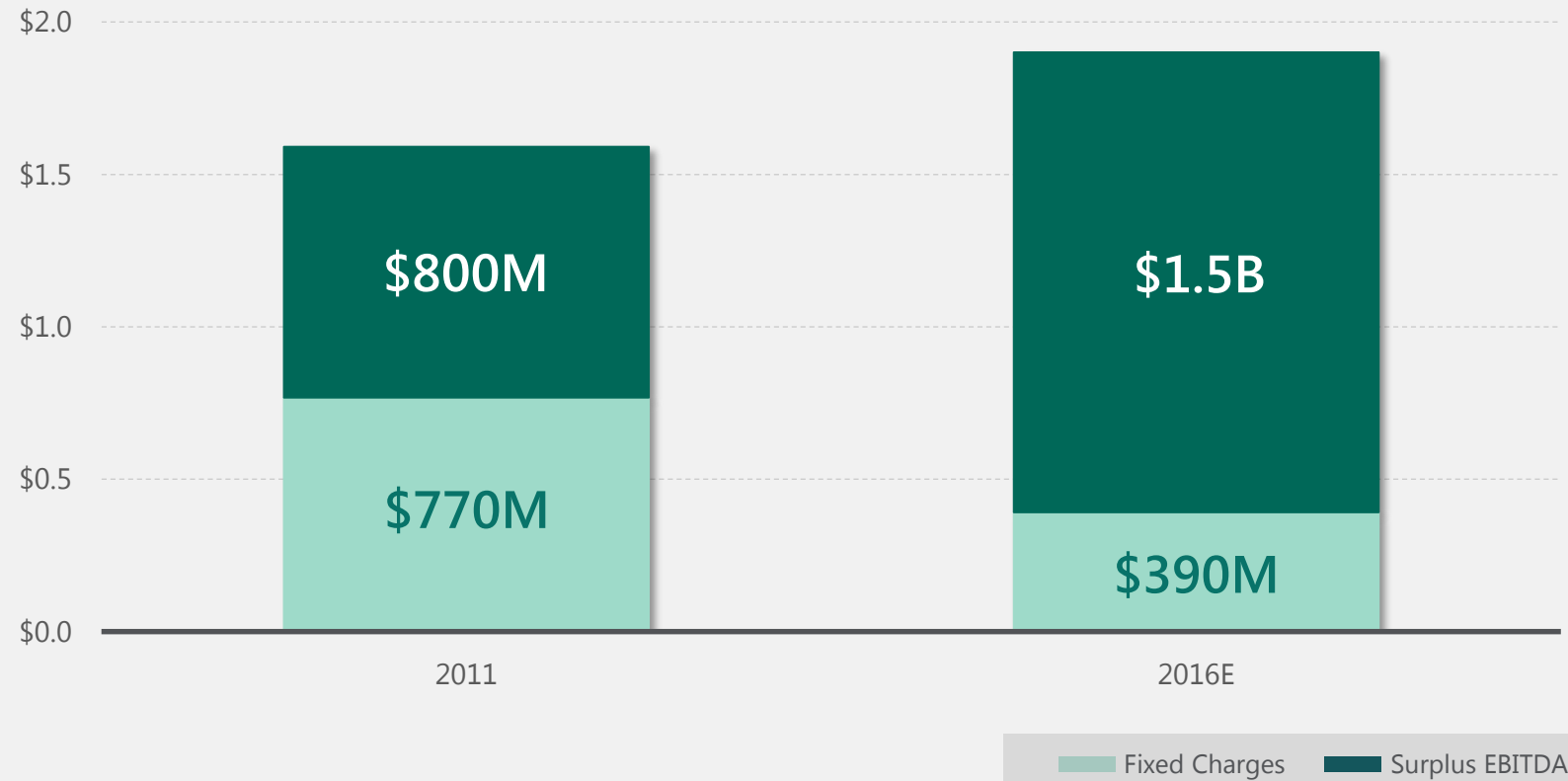
Foundation for Growth

	YE 2011	YE 2016E	Absolute Improvement
Debt as % of Gross Real Estate Assets	44.1%	~35.0%	~ 9.1%
Debt-to-Adjusted-EBITDA with gains	8.6x	~5.0x	~ 3.6x
Fixed Charge Coverage with gains	2.3x	5.5x	3.2x
USD Net Equity Exposure	51%	92%	41%
Liquidity	\$1.3B	~4.0B	~ \$2.7B

Resilient Earnings Provide Significant Coverage

Q4 Annualized EBITDA and Fixed Charges

Dollars, Billions



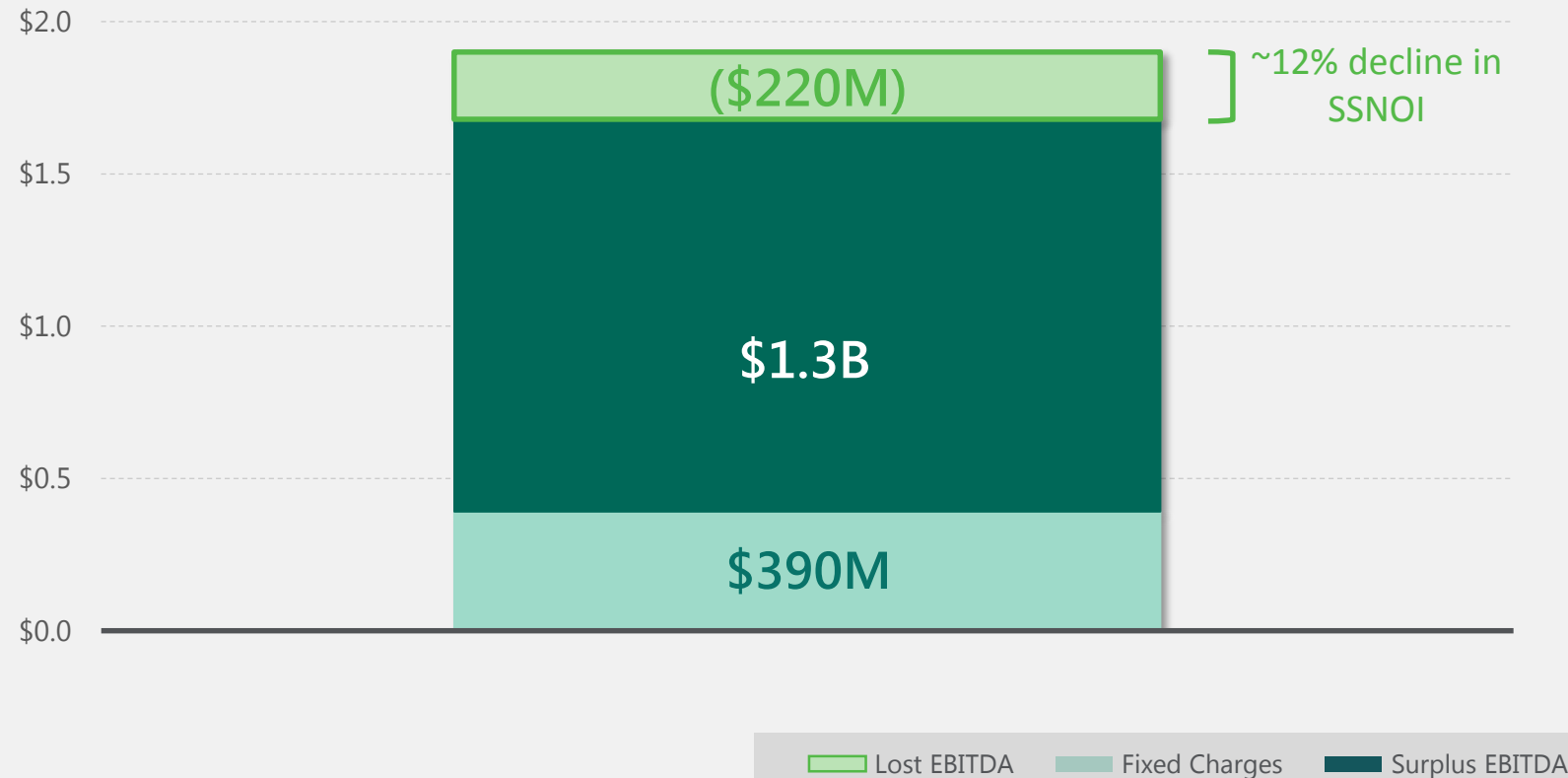
One of the
strongest
surplus
EBITDAs
among REITs

Excludes ~\$300M
of realized gains

Resilient Earnings Provide Significant Coverage

Global Financial Crisis Scenario

Dollars, Billions



A repeat of the Global Financial Crisis would have a minimal impact on our surplus EBITDA

Unmatched Earnings Growth

FFO CAGR	1-Year	3-Year	5-Year
PLD	15%	16%	10%
Domestic Logistics ⁽¹⁾	4%	4%	4%
Blue Chips ⁽²⁾	9%	9%	10%
REIT Average ⁽³⁾	8%	8%	8%

Prologis has the
**best Core
FFO** CAGR for
all time periods

Source: Factset, data as of October 31, 2016; 2016 FFO based on consensus

1. Includes DCT, DRE, EGP, FR, LPT and STAG

2. Includes AVB, BXP, EQR, FRT, HST, PSA, and SPG

3. Includes REITs in the RMZ as of 9/1/2016 with 5 years' worth of data

Superior Dividend Growth

DIVIDEND CAGR	1-Year	3-Year	5-Year
PLD	11%	14%	8%
Domestic Logistics ⁽¹⁾	4%	3%	3%
Blue Chips ⁽²⁾	5%	9%	12%
REIT Average ⁽³⁾	6%	8%	9%

One of the
top dividend
CAGRs for all time
periods

Source: Factset, data as of October 31, 2016

1. Includes DCT, DRE, EGP, FR, LPT and STAG

2. Includes AVB, BXP, EQR, FRT, HST, PSA, and SPG

3. Includes REITs in the RMZ as of 9/1/2016 with 5 years' worth of data

2017 Guidance

95.5%-
96.5%

Period End
Occupancy

4.0%-
5.0%

Net Effective
SSNOI*

\$1.7B-
\$2.2B

Dispositions /
Contributions

\$1.7B-
\$2.2B

Dev Starts /
Acquisitions

\$1.55-
\$1.70

EPS

\$2.60-
\$2.70

Core FFO^{*(1)}



Prologis Stapleton Business Center, Denver, Colorado



Note: Prologis Share

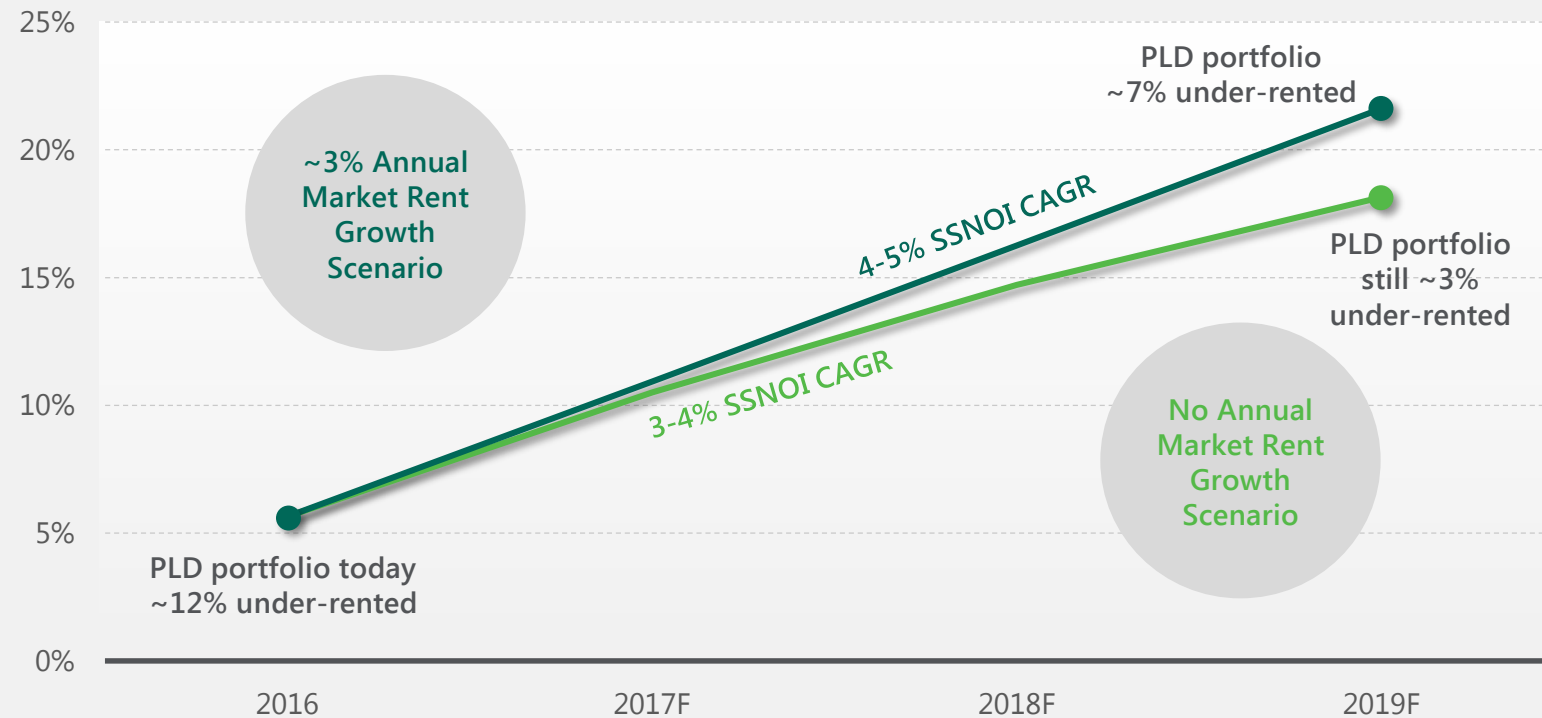
1. Includes 6-8 cent per share for promotes. Excluding promotes, 2017 Core FFO growth is 7% higher than 2016. Refer to Notes and Definitions for a reconciliation from EPS

* This is a non-GAAP financial measure

Harvesting the Gap Between In-Place-To-Market Rent

Same Store NOI Growth Scenarios

%, Cumulative SSNOI Growth



Incremental

~\$225 million

of annual NOI at YE19

Mark-to-market is the key driver of SSNOI* growth between

4-5%

Illustrative Three-year Growth Potential

4.0%-
5.0%

Net Effective
SSNOI*

1.5%

Operating
& Financial
Leverage

1.5%

Yield on Value
Creation

7.0%-
8.0%

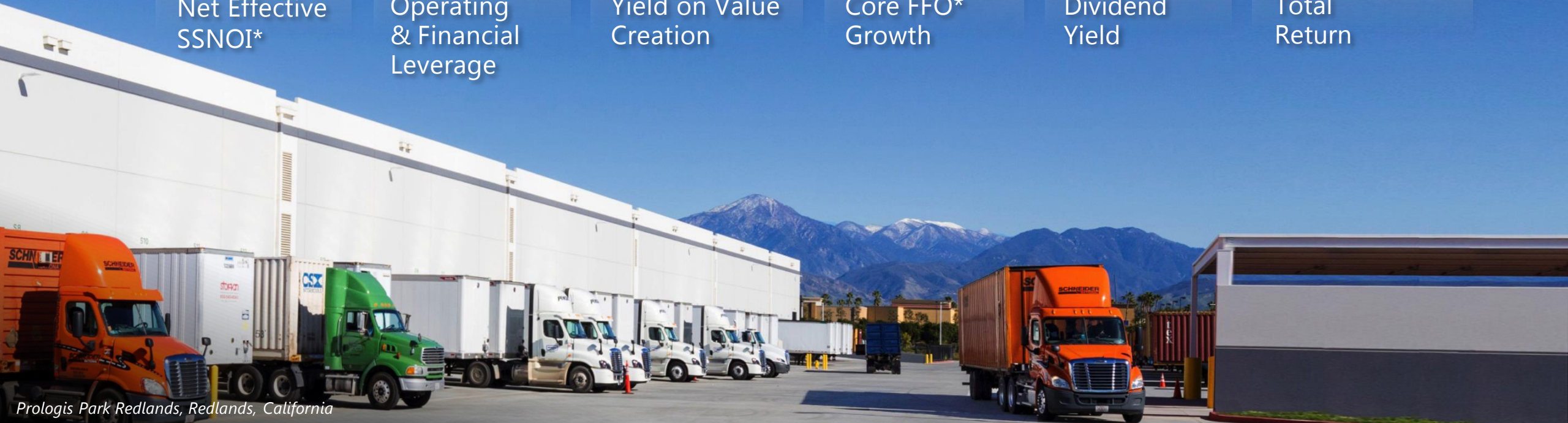
Core FFO*
Growth

3.0%

Dividend
Yield

10.0%-
11.0%

Total
Return



Valuation Premium Comparison

Price to FFO

	Malls	Multi-family	Office	Storage	Hotel	Strip Center	Universe
Blue Chip	15.4x	19.4x	18.1x	19.3x	9.2x	22.7x	16.8x <i>RMP</i>
Sector Peers	14.3x	17.9x	16.6x	15.9x	8.4x	15.9x	14.0x <i>RMZ-RMP</i>
Premium	1.1x	1.5x	1.5x	3.4x	0.8x	6.8x	2.8X

Average Blue
Chip premium
2.8x
over Sector Peers

Valuation Premium Comparison

Price to FFO

	Universe	Logistics	Logistics Land/CIP Adjustment ⁽¹⁾	PLD Adjusted Price to FFO
Blue Chip	16.8x <i>RMP</i>	18.7x	(1.9x)	16.9x
Sector Peers	14.0x <i>RMZ-RMP</i>	17.5x	(1.0x)	16.5x
Premium	2.8X	1.2x	—	0.4x

2.4x

Prologis trades in line (adjusted basis) to Sector Peers and would need

2.4x or
\$6/sh

just to catch up with Blue Chip peers

Source: Factset, data as of November 4, 2016

Note: Blue Chips are Cohen & Steers Realty Majors (RMP) and Prologis; Sector Peers for RMP include RMZ (MSCI US REIT Index), excluding companies in the RMP and for Logistics, DCT, DRE, EGP, FR, LPT, STAG

1. Company filings at September 30, 2016



Business is simplified.

From this point forward, it's all about Same Store NOI growth and Value Creation.

Section 09

Notes and Definitions



Prologis Jiaxing Logistics Center, Jiaxing, China

Notes and Definition

Please refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q and other public reports for further information about us and our business. Certain amounts from previous periods presented in the Supplemental Information have been reclassified to conform to the current presentation.

Acquisition Costs, as presented for building acquisitions, represents the economic cost and not necessarily what is capitalized. This amount includes the building purchase price plus 1) transaction closing costs, 2) all due diligence costs, 3) immediate capital expenditures (including two years of property improvements and all leasing commissions and tenant improvements required to stabilize the property), 4) the effects of marking assumed debt to market and 5) the net present value of free rent, if applicable.

Adjusted EBITDA. We use Adjusted EBITDA, a non-Generally Accepted Accounting Principles ("GAAP") financial measure, as a measure of our operating performance. We calculate Adjusted EBITDA beginning with consolidated net earnings (loss) attributable to common stockholders and removing the effect of interest, income taxes, depreciation and amortization, impairment charges, third party acquisition expenses related to the acquisition of real estate, gains or losses from the acquisition or disposition of investments in real estate (other than from land and development properties), 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 derivative activity. We make adjustments to reflect our economic ownership in each entity in which we invest, whether consolidated or unconsolidated.

We consider Adjusted EBITDA to provide investors relevant and useful information because it permits investors to view our operating performance on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. We also include a pro forma adjustment in Adjusted EBITDA to reflect a full period of NOI on the operating properties we acquire and stabilize and to remove NOI on properties we dispose of during the quarter assuming the transaction occurred at the beginning of the quarter. By excluding interest expense, Adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for a more meaningful comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. Gains and losses on the early extinguishment of debt generally include the costs of repurchasing debt securities. While not infrequent or unusual in nature, these items 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 believe that Adjusted EBITDA helps investors to analyze our ability to meet interest payment obligations and to make quarterly preferred share dividends. We believe that investors should consider Adjusted EBITDA in conjunction with net earnings and the other GAAP measures of our performance to improve their understanding of our operating results, and to make more meaningful comparisons of our performance against other companies. By using Adjusted EBITDA, an investor is assessing the earnings generated by our operations but not taking into account the eliminated expenses or gains incurred in connection with such operations. As a result, Adjusted EBITDA has limitations as an analytical tool and should be used in conjunction with our GAAP presentations. Adjusted EBITDA does not reflect 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.

While EBITDA is a relevant and widely used measure of operating performance, it does not represent net income as defined by GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies. 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 of Adjusted EBITDA to consolidated net earnings (loss), a GAAP measurement.

Adjusted Cash NOI (Actual) is a non-GAAP financial measure and is a component of Net Asset Value ("NAV") and used to assess the operating performance of our properties, which we believe enable both management and investors to estimate the fair value of our operating buildings. A reconciliation of our rental income and rental expenses included in our Statement of Operations to adjusted cash for the consolidated operating portfolio is as follows *(in thousands)*:

Rental revenue	\$ 560,277
Rental expenses	(140,514)
NOI	419,763
Net termination fees and adjustments (a)	(1,953)
Less: actual NOI for development portfolio and other	(21,268)
Less: properties contributed or sold (b)	(4,918)
Less: noncontrolling interests share of NOI	(57,407)
Adjusted NOI for consolidated operating portfolio owned at September 30, 2016	334,217
Straight-line rents (c)	(26,261)
Free rent (c)	26,635
Amortization of lease intangibles (c)	(758)
Effect of foreign currency exchange (d)	(122)
Less: noncontrolling interests	1,325
Third Quarter Adjusted Cash NOI (Actual)	\$ 335,036

(a) Net termination fees generally represent the gross fee negotiated at the time a customer is allowed to terminate its lease agreement offset by that customer's rent leveling asset or liability, if any, that has been previously recognized. Removing the net termination fees from rental income allows for the calculation of Adjusted Cash NOI (Pro forma) to include only rental income that is indicative of the property's recurring operating performance.

(b) The actual NOI for properties that were contributed or sold during the three-month period is removed.

(c) Straight-lined rents, free rent amount and amortization of lease intangibles (above and below market leases) are removed from rental income for the Operating Portfolio to allow for the calculation of a cash yield.

(d) The actual NOI and related adjustments are calculated in local currency and translated at the period end rate to allow for consistency with other assets and liabilities as of the reporting date.

Adjusted Cash NOI (Pro forma) is a non-GAAP financial measure and consists of Adjusted Cash NOI (Actual) for the properties in our Operating Portfolio adjusted to reflect NOI for a full quarter for operating properties that were acquired or stabilized during the quarter.

Annualized Estimated NOI for the properties in our Development Portfolio is based on current Total Expected Investment and an estimated stabilized yield.

Asset Management Fees represents the third party share of asset management and transactional fees from both consolidated and unconsolidated co-investment ventures.

Assets Under Management ("AUM") represents the estimated value of the real estate we own or manage through both our consolidated and unconsolidated entities. We calculate AUM by adding the third party investors' share of the estimated fair value of the assets in the co-investment ventures to our share of total market capitalization (calculated using the market price of our equity plus our share of total debt).

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. Real estate operations 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 the asset management related fees we earn from our co-investment ventures (both consolidated and unconsolidated) less costs directly associated to our strategic capital group, plus development management income. 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 calculation of per share amounts. 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.

Notes and Definition *(continued)*

Calculation of Per Share Amounts

in thousands, except per share amount	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net earnings				
Net earnings	\$ 279,255	\$ 258,979	\$ 762,679	\$ 744,425
Noncontrolling interest attributable to exchangeable limited partnership units	7,713	3,203	24,479	7,331
Gains, net of expenses, associated with exchangeable debt assumed exchanged	-	-	-	(1,614)
Adjusted net earnings - Diluted	\$ 286,968	\$ 262,182	\$ 787,158	\$ 750,142
Weighted average common shares outstanding - Basic	527,288	523,528	525,462	520,388
Incremental weighted average effect on exchange of limited partnership units	14,568	6,685	17,156	5,875
Incremental weighted average effect of stock awards	5,344	1,860	2,610	1,953
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	-	-	-	2,905
Weighted average common shares outstanding - Diluted	547,200	532,073	545,228	531,121
Net earnings per share - Basic	\$ 0.53	\$ 0.49	\$ 1.45	\$ 1.43
Net earnings per share - Diluted	\$ 0.52	\$ 0.49	\$ 1.44	\$ 1.41
Core FFO				
Core FFO	\$ 402,153	\$ 307,268	\$ 1,055,711	\$ 835,532
Noncontrolling interest attributable to exchangeable limited partnership units	1,088	48	3,282	160
Interest expense on exchangeable debt assumed exchanged	-	-	-	3,506
Core FFO - Diluted	\$ 403,241	\$ 307,316	\$ 1,058,993	\$ 839,198
Weighted average common shares outstanding - Basic	527,288	523,528	525,462	520,388
Incremental weighted average effect on exchange of limited partnership units	16,233	6,685	17,156	4,201
Incremental weighted average effect of stock awards	5,344	1,860	2,610	1,953
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	-	-	-	2,905
Weighted average common shares outstanding - Diluted	548,865	532,073	545,228	529,447
Core FFO per share - Diluted	\$ 0.73	\$ 0.58	\$ 1.94	\$ 1.59

(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.

Debt Covenants are made in accordance with the respective debt agreements, may be different than other covenants or metrics presented and are not calculated in accordance with the applicable SEC rules. Please refer to the respective agreements for full financial covenant descriptions. Debt covenants as of the period end were as follows::

dollars in thousands	Indenture		Global Line	
	Covenant	Actual	Covenant	Actual
Leverage ratio	<60%	33.0%	<60%	29.0%
Fixed charge coverage ratio	>1.5x	6.05x	>1.5x	5.78x
Secured debt leverage ratio	<40%	7.9%	<40%	7.1%
Unencumbered asset to unsecured debt ratio	>150%	280.8%	N/A	N/A
Unencumbered debt service coverage ratio	N/A	N/A	>150%	891.7%

Notes and Definition *(continued)*

Debt Metrics

dollars in thousands

	Three Months Ended	
	Sep. 30,	Jun. 30,
	2016	2016
<i>Debt as a % of gross real estate assets:</i>		
Consolidated debt - at par	\$ 11,280,206	\$ 11,151,596
Prologis share of unconsolidated entities debt - at par	1,666,810	1,637,181
Less: noncontrolling interests share of consolidated debt - at par	(636,596)	(668,987)
Total Prologis share of debt - at par	12,310,420	12,119,790
Less: Prologis share of outstanding foreign currency derivatives	(64,607)	(57,123)
Less: consolidated cash and cash equivalents	(375,120)	(332,221)
Add: consolidated cash and cash equivalents - third party share	55,862	79,427
Less: unconsolidated entities cash - Prologis share	(170,559)	(124,229)
Total Prologis share of debt, net of adjustments	\$ 11,755,996	\$ 11,685,644
Gross real estate assets - consolidated	28,500,720	28,429,458
Gross real estate assets - Prologis share of unconsolidated entities	7,107,688	7,041,568
Less: gross real estate assets - noncontrolling interests	(3,814,826)	(3,868,703)
Gross real estate assets - Prologis share	\$ 31,793,582	\$ 31,602,323
Debt as a % of gross real estate assets	37.0%	37.0%
<i>Debt as a % of gross market capitalization:</i>		
Total Prologis share of debt, net of adjustments	\$ 11,755,996	\$ 11,685,644
Total outstanding common stock and limited partnership units	542,644	541,449
Share price at quarter end	53.54	49.04
Total equity capitalization	\$ 29,053,160	\$ 26,552,659
Total Prologis share of debt, net of adjustments	11,755,996	11,685,644
Gross market capitalization	\$ 40,809,156	\$ 38,238,303
Debt as a % of gross market capitalization	28.8%	30.6%
<i>Secured debt as a % of gross real estate assets:</i>		
Consolidated secured debt - at par	2,699,850	2,641,336
Prologis share of unconsolidated entities secured debt - at par	620,337	623,732
Less: noncontrolling interests share of secured debt - at par	(636,596)	(668,987)
Prologis share of secured debt - at par	\$ 2,683,591	\$ 2,596,081
Gross real estate assets - Prologis share	\$ 31,793,582	\$ 31,602,323
Secured debt as a % of gross real estate assets	8.4%	8.2%
<i>Unencumbered gross real estate assets to unsecured debt:</i>		
Consolidated unencumbered gross real estate assets	22,928,847	22,790,802
Prologis share of unconsolidated entities unencumbered gross real estate assets	5,812,885	5,723,457
Less: noncontrolling interests share of unencumbered gross real estate assets	(2,638,728)	(2,639,692)
Unencumbered gross real estate assets - Prologis share	\$ 26,103,004	\$ 25,874,567
Consolidated unsecured debt - at par	8,580,356	8,510,260
Prologis share of unconsolidated entities unsecured debt - at par	1,046,473	1,013,449
Less: noncontrolling interests share of unsecured debt - at par	-	-
Prologis share of unsecured debt - at par	\$ 9,626,829	\$ 9,523,709
Unencumbered gross real estate assets to unsecured debt	271.1%	271.7%

	Three Months Ended	
	Sep. 30,	Jun. 30,
	2016	2016
<i>Fixed Charge Coverage ratio:</i>		
Adjusted EBITDA	\$ 573,000	\$ 459,358
Adjusted EBITDA-annualized including development gains (a)	\$ 2,001,725	\$ 2,079,533
Net promote for the twelve months ended	97,731	24,517
Adjusted EBITDA-annualized	\$ 2,099,456	\$ 2,104,050
Pro forma adjustment for mid-quarter activity and NOI from disposed properties - annualized	(7,448)	(4,276)
Adjusted EBITDA, including NOI from disposed properties, annualized	\$ 2,092,008	\$ 2,099,774
Interest expense	\$ 75,310	\$ 76,455
Amortization and write-off of deferred loan costs	(3,619)	(3,707)
Amortization of debt premium (discount), net	7,050	7,932
Capitalized interest	16,292	16,473
Preferred stock dividends	1,671	1,696
Noncontrolling interests share of fixed charges from consolidated entities	(7,476)	(7,645)
Prologis share of fixed charges from unconsolidated entities	13,477	13,337
Total fixed charges	\$ 102,705	\$ 104,541
Total fixed charges, annualized	\$ 410,820	\$ 418,164
Fixed charge coverage ratio	5.09	5.02
<i>Debt to Adjusted EBITDA:</i>		
Total Prologis share of debt, net of adjustments	\$ 11,755,996	\$ 11,685,644
Adjusted EBITDA-annualized	\$ 2,099,456	\$ 2,104,050
Debt to Adjusted EBITDA ratio	5.60	5.55

(a) Prologis share of gains on dispositions of development properties for the rolling 12 month period was \$207.4 million and \$291.2 million for the current quarter and the previous quarter, respectively.

Development Margin is calculated on developed properties as the Value Creation less estimated closing costs and taxes, if any, on properties expected to be sold or contributed, divided by the TEI.

Development Portfolio includes industrial properties that are under development and properties that are developed but have not met Stabilization.

Estimated Build Out (TEI and sq ft) - represents the estimated TEI and finished square feet available for lease upon completion of an industrial building on existing parcels of land.

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 (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. 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 that FFO is only meaningful when it is used in conjunction with net earnings computed under GAAP. Furthermore, we believe the consolidated financial statements, prepared in accordance with GAAP, provide the most meaningful picture of our financial condition.

Notes and Definition *(continued)*

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. We exclude depreciation from our unconsolidated entities and the third parties' share of our consolidated ventures.
- (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 and consolidated 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 modified 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 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 average ownership percentage for the applicable periods.

We use these FFO measures, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison with 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 with 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 revenue. While not infrequent or unusual, these additional items we exclude in calculating *FFO, as modified 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 modified by Prologis

To arrive at *FFO, as modified 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 associated with derivative financial instruments.

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 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 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; and
- (v) expenses related to natural disasters.

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties and our share of recurring capital expenditures and exclude our share of the impact of: (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 believe it is appropriate to further adjust our *FFO, as modified 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.

Notes and Definition *(continued)*

We analyze our operating performance primarily by the rental revenue 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* and *AFFO*, 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 revenue. 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.

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 these limitations are:

- The current income tax expenses and acquisition costs 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 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 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 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 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.

Fixed Charge Coverage is a non-GAAP financial measure we define as Adjusted EBITDA divided by total fixed charges. Fixed charges consist of net interest expense adjusted for amortization of finance costs and debt discount (premium), capitalized interest, and preferred stock dividends. We use fixed charge coverage to measure our liquidity. We believe that fixed charge coverage is relevant and useful to investors because it allows fixed income investors to measure our ability to make interest payments on outstanding debt and make distributions/dividends to preferred unitholders/stockholders. Our computation of fixed charge coverage is not calculated in accordance with applicable SEC rules and may not be comparable to fixed charge coverage reported by other companies.

General and Administrative Expenses ("G&A"). All of the property management functions are provided by property management personnel of Prologis who perform the property-level management of the properties in our owned and managed portfolio, which include properties we consolidate and those we manage that are owned by the unconsolidated co-investment ventures. We allocate the costs of our property management to the properties we consolidate (included in Rental Expenses) and the properties owned by the unconsolidated co-investment ventures (included in Strategic Capital Expenses) by using the square feet owned by the respective portfolios. During the three months ended September 30, 2016 and 2015 and the nine months ended September 30, 2016 and 2015, \$9.3 million, \$9.6 million, \$26.3 million and \$26.0 million, respectively of net employee costs related to property management activities were included in Rental Expenses. Strategic Capital Expenses also include the direct expenses associated with the asset management of the unconsolidated co-investment ventures provided by our employees who are assigned to our Strategic Capital segment. We do not allocate the indirect costs to Strategic Capital Expenses.

We capitalize certain costs directly related to our development and leasing activities. Capitalized G&A expenses include salaries and related costs as well as other G&A costs. The capitalized costs were as follows:

in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Building development activities	\$ 12,008	\$ 11,562	\$ 34,247	\$ 34,854
Leasing activities	6,344	5,588	17,812	15,877
Operating building improvements, land improvements and other	8,402	8,265	24,217	23,833
Total capitalized G&A	\$ 26,754	\$ 25,415	\$ 76,276	\$ 74,564

G&A as a Percent of Assets Under Management *(in thousands):*

Net G&A - midpoint of 2016 guidance range (a)	\$ 224,000
Add: estimated 2016 strategic capital expenses	110,000
Less: estimated 2016 strategic capital property management expenses	(56,000)
Adjusted G&A, using 2016 guidance amounts	\$ 278,000
Gross book value at period end (b):	
Operating properties	\$ 48,022,038
Development portfolio - TEI	3,384,941
Land portfolio	1,604,410
Other real estate investments, assets held for sale and note receivable backed by real estate	589,819
Total Gross Book Value of Assets Under Management	\$ 53,601,208
G&A as % of Assets Under Management	0.52%

(a) This amount represents the 2016 guidance provided in this Supplemental Package.

(b) This amount does not represent enterprise value.

Notes and Definition *(continued)*

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

	Low	High
Net Earnings	\$ 1.90	\$ 1.95
Our share of:		
Depreciation and amortization	1.71	1.72
Net gains of real estate transactions, net of taxes	(1.10)	(1.15)
Unrealized foreign currency and other	0.05	0.05
Core FFO	\$ 2.56	\$ 2.57

Income Taxes.

in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Current income tax expense	\$ 8,353	\$ 4,383	\$ 23,515	\$ 14,401
Current income tax expense (benefit) on dispositions	4,701	9,403	14,820	4,930
Current income tax expense on dispositions related to acquired tax liabilities	-	3,497	-	3,497
Total current income tax expense	13,054	17,283	38,335	22,828
Deferred income tax expense (benefit)	2,865	542	(1,737)	1,739
Deferred income tax benefit on dispositions related to acquired tax liabilities	-	(3,497)	-	(3,497)
Total income tax expense	\$ 15,919	\$ 14,328	\$ 36,598	\$ 21,070

Interest Expense.

in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gross interest expense	\$ 95,033	\$ 102,835	\$ 292,191	\$ 287,655
Amortization of discount (premium), net	(7,050)	(11,489)	(24,136)	(32,155)
Amortization of deferred loan costs	3,619	3,604	11,089	9,884
Interest expense before capitalization	91,602	94,950	279,144	265,384
Capitalized amounts	(16,292)	(13,915)	(46,567)	(46,686)
Interest expense	\$ 75,310	\$ 81,035	\$ 232,577	\$ 218,698

Investment Capacity is our estimate of the gross real estate, which could be acquired by our co-investment ventures through the use of existing equity commitments from us and our partners assuming the ventures maximum leverage limits are used.

Market Classification

- **Global Markets** feature large population centers with high per-capita consumption and are located near major seaports, airports, and ground transportation systems.
- **Regional Markets** benefit from large population centers but typically are not as tied to the global supply chain, but rather serve local consumption and are often less supply constrained. Markets included as regional markets include: Austin, Charlotte, Cincinnati, Columbus, Denver, Hungary, Indianapolis, Juarez, Las Vegas, Louisville, Memphis, Nashville, Orlando, Phoenix, Portland, Reno, Reynosa, San Antonio, Slovakia, Sweden and Tijuana.

Net Asset Value ("NAV"). We consider NAV to be a useful supplemental measure of our operating performance because it enables both management and investors to estimate the fair value of our business. The assessment of the fair value of a particular segment of our business is subjective in that it involves estimates and can be calculated using various methods. Therefore, we have presented the financial results and investments related to our business segments that we believe are important in calculating our NAV but have not presented any specific methodology nor provided any guidance on the assumptions or estimates that should be used in the calculation.

The components of NAV do not consider the potential changes in rental and fee income streams or the franchise value associated with our global operating platform, strategic capital platform, or development platform.

Net Effective Rent is calculated at the beginning of the lease using the estimated total cash to be received over the term of the lease (including base rent and expense reimbursements) and annualized. Amounts derived in a currency other than the U.S. dollar have been translated using the average rate from the previous twelve months. The per square foot number is calculated by dividing the annualized net effective rent by the occupied square feet of the lease.

Net Equity represents the sum of all the outstanding shares of common stock, limited partnership units and preferred stock multiplied by the closing stock price at the end of the period.

Net Operating Income ("NOI") is a non-GAAP financial measure used to evaluate our operating performance and represents rental income less rental expenses.

Net Promote includes actual promote earned from third party investors during the period, net of related cash expenses.

Non-GAAP Pro-Rata Financial Information. This information includes non-GAAP financial measures. The Prologis share of unconsolidated co-investment ventures amounts are derived on an entity-by-entity basis by applying our ownership percentage to each line item in the GAAP financial statements of these ventures to calculate our share of that line item. For purposes of balance sheet data, we use our ownership percentage at the end of the period and for operating information, we use our average ownership percentage for the period, consistent with how we calculate our share of GAAP net earnings (loss) during the period for our consolidated financial statements. We use a similar calculation to derive the noncontrolling interests' share of each line item in our consolidated financial statements.

We believe this form of presentation offers insights into the financial performance and condition of our company as a whole, given the significance of our co-investment ventures that are accounted for either under the equity method or consolidated with the third parties' share included in noncontrolling interests, although the presentation of such information may not accurately depict the legal and economic implications of holding a non-controlling interest in the co-investment venture. Other companies in our industry may calculate their proportionate interest differently than we do, limiting the usefulness as a comparative measure.

We do not control the unconsolidated co-investment ventures for purposes of GAAP and the presentation of the assets and liabilities and revenues and expenses do not represent a legal claim to such items. The operating agreements of the unconsolidated co-investment ventures generally provide that investors, including Prologis, may receive cash distributions (1) to the extent there is available cash from operations, (2) upon a capital event, such as a refinancing or sale, or (3) upon liquidation of the venture. The amount of cash each investor receives is based upon specific provisions of each operating agreement and varies depending on factors including the amount of capital contributed by each investor and whether any contributions are entitled to priority distributions. Upon liquidation of the co-investment venture and after all liabilities, priority distributions and initial equity contributions have been repaid, the investors generally would be entitled to any residual cash remaining based on their respective legal ownership percentages.

Because of these limitations, the non-GAAP pro-rata financial information should not be considered in isolation or as a substitute for our financial statements as reported under GAAP.

Operating Portfolio includes stabilized industrial properties in our owned and managed portfolio. A developed property moves into the Operating Portfolio when it meets Stabilization. Prologis share of NOI, excluding termination fees and adjustments, includes NOI for the properties contributed to or acquired from co-investment

Notes and Definition *(continued)*

ventures at our actual share prior to and subsequent to change in ownership. The markets presented represent markets that are generally greater than 1% of Prologis share of NOI.

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

Rental Revenue. in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Rental revenue	\$ 404,317	\$ 395,938	\$ 1,224,458	\$ 1,062,954
Rental expense recoveries	124,409	114,639	361,402	312,510
Amortization of lease intangibles	607	(318)	968	(9,447)
Straight-lined rents	30,944	22,496	73,696	46,984
Rental revenue	\$ 560,277	\$ 532,755	\$ 1,660,524	\$ 1,413,001

Rent Change (Cash) represents the change in rental rates per the lease agreement on new and renewed leases signed during the periods as compared with the previous rental rates in that same space. This measure excludes any free rent periods and teaser rates defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the change in net effective rental rates (average rate over the lease term) on new and renewed leases signed during the period as compared with the previous effective rental rates in that same space.

Retention is the square footage of all leases rented by existing tenants divided by the square footage of all expiring and in-place leases during the reporting period, excluding the square footage of tenants that default or buy-out prior to expiration of their lease, short-term tenants and the square footage of month-to-month leases.

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 (including development properties that have been completed and available for lease) at January 1, 2015 and throughout the full periods in both 2015 and 2016. 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 financial 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 and one Same Store NOI - Cash. As these are non-GAAP financial 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 and then to Same Store NOI - 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 September 30,			
	2016	2015	Change	(%)
Rental Revenue:				
Rental Revenue	\$ 435,868	\$ 418,116		
Rental Recoveries	124,409	114,639		
Per the Consolidated Statements of Operations	560,277	532,755		
Properties not included and other adjustments (a)	(165,655)	(152,033)		
Unconsolidated Co-Investment Ventures	438,860	429,360		
Same Store - Rental Income	\$ 833,482	\$ 810,082		2.9 %
Rental Expense:				
Per the Consolidated Statements of Operations	\$ 140,514	\$ 140,284		
Properties not included and other adjustments (b)	(29,701)	(30,685)		
Unconsolidated Co-Investment Ventures	90,710	94,937		
Same Store - Rental Expense	\$ 201,523	\$ 204,536		-1.5 %
NOI:				
Consolidated NOI	\$ 419,763	\$ 392,471		
Properties not included and other adjustments	(135,954)	(121,348)		
Unconsolidated Co-Investment Ventures	348,150	334,423		
Same Store - NOI	\$ 631,959	\$ 605,546		4.4 %
Same Store - NOI - Prologis Share (c)	\$ 363,536	\$ 344,112		5.6 %
NOI- Cash:				
Same store- NOI	\$ 631,959	\$ 605,546		
Straight-line rent adjustments (d)	(11,716)	(14,701)		
Fair value lease adjustments (d)	(1,218)	(312)		
Same Store - NOI- Cash	\$ 619,025	\$ 590,533		4.8 %
Same Store - NOI- Prologis Share (c)	\$ 356,807	\$ 334,674		6.6 %

- 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.
- 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.
- Prologis share of Same Store is calculated using the underlying building information from the Same Store NOI and NOI - Cash calculations and applying our ownership percentage as of September 30, 2016 to the NOI of each building for both periods.
- In order to derive Same Store- NOI - Cash, we adjust Same Store- NOI to exclude non-cash items included in our rental income in our financial statements, including straight line rent adjustments and adjustments related to purchase accounting to reflect leases at fair value at the time of acquisition.

Notes and Definition *(continued)*

Same Store Average Occupancy represents the average occupied percentage of the Same Store portfolio for the period.

Stabilization is defined when a property that was developed has been completed for one year or is 90% occupied. Upon stabilization, a property is moved into our Operating Portfolio.

Stabilized Capitalization Rate is calculated as "Stabilized NOI" divided by the "Acquisition Cost".

Stabilized NOI is equal to the estimated twelve months of potential gross rental revenue (base rent, including above or below market rents plus operating expense reimbursements) multiplied by 95% to adjust income to a stabilized vacancy factor of 5%, minus estimated operating expenses.

Total Expected Investment ("TEI") represents total estimated cost of development or expansion, including land, development and leasing costs. TEI is based on current projections and is subject to change. Non-U.S. dollar investments are translated to U.S. dollars using the exchange rate at period end or the date of development start for purposes of calculating development starts in any period.

Turnover Costs represent the obligations incurred in connection with the signing of a lease, including leasing commissions and tenant improvements. Tenant improvements include costs to prepare a space for a new tenant and for a lease renewal with the same tenant. It excludes costs to prepare a space that is being leased for the first time (i.e. in a new development property).

Value-Added Acquisitions are properties we acquire for which we believe the discount in pricing attributed to the operating challenges could provide greater returns post-stabilization than the returns of stabilized properties that are not Value-Added Acquisitions. Value Added Acquisitions must have one or more of the following characteristics: (i) existing vacancy in excess of 20%; (ii) short term lease roll-over, typically during the first two years of ownership; (iii) significant capital improvement requirements in excess of 10% of the purchase price that must be invested within the first two years of ownership.

Value-Added Conversions ("VAC") represent the repurposing of industrial properties to a higher and better use, including office, residential, retail, research and development, data center, self storage or manufacturing with the intent to ultimately sell the property once repositioned. Activities required to prepare the property for conversion to a higher and better use may include such activities as re-zoning, re-designing, re-constructing, and re-tenanting. The economic gain on sales of value added conversions represents the amount by which the sales proceeds exceeds the amount included in NAV for the disposed property.

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

Weighted Average Estimated Stabilized Yield is calculated as estimated NOI assuming stabilized occupancy divided by Acquisition Cost or TEI, as applicable.

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



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