PROLOGIS

NAREIT Investor Forum

New York, NY

June 12-14, 2012

Forward-Looking Statements

The statements in this presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on current expectations, estimates and projections about the industry and markets in which Prologis operates, management's beliefs and assumptions made by management. Such statements involve uncertainties that could significantly impact Prologis' financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume of developed properties, disposition activity, general conditions in the geographic areas where we operate, synergies to be realized from our recent merger transaction, our debt and financial position, our ability to form new property funds and the availability of capital in existing or new property funds — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust ("REIT") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments in our co-investment ventures and funds, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by Prologis under the heading "Risk Factors." Prologis undertakes no duty to update any forward-looking statements appearing in this presentation.

CONTENTS

Prologis Overview

World Class Platform

- Deep global presence with AUM of ~$45 billion across ~584 msf (54 msm) in 22 countries on four continents
- Broad, diverse, multi-national customer base that results in repeat business
- Breadth and depth of team is unparalleled in the real estate industry

Differentiated Strategy

- Global operating company with a distinct advantage over capital allocators and local developers
- Invest in distribution and logistics facilities vital to global and regional supply chains with demand driven by trade, reconfiguration and/or consumption
- Local market knowledge, development expertise and commitment to sustainable design

Vibrant Private Capital Franchise

- Focused exclusively on high-quality global and regional industrial logistics markets
- AUM of ~$22 billion in 18 co-investment ventures and funds
- ~$2 billion of deployment capacity across three continents

Financial Strength

- Committed to building one of the top three balance sheets in the REIT industry
- Debt maturities well-laddered, geographically diverse and in manageable tranches
- Continued access to debt capital markets through established global lender relationships

Note: Data as of March 31, 2012.

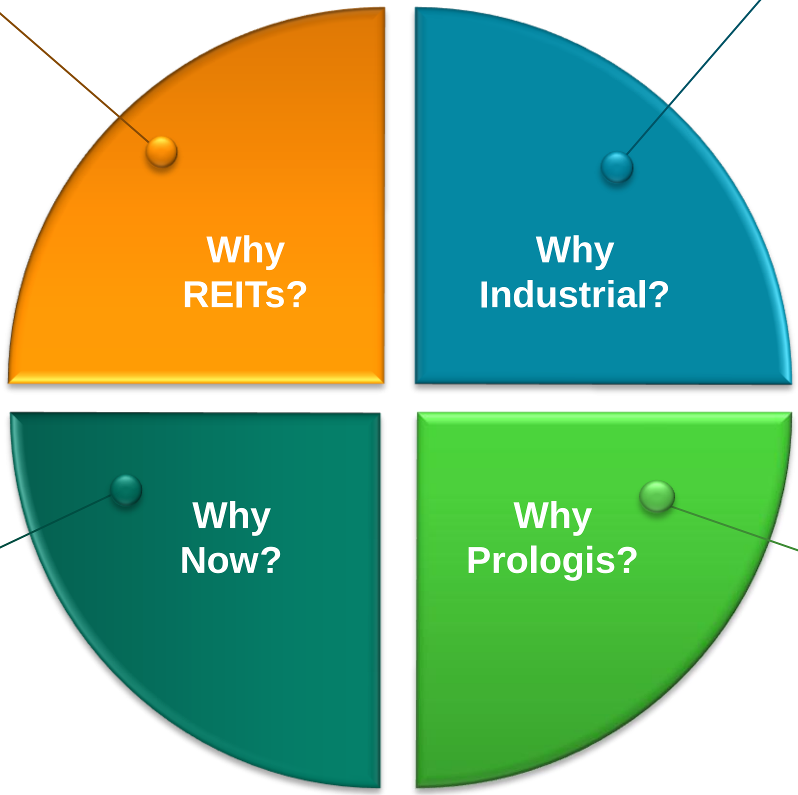
A Compelling Opportunity

Why REITs?

- Consistent income stream
- Consistent out performance vs. major indices *(DJIA/SP500)*
- Hedge against inflation

Why Industrial?

- Stable occupancy
- Lower volatility of returns
- Low levels of capital expenditures in relation to NOI



Why Now?

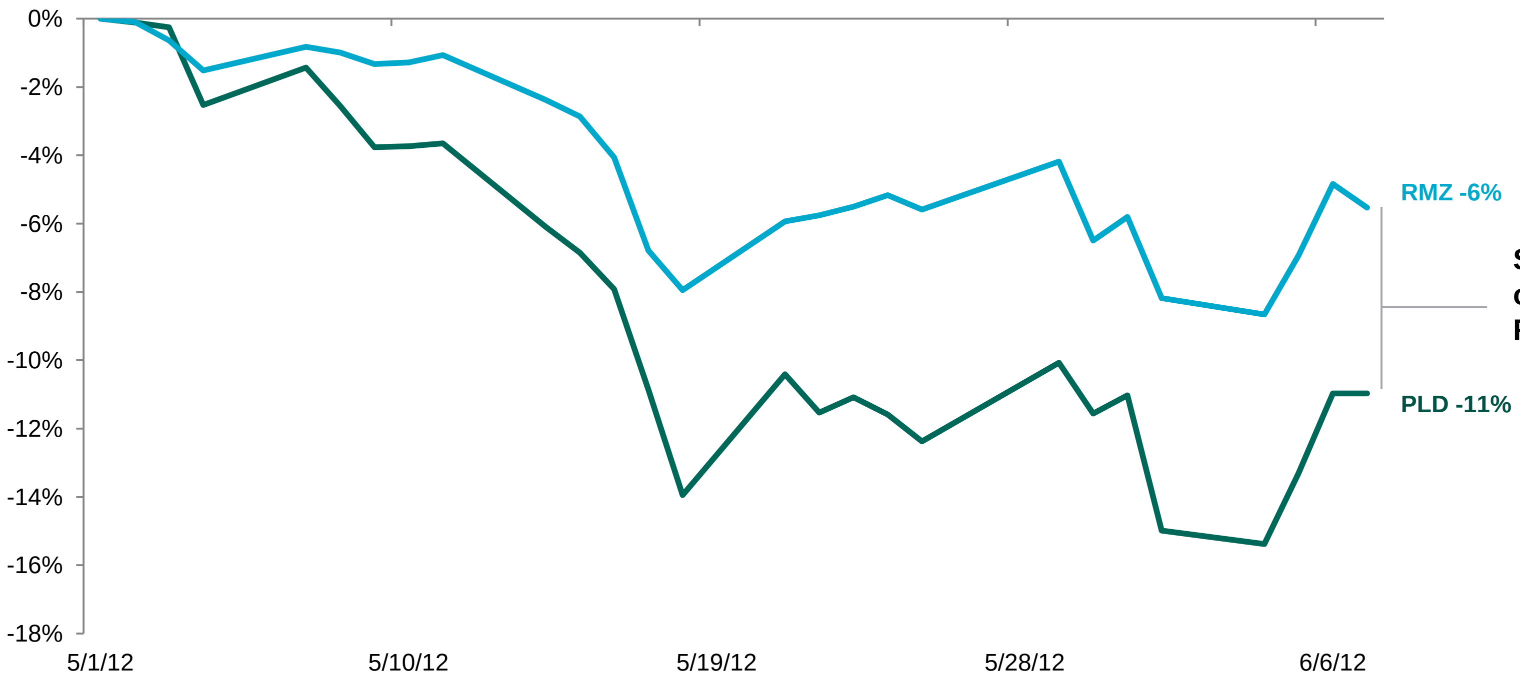
- Inventories at unprecedented lows
- Operating fundamentals improving from cyclical low
- Trading at a significant discount to NAV

Why Prologis?

- Unmatched global platform
- Best customer brand in the real estate industry
- Market leading Private Capital business
- World’s leading industrial property developer
- The best and most diverse global real estate organization

Share Price Disconnect

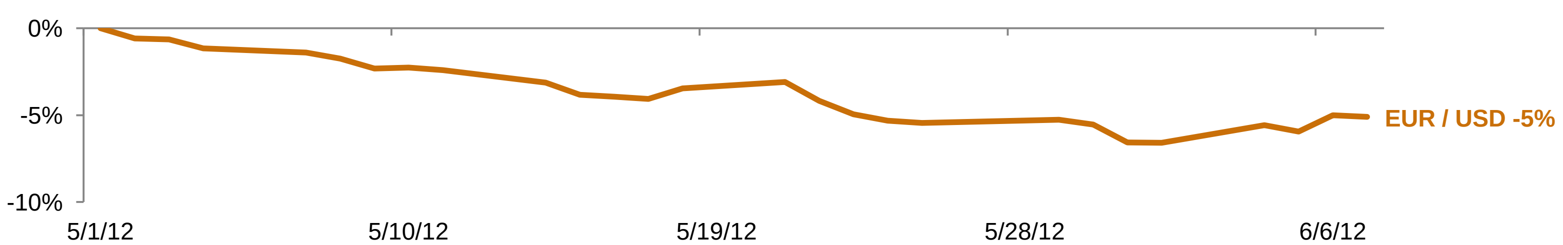
Prologis' Share Price vs RMZ



Share price down 5%, or ~$(1.75), relative to RMZ

Foreign Exchange

Euro decline results in ~$0.40 decrease to PLD's NAV

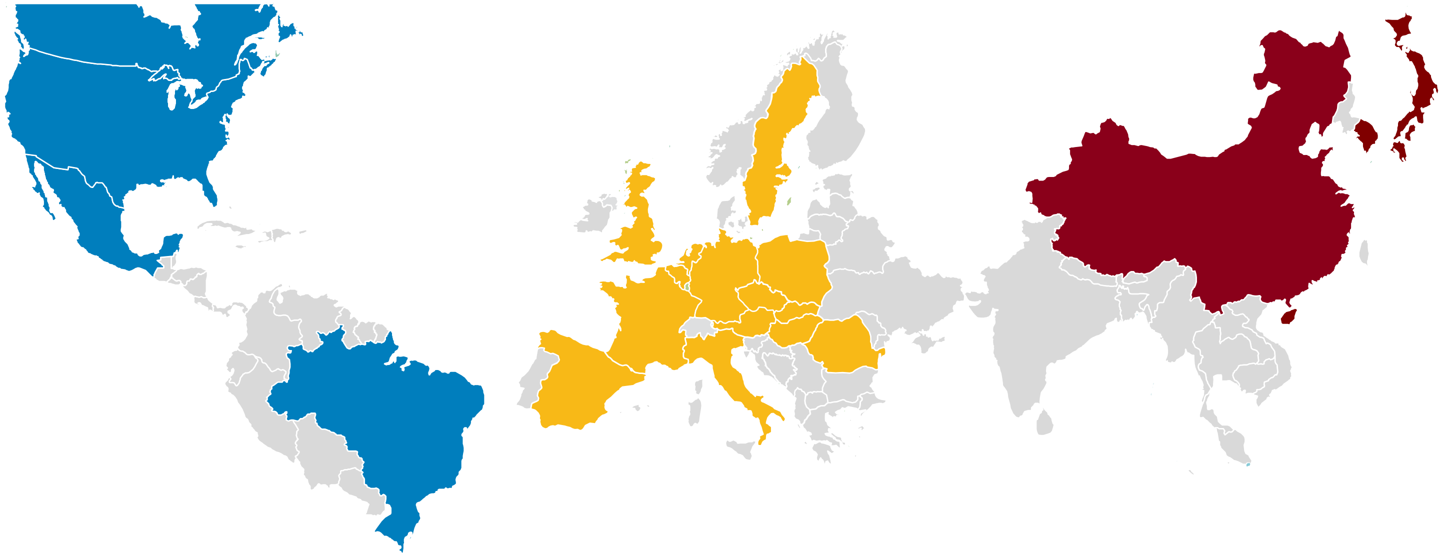


Share price impact more than 4X FX impact

Source: Bloomberg, May 1, 2012 – June 7, 2012.

PROLOGIS

Unmatched Global Platform



	Americas		Europe		Asia		Total	
	Total	Prologis' Share	Total	Prologis' Share	Total	Prologis' Share	Total	Prologis' Share
Total Portfolio[1] - Square Feet / Square Meters (millions)	410 / 38	*69%*	142 / 13	*67%*	32 / 3	*70%*	585 / 54	*69%*
Development – TEI ($mm)	$348	*72%*	$147	*92%*	$858	*94%*	$1,353	*88%*
Land (acres)	7,265	*97%*	3,587	*100%*	146	*90%*	10,989	*98%*

Platform covers countries representing ~80% of global GDP[2]

Note: Data as of March 31, 2012.

1) Comprises operating, development and other portfolio.
2) International Monetary Fund.

Prologis' Investment Focus

GLOBAL MARKETS – 83% of NOI[1]

- Typically in markets that are served by a major seaport and/or international airport
- Targeted development opportunities, increased capital deployment
- Operating Portfolio – 411 msf / 38 msm *(293 msf / 27 msm)* [1]

REGIONAL MARKETS – 12% of NOI[1]

- Local and regional distribution, not storage optimization
- Selectively disposing, acquiring and developing
- Operating Portfolio – 84 msf / 8 msm *(64 msf / 6 msm)* [1]

OTHER MARKETS – 5% of NOI[1]

- Exit over time
- Operating Portfolio – 42 msf / 4 msm *(26 msf / 2 msm)*[1]

Note: Data as of March 31, 2012
1) Data represents Prologis' share from Real Estate Operations.

PROLOGIS

Prologis Business Lines[1]

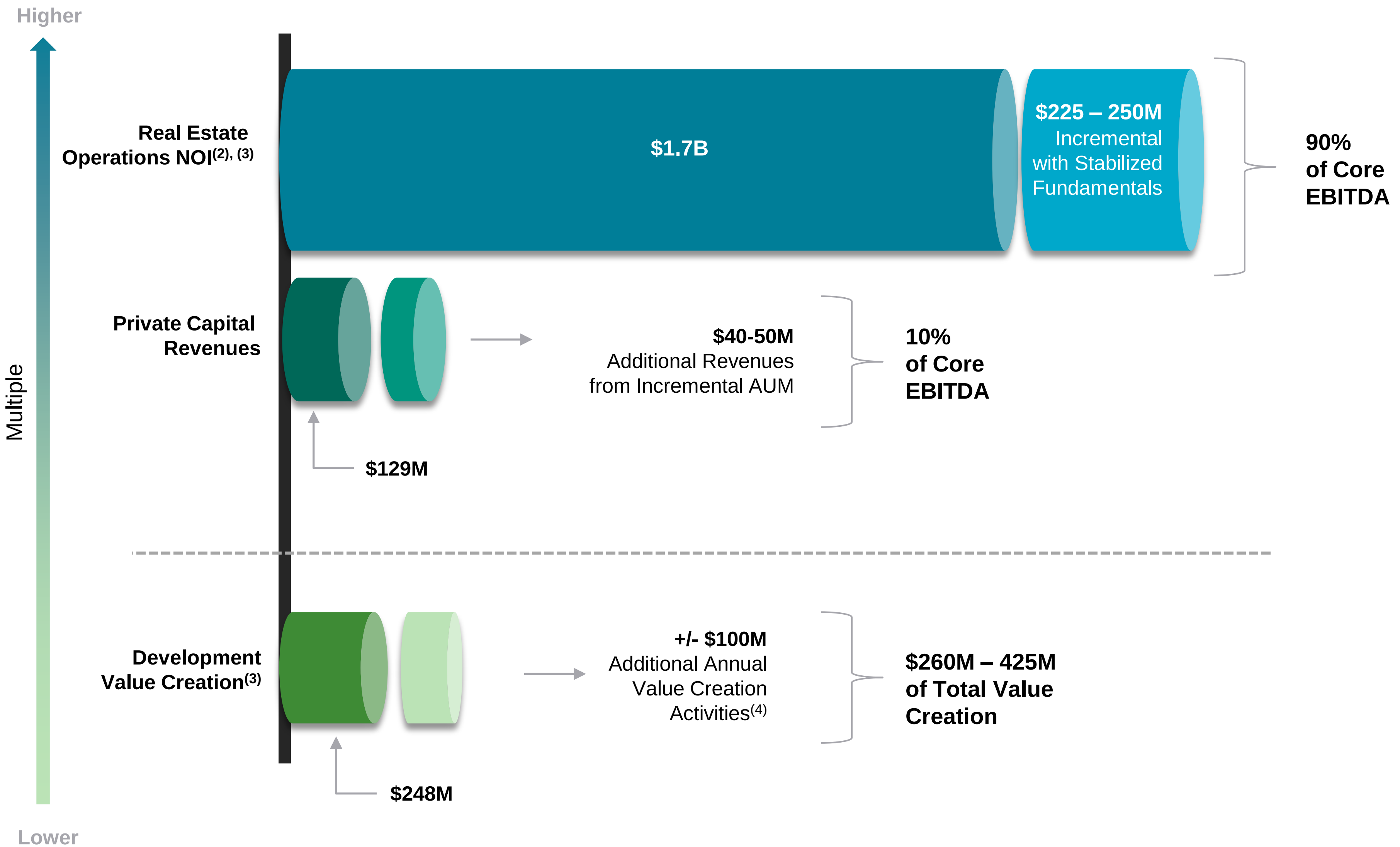
OPERATIONS Collect Rent	PRIVATE CAPITAL Generate Fees	DEVELOPMENT Create Value
• Stable income stream • Global presence/local market expertise • Diversified global customer base	• Recurring annuity stream diversified by geography and capital source / high % of revenue from infinite life funds • Expands global operating platform: less Prologis capital; reduces currency exposure • New ventures will be seeded with Prologis assets	• Various demand drivers exist across all business cycles • Established customer relationships drive BTS opportunities • Ability to deploy capital globally • Existing land bank represents an asset as markets recover
• $2.3B of annualized NOI *($1.7B Prologis' share)* • 584 msf *(403 msf Prologis' share)* / 22 countries / 4 continents • 4,500 customers	• $129M annualized private capital revenue[2] • $21.6B of AUM *($7.3B Prologis' share)*	• $1.4B under development *($1.2B Prologis' share)* • Expected value creation $287M *($248M Prologis' share)* [2]

Future Growth Drivers

OPERATIONS	PRIVATE CAPITAL	DEVELOPMENT
• Rent recoveries, to align with replacement costs, and occupancy gains • Long-term growth from annual contractual rent increases	• Increased revenues from incremental AUM • Significant promote opportunities	• BTS activity in U.S. and Europe • Speculative development in Asia and emerging markets

1) Data as of March 31, 2012
2) Excludes promotes and development fees.

Prologis' Annualized Income(1)

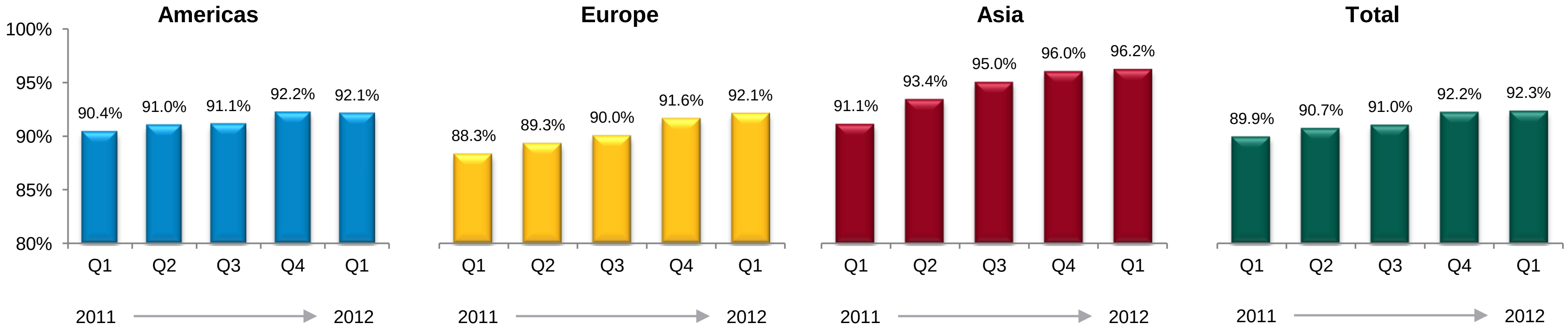


1) Represents a static portfolio, as of March 31, 2012, which excludes any effects from future acquisitions, dispositions, contributions and debt retirement.
2) Net Operating Income ("NOI") represents rental income less rental expenses.
3) Represents Prologis' share.
4) Includes development, land bank monetization and value creation activities.

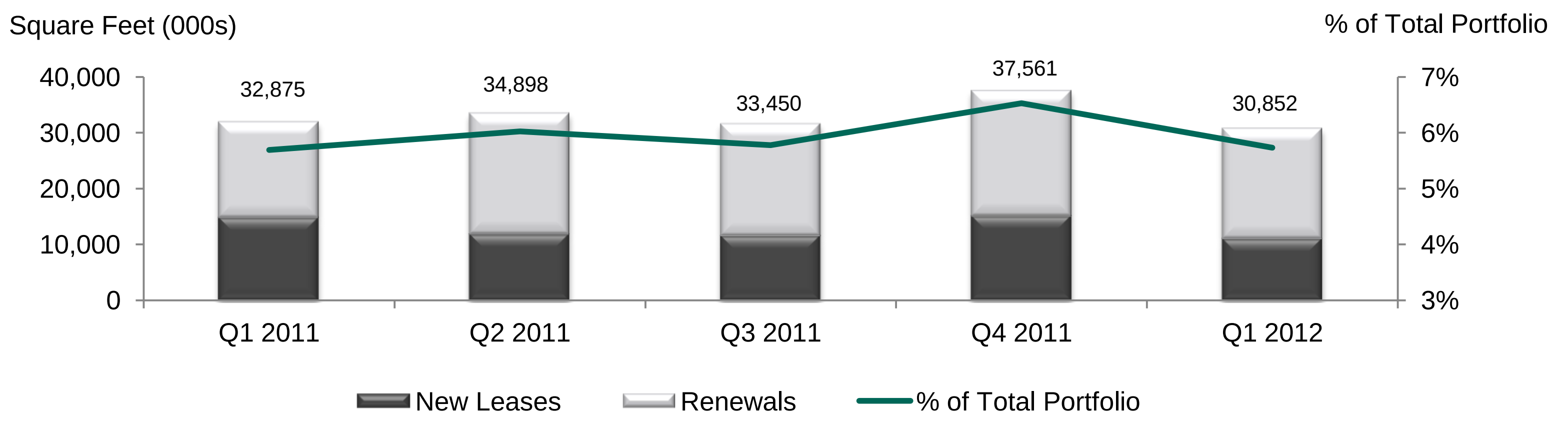
PROLOGIS

Operating Fundamentals

Operating Portfolio – Period Ending Occupancy



Leasing Activity



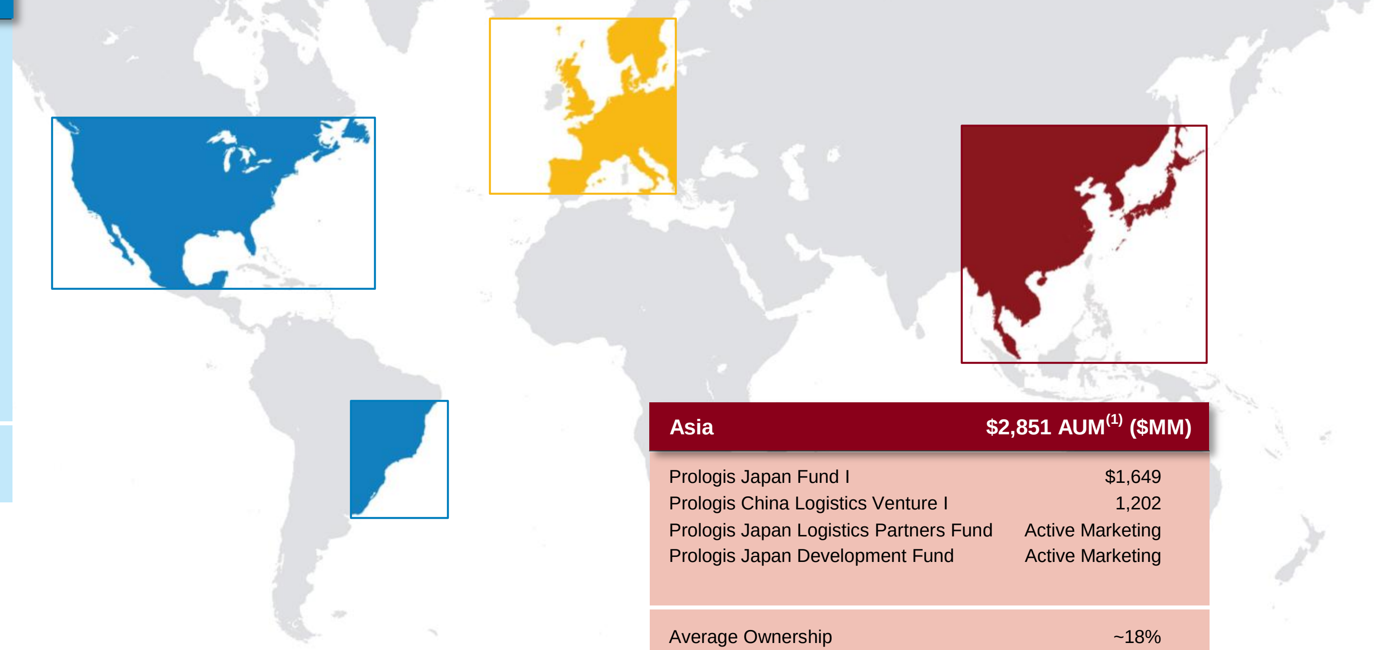
Note: Data as of March 31, 2012.

PROLOGIS

Global Private Capital Platform — $21.6 billion AUM

Europe	$8,828 AUM[1] ($MM)
Prologis European Properties Fund II	$3,700
Prologis European Properties	3,298
Prologis Targeted Europe Logistics Fund	1,225
Prologis Europe Logistics Joint Venture	605
Average Ownership	~50%
Average Fees[2]	70 bps

Americas	$9,948 AUM[1] ($MM)
Prologis Targeted U.S. Logistics Fund	$3,695
Prologis NA Industrial	2,548
Prologis NA Industrial III	795
Prologis Institutional Alliance Fund II	567
Prologis NAPF I	260
Prologis AMS	183
Prologis DFS Fund I	58
Prologis Canada	In Planning
Prologis Fondo Logistico	631
Prologis Brazil Logistics Partners Fund I	449
Prologis Mexico Industrial	414
Prologis SGP Mexico	345
Average Ownership	~30%
Average Fees[2]	75 bps



Asia	$2,851 AUM[1] ($MM)
Prologis Japan Fund I	$1,649
Prologis China Logistics Venture I	1,202
Prologis Japan Logistics Partners Fund	Active Marketing
Prologis Japan Development Fund	Active Marketing
Average Ownership	~18%
Average Fees[2]	85 bps

Infinite life ventures represent 70% of AUM and generate $82 million in on-going, annual revenue[3]

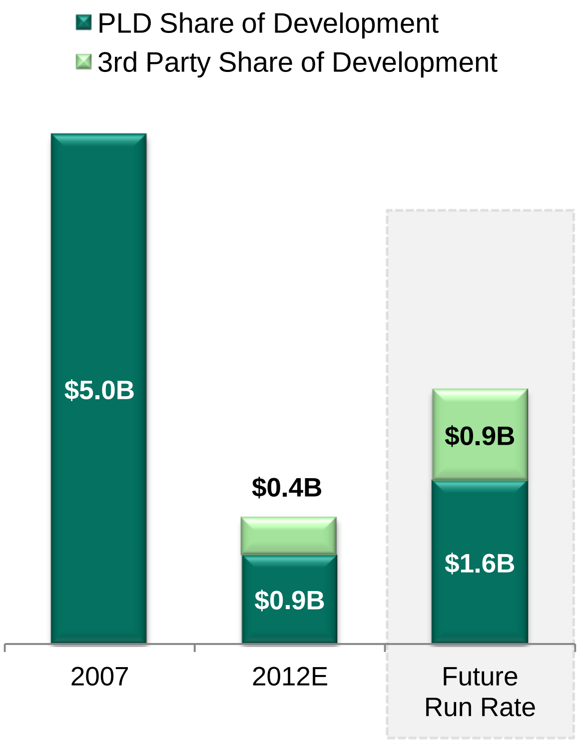
1) AUM is based on fair market value of private capital co-investment ventures and estimated investment capacity as of March 31, 2012.
2) Represents total fees generated as a percentage of AUM.
3) AUM represents all co-investment ventures regardless of consolidation. On-going fee revenue relates only to unconsolidated ventures.

Development Overview

Value Creation

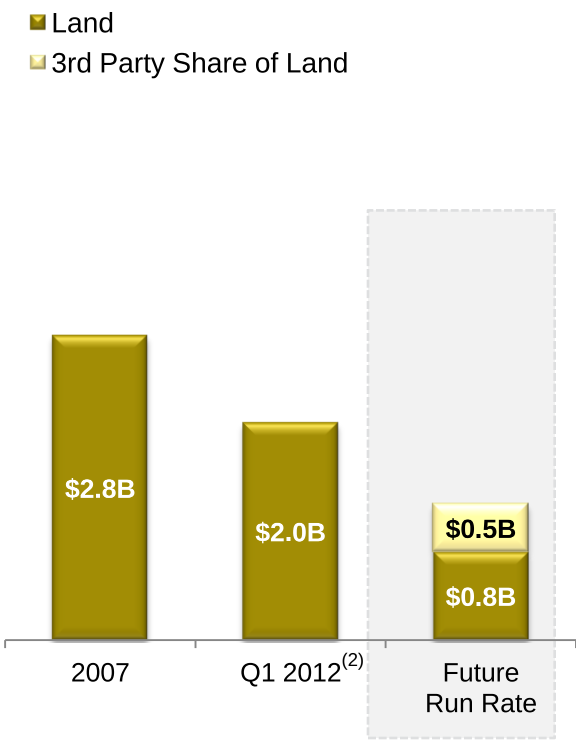
	Future Range[1]	
Development Volume	$2.0B	$2.5B
Overhead Absorption	4%	4%
Expected Margin	15%	20%
Average PLD Ownership	60%	65%
Annual Value Creation	$260M	$425M

Development Starts



- Removing risk by utilizing private capital to fund development
- Scale of global development business positions us well for future growth

Land Portfolio



- Expect to significantly monetize land bank through development and third party sales

1) Excludes promotes and development fees.
2) Original land cost basis of $3.1B.

Sources & Uses 2H 2011– 2013 (10 Quarter Plan)

($ in millions)

Capital Sources

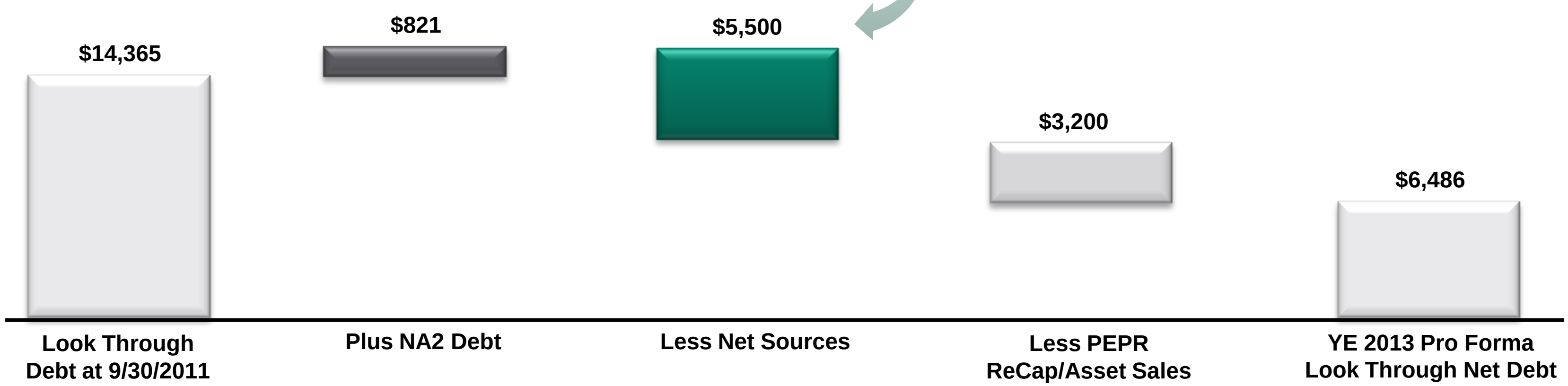
	Contributions		Dispositions	
	Existing Funds	Future Funds	Prologis' Share	Total
Americas	$1,000	$400	$1,900	$3,300
Europe	1,000	-	900	1,900
Asia	-	3,200	100	3,300
Total Sources[(1)]	**$2,000**	**$3,600**	**$2,900**	**$8,500**

Capital Uses

	Development Funding[(2)]	Future Acquisitions	
	Prologis' Share	Prologis' Share	Total
Americas	$500	$600	$1,100
Europe	700	200	900
Asia	900	100	1,000
Total	**$2,100**	**$900**	**$3,000**

Total Sources Less Uses	**$5,500**

De-Levering Strategy

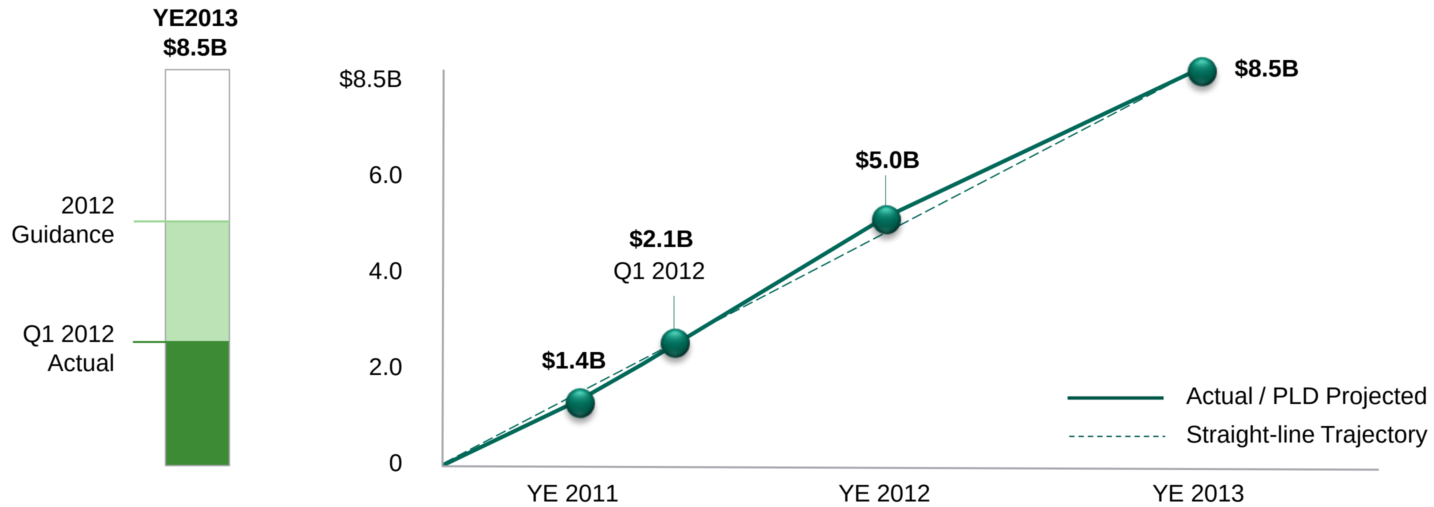


1) Sources are net of PLD share of equity and debt funding of contributions.
2) Represents estimated funding requirements for developments through 2013 post fund contribution and less land already owned.

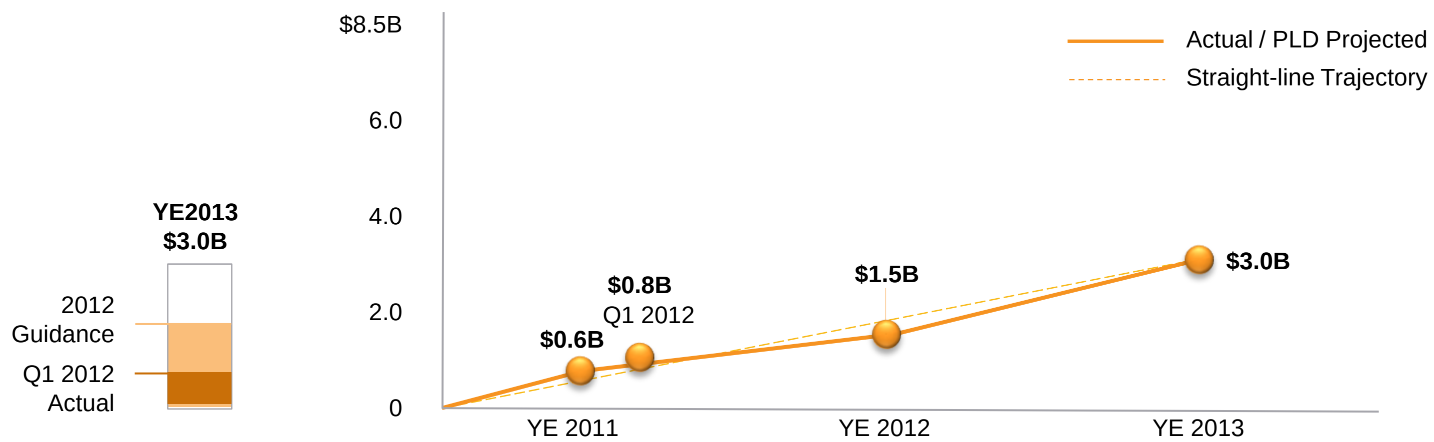
PROLOGIS

Sources & Uses Progress (Prologis' Share)

Sources



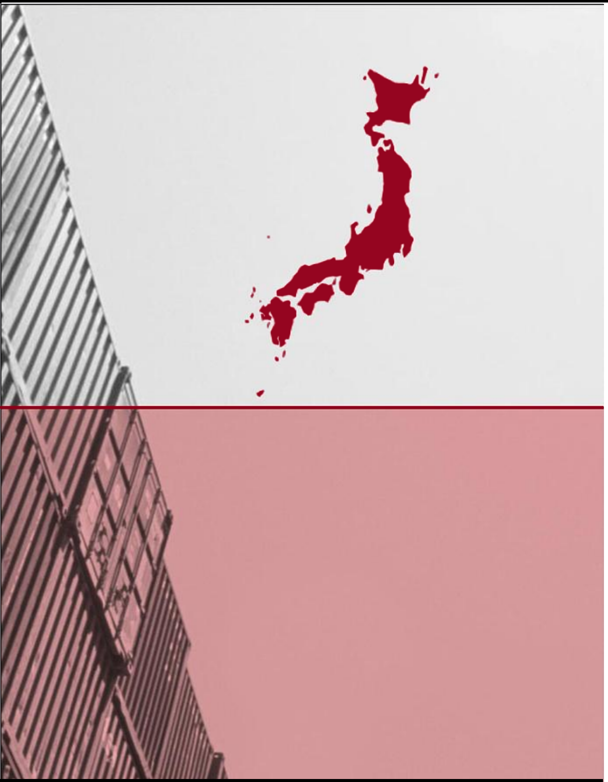
Uses[1]



1) Based on Prologis' share of development spend and acquisition cost.

Note: 2012 guidance for Prologis' share of total dispositions and contributions of \$4.5B to \$5.5B and Prologis' share of total development starts and acquisitions of \$1.1B to \$1.4B and \$400M to \$600M, respectively.

Japan Co-investment Update



Prologis Japan Development Fund
Close expected by Q4 2012

Prologis Targeted Japan Logistics Fund or J-REIT
Decision on structure likely by the end of Q3 2012

Prologis Japan Development Fund

- Closed-end fund
- Targeting $600 million of third-party equity (upsized from $450 million) and $1.0 billion of total equity
- Target leverage in the range of 40-50%
- Total projected size of approximately $1.6 billion

Prologis Targeted Japan Logistics Fund

- Perpetual-life, open-end fund
- Targeting $750 million of third-party equity and $1.3 billion of total equity *(initial close)*
- Target leverage of ~50%
- Total projected size of approximately $2.6 billion *(initial close)*

J-REIT

- Assessing J-REIT as an alternative or eventual compliment to private open-end fund as a future vehicle for long-term ownership of operating assets in Japan
- Strong Japanese fund flows into J-REITs have caused a convergence of the gap between J-REIT share prices and their underlying NAVs
- Highly flexible and well known by investors. Provides a platform whereby Japanese investors may invest through an efficient onshore investment vehicle

Prologis European Properties (PEPR) Update

PEPR
Recapitalization expected to be finalized in 2013

Portfolio

- Best in class portfolio of modern distribution facilities
- 210 properties, covering 48.4 msf (4.5 msm) in 11 European countries
- Market value of $3.5 billion[1]

Year-to-Date Status

- March 14 – the proposal to allow the option of "in specie" distribution of assets approved by unit holders
- May 31 – Prologis owned 96.4% of PEPR
- June 27 - A proposal to wind-up PEPR to be voted on at the Annual General Meeting

1) At March 31, 2012.

PROLOGIS

Europe Update

Overview

- 14 countries covering 142 msf *(13.2 msm)*(1)
- Over 70% of Prologis' European NOI is from the United Kingdom, France, Germany, Netherlands and Poland
  - Spain and Italy account for 12% of Prologis' European NOI and 3.6% of total operating portfolio NOI
- 10% change in the EUR/USD changes Core FFO by ~$0.06/year and NAV by ~$0.85

Occupancy

- 92.1% at March 31, 2012, an increase of 380 bps year-over-year

Portfolio Composition

- Gross asset value of $12.7 billion

France	6.9%	
United Kingdom	5.2%	
Germany	3.7%	
Poland	3.4%	
Netherlands	2.4%	
Spain	1.4%	2.7%
Italy	1.3%	
Czech Republic	1.3%	
Hungary	1.0%	
Sweden	0.8%	
Belgium	0.4%	
Other(2)	1.0%	
	28.8%	

Note: Data as of March 31, 2012.
1) Prologis' share totaled 95 msf (8.8 msm).
2) Other includes Austria, Romania and Slovakia.

PROLOGIS

Illustrative Impact of Deleveraging Plan (Prologis' share)

($ in millions, except per share)

Capital Sources

	Contributions /Dispositions	Cap Rate[2]	NOI
Americas/Europe	$4,855	6.5-7.5%	($340)
Asia	3,200	5.25-5.75%	(176)
Land	445	-1.0%	4
Total Sources[1]	**$8,500**	**~6.0%**	**($512)**

Capital Uses

	Capital Deployment	Yield/ Interest Rate	NOI/ Interest Expense
Development	$2,100	10.0%[3]	$210
Acquisitions	900	6.5%	59
Debt and Preferred Repayment	5,500	4.0%	220
Total Uses	**$8,500**	**~5.7%**	**$489**

NOI Dilution from Sources	($512)
NOI/Interest Expenses from Uses	489
Dilution[4]	**($23)**
Fees on incremental AUM[5]	48

Core FFO Impact

Net Accretion[4]	~$0.05/sh
Including PEPR Recapitalization[4]	~($0.02)/sh

Delevering Impact
(including PEPR Recapitalization)

Loan to Value	25-30%
Debt / EBITDA	5.0-6.0X
Fixed Charge Coverage	2.75-3.0X

Unique opportunity to delever the balance sheet with minimal dilutive effect – therefore higher earnings multiple

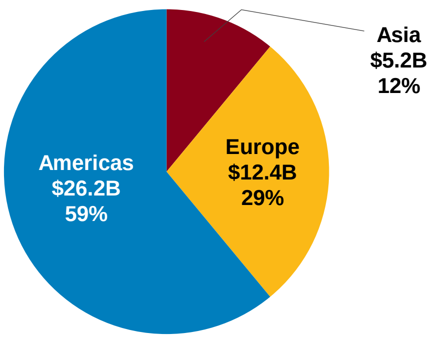
1) Sources are net of PLD share of equity and debt funding of contributions.
2) Based on Prologis' weighted average stabilized cap rates for Americas, Europe and Asia at March 31, 2012.
3) 8.5% yield on development adjusted to incorporate land already owned by Prologis.
4) Illustrative accretion (dilution) based on stabilized cap rates and average interest rate on Prologis' debt obligations.
5) 80 bps on $6.0B ($5.6B from contributions and $0.4B from acquisitions held in funds).

PROLOGIS

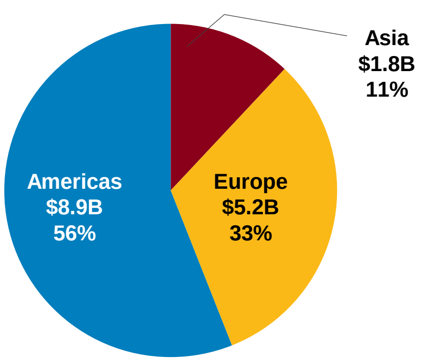
Asset Allocation and Net Equity Position

Today

Gross Asset Allocation



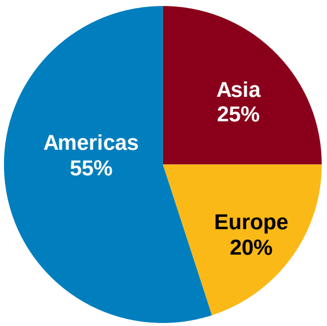
Net Equity Position(1)



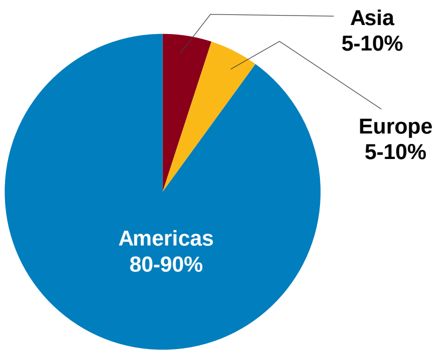
- *Recapitalization of PEPR and Europe balance sheet assets*
- *Japan co-investment formation*
- *Dispositions & contributions Recycle Capital – Dev/Acq*
- *Debt repayments, refinancing, new financings and swaps*

Target

Gross Asset Allocation



Net Equity Position(1)



Note: Data as of March 31, 2012.
1) Prologis share.

PROLOGIS

Building Blocks of NAV[1]

	Components	Net Asset Value Range
Properties with Net Operating Income	NOI $1,681M[2] / 6.30% – 6.05%[3]	**$26,688 - $27,791M**
Properties with Net Operating Loss	Book Value	**$929M**
Development Portfolio	Stabilized Fair Value	**$1,092 - $1,152M**
Land Bank	Book Value	**$1,959M**
Private Capital / Dev Mgmt	Multiple of Fees	**$656 - $805M**
Other Assets / (Liabilities)	Net Working Capital, Other Real Estate Related Assets & Minority Interests	**($350M)**
Debt	Balance Sheet + % Share of Fund Debt	**($14,128M)**
Preferred Stock	Balance Sheet	**($582M)**

NAV	Implied Cap Rate
$28.00	7.17%
$30.00	6.91%
$32.00	6.67%
$34.00	6.44%
$36.00	6.24%
$38.00	6.05%
$40.00	5.86%

Net Asset Value	**$16,264 - $17,576M**
Diluted Shares	**460M**
Net Asset Value Per Diluted Share	**~$35.00 - $38.00**

NAV range 10% - 20% higher than closing share price of $31.72 on June 7, 2012

Note: Data as of March 31, 2012.
1) Data reflects wholly owned and Prologis' share of NOI and does not include any value creation (fees or promotes that we may earn).
2) Stabilized NOI at 95% occupancy.
3) Based on Prologis' weighted average stabilized cap rates for Americas, Europe and Asia.

PROLOGIS

Catalysts for Growth *(MVPS)*

MERGER SYNERGIES
VALUE CREATION ACTIVITIES
PRIVATE CAPITAL

STABILIZED FUNDAMENTALS

- Stabilize operating portfolio occupancy from 92% to 95%
- Stabilize development portfolio
- ~2.5% in cumulative contractual rent bumps

MERGER SYNERGIES
VALUE CREATION ACTIVITIES

PRIVATE CAPITAL

- Grow platform increasing revenues, diversification and scale efficiencies
- Recognize net fees from additional assets under management
- Recognize net promotes

MERGER SYNERGIES

VALUE CREATION ACTIVITIES[1]

- $2.5 billion of potential future annual development starts and value-added conversions
- Monetize land bank through development and third-party sales
- Incremental revenue from programs including renewable energy

MERGER SYNERGIES

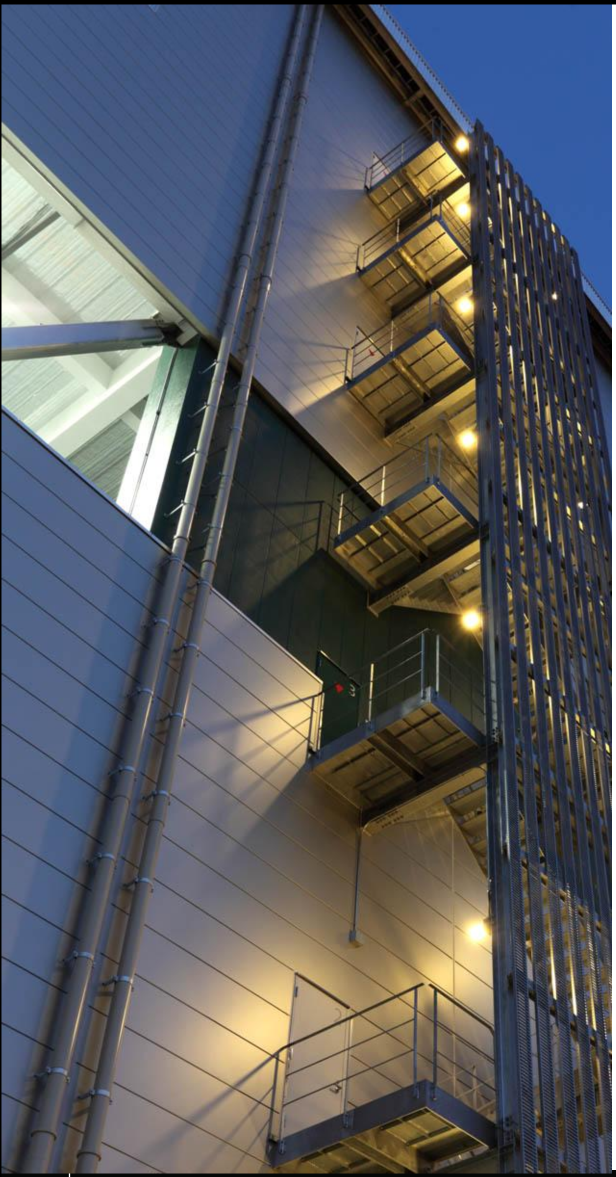
- G&A and other organizational synergies reflected in current FFO guidance
- Improved cost of capital on unsecured debt
- Revenue synergies (expanded relationships with large, repeat multi-national customers)

2011 — Current — 2013

1) Value Creation activities absorb incremental overhead.

PROLOGIS

Integrated Risk Management



Proprietary risk management model with real-time monitoring of total company risk, as well as the individual components

Key benefits

- Increases risk awareness through the identification, assessment and prioritization of risks
- Provides ability to evaluate, measure and manage risk on an integrated basis across geographies and different aspects of our business
- Enables key business units to manage risk components within their own sphere of influence

PROLOGIS

Prologis Integrated Risk Index (PIRI) – Methodology

Measured at PLD's Ownership:

Prologis Integrated Risk Index (PIRI) = Business Risk + Currency Risk + Leverage Risk

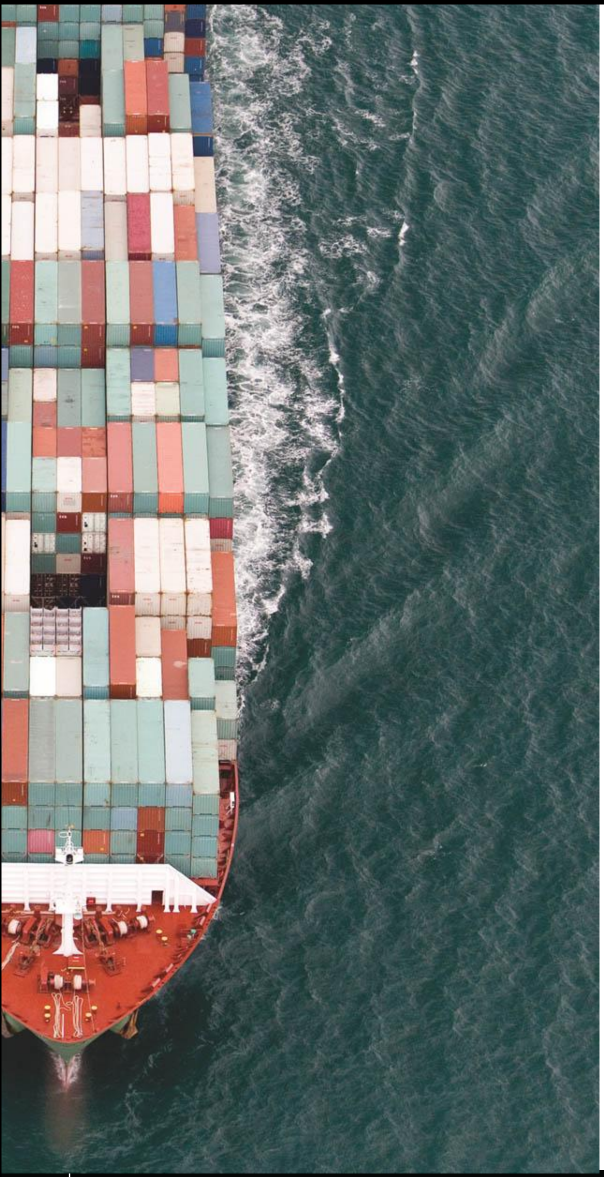
- **Business Risk** comprises a weighting of real estate-related asset risks (e.g. vacancy, development and land)
- **Currency Risk** is the amount of PLD's equity base that is non-USD denominated
- **Leverage Risk** represents the amount of excess leverage over the company target

2012 Guidance[1]

($ In Millions except per share data)	Low	High
CORE FUNDS FROM OPERATIONS *(per fully diluted unit and share)*	$1.60	$1.70
OCCUPANCY IN OPERATING PORTFOLIO	92.5%	93.5%
SAME STORE NOI[2]	1.0%	2.0%
CAPITAL DEPLOYMENT		
Acquisitions		
Total	$400	$600
Prologis' share (40%)	$160	$240
Development Starts		
Total	$1,100	$1,400
Prologis' share (70%)	$770	$980
CONTRIBUTIONS / DISPOSITIONS		
Total	$4,500	$5,500
Prologis' share (75%)	$3,375	$4,125

1) Annual company guidance provided on May 1, 2012.
2) Same Store NOI is on GAAP basis.

Key Takeaways

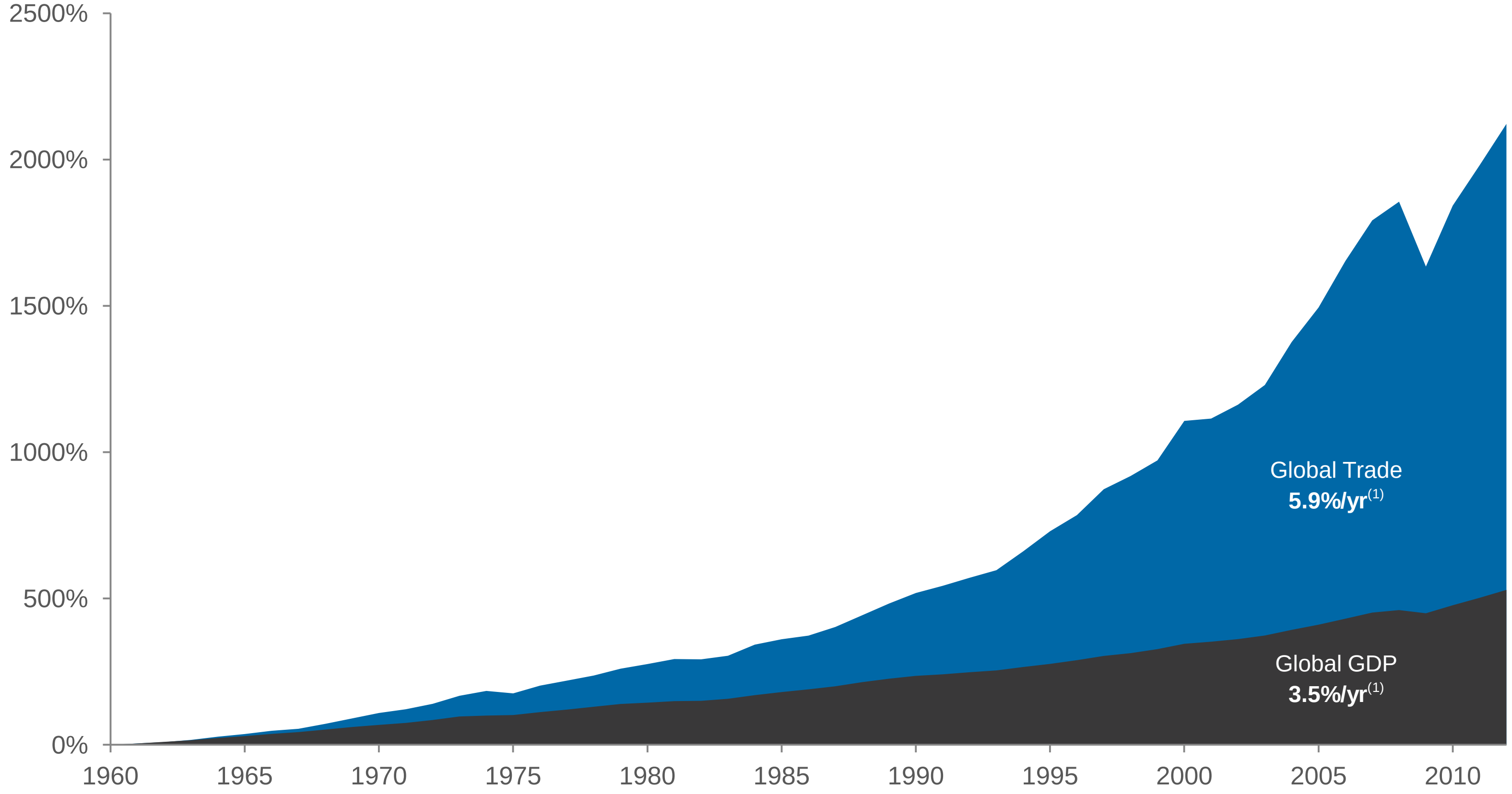


- Additional earnings potential from stabilized fundamentals, value creation activities and new private capital ventures
- Leasing activity remains solid across all of our major regions
- Balance sheet management and delevering are above plan through robust dispositions and contributions
- Committed to building one of the top three balance sheets in the REIT industry
- Trading at a significant discount to NAV

PROLOGIS

Appendix

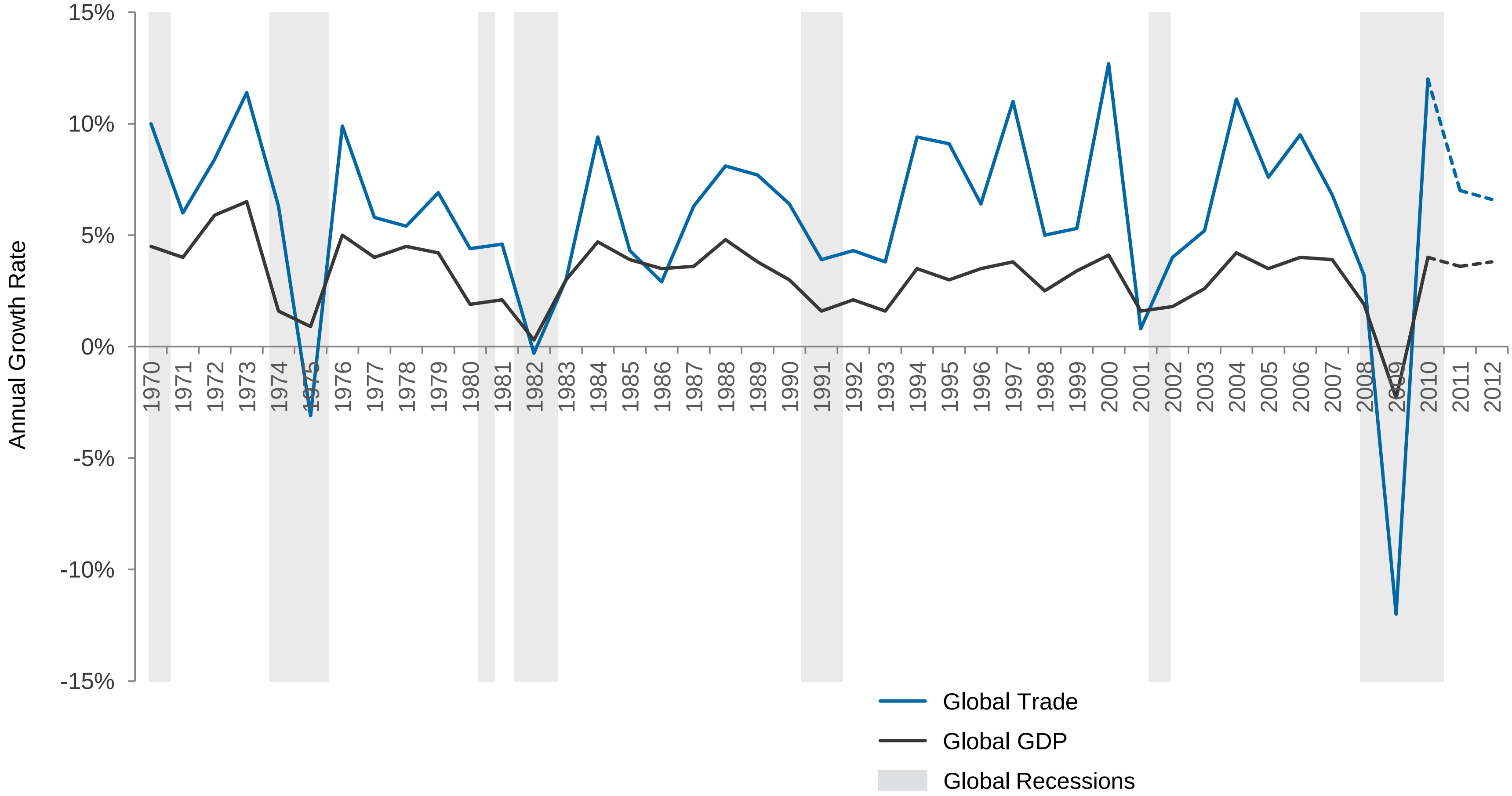
Global Trade Relative to Global GDP



Global trade has outpaced global GDP by 3.5X over the past 49 years[2]

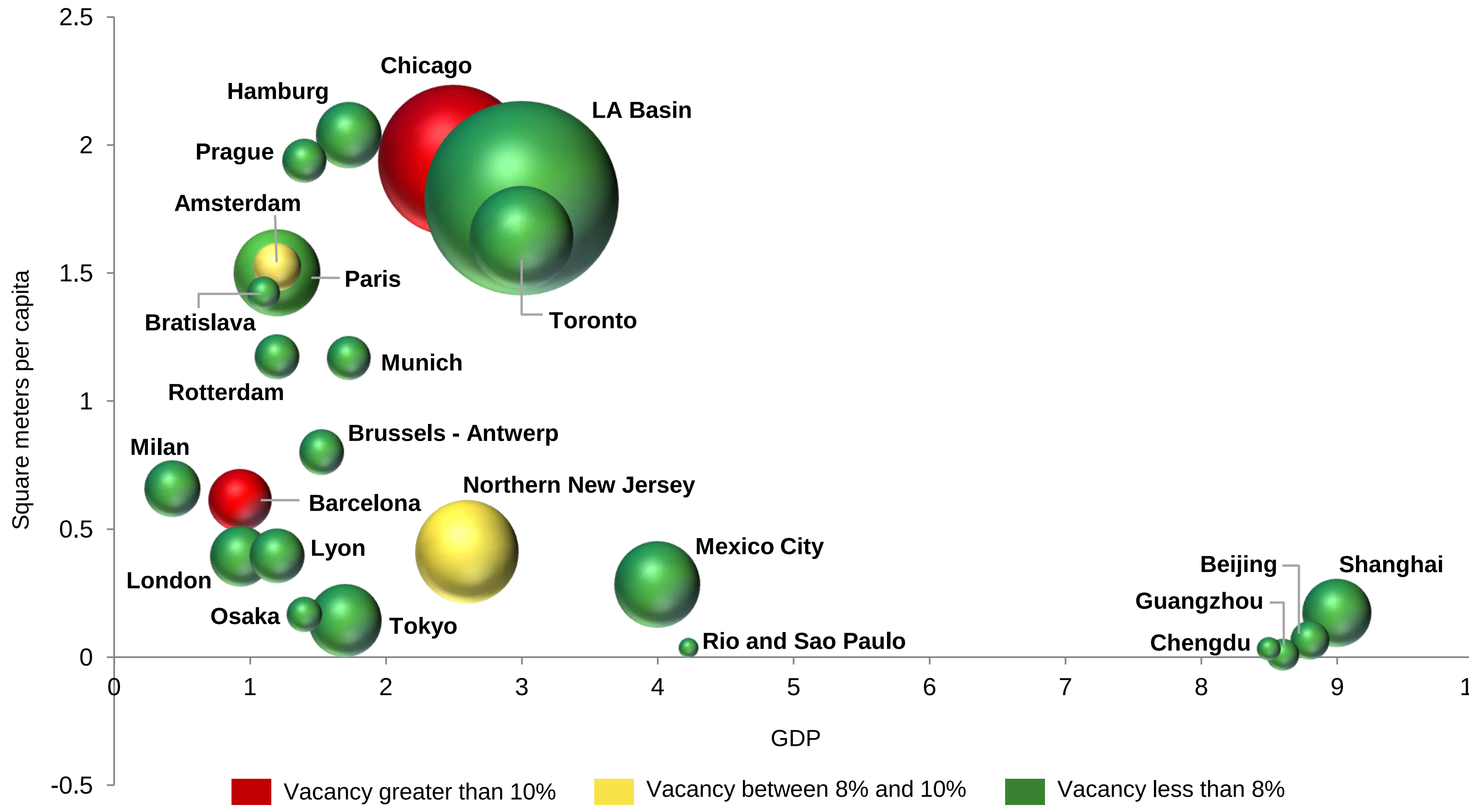
1) Reflects annual compounded growth from 1960-2010
2) World Bank and International Monetary Fund – 2011

Long-Term Relationship Between Global Trade & GDP



Source: World Bank and International Monetary Fund World Economic Outlook January 2011.

Industrial Real Estate Demand Drivers

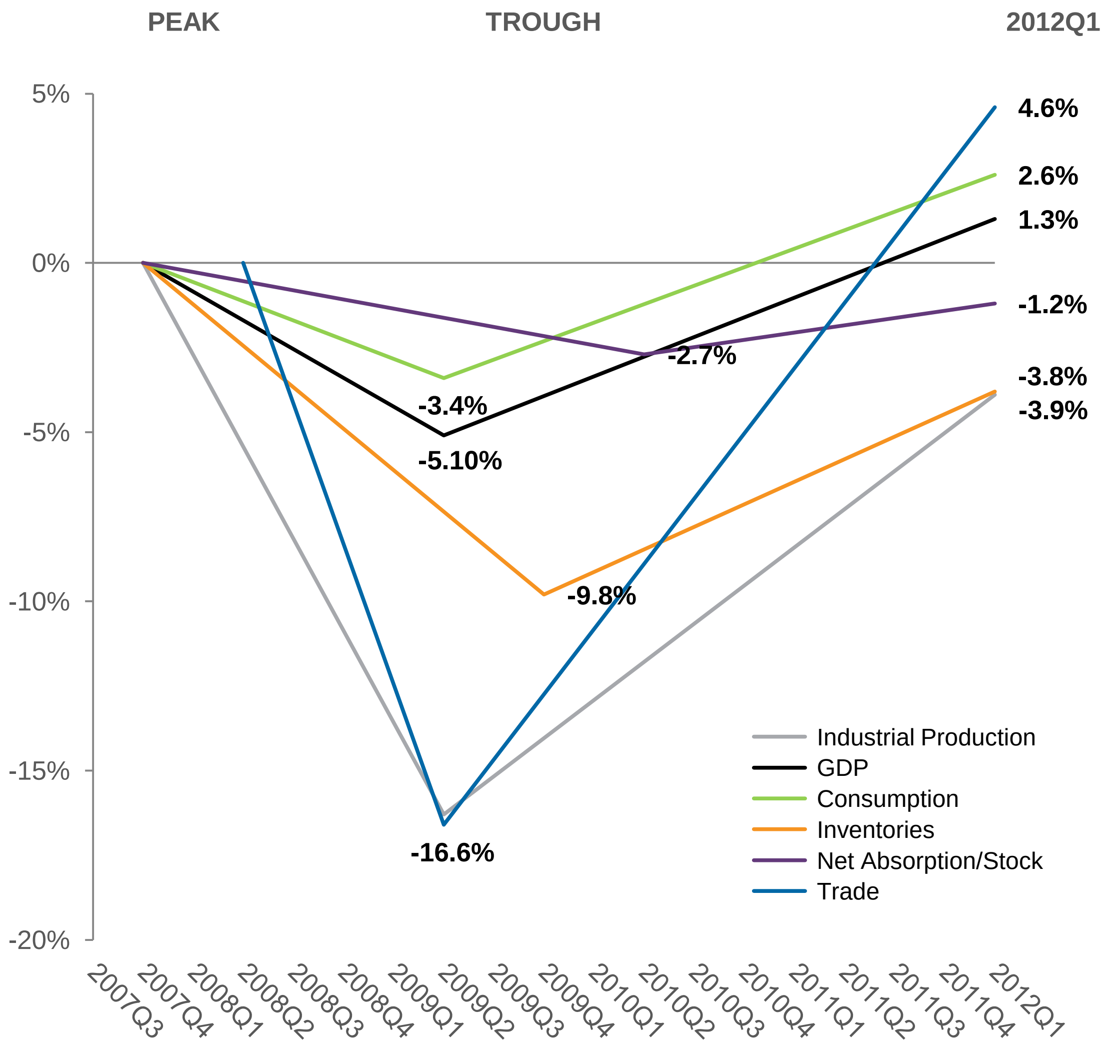


U.S. Leading Indicators

Peak-Trough-Current[1]

Leading Indicators Forecast

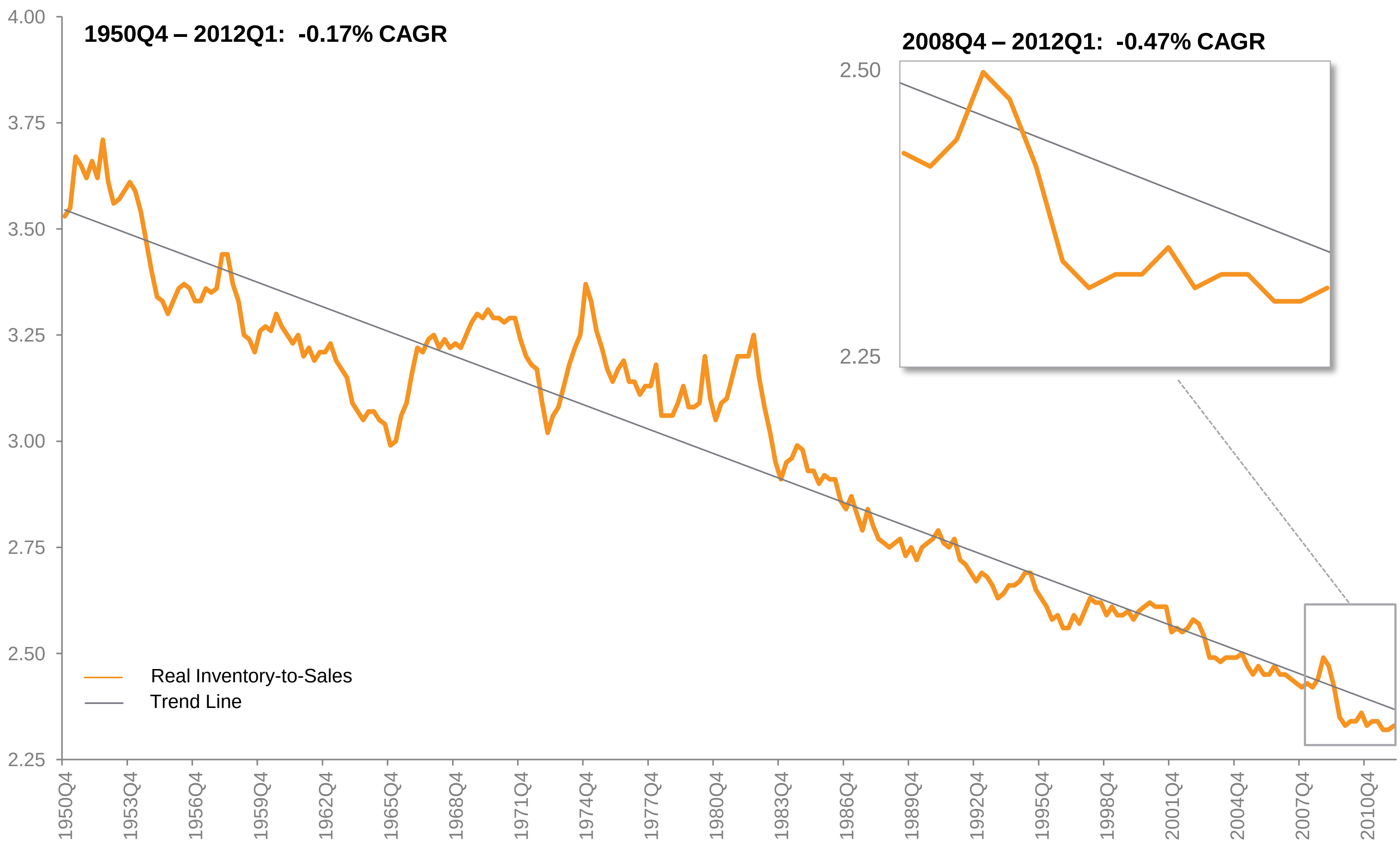
	2012 Forecast[2]
Industrial Production	2.4%
GDP	1.9%
Consumption	1.8%
Inventories	3.0%
Net Absorption / Stock	1.3%
Trade	5.0%



1) Prologis Research, Bureau of Economic Analysis: National Income and Product Accounts, Federal Reserve Board U.S. only from Consensus Economics Inc., except trade which is a global forecast from World Bank.

PROLOGIS

Real Inventory-to-Sales



Inventories at unprecedented lows, economic recovery will drive a substantial restocking of the supply chain

Source: U.S. Bureau of Economic Analysis.

PROLOGIS

Europe – Reconfiguration Driving Demand

Netherlands

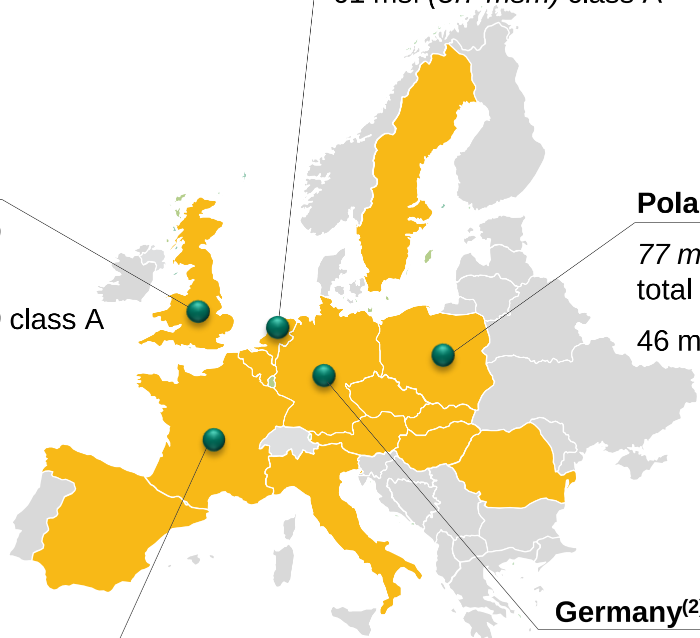
121 msf (11.2 msm)
total industrial stock

61 msf *(5.7 msm)* class A

United Kingdom

630 msf (58.5 msm)
total industrial stock

301 msf *(27.9 msm)* class A



Poland(2)

77 msf (7.2 msm)
total industrial stock

46 msf *(4.3 msm)* class A

Germany(2)

533 msf (49.5 msm)
total industrial stock

186 msf *(17.3 msm)* class A

France

219 msf (20.4 msm)
total industrial stock

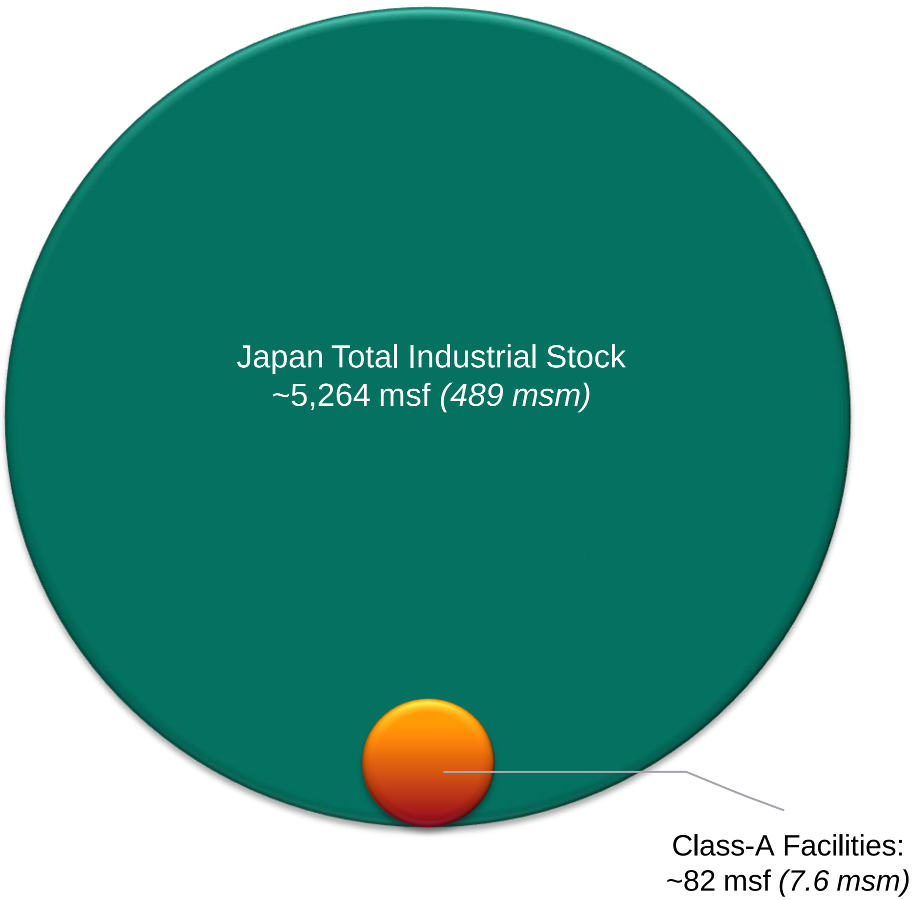
128 msf *(11.9 msm)* class A

- Europe's industrial business is driven by reconfiguration of supply chain, not GDP growth
  - Real GDP of ~1%(1) over the last decade
- Companies continue to seek operational efficiency by reconfiguring their supply chains
- Record net absorption for Eurozone in 2010 and near-record in 2011
  - 151 msf (14.0 msm) in 2011
  - 153 msf (14.2 msm) in 2010

1) EuroStat, March 31, 2012.
2) Class A space for Poland and Germany is estimated.
Sources: DTZ, CBRE, Jones Lang LaSalle, Gerald Eve.

PROLOGIS

Japan – Foundation for Opportunity



- Economy shifting from export to import orientation
- Corporate behavior favoring to leasing over ownership
- Increasing importance on redundant facilities to mitigate seismic disruption risk
- Shift to modern, seismically resistant buildings following the earthquake and tsunami in March 2011

Source: CBRE.

PROLOGIS

Reporting Definitions

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.

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

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

NAREIT's FFO measure adjusts net earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales of previously depreciated properties. We agree that these two NAREIT adjustments are useful to investors for the following reasons:

I. historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on FFO "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." Consequently, NAREIT's definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by GAAP do not reflect the underlying economic realities.
II. REITs were created as a legal form of organization 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 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 from dispositions of land and development properties, as well as our proportionate share of the gains and losses from dispositions recognized by our unconsolidated investees, in our definition of FFO.

Our FFO Measures

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

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

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

FFO, as defined by Prologis

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

I. deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
II. current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in GAAP earnings that is excluded from our defined FFO measure;
III. foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated investees;
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 investees; and
V. mark-to-market adjustments associated with derivative financial instruments.

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

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

Core FFO

Core FFO includes FFO, as defined by Prologis, adjusted to remove gains (losses) on acquisitions or dispositions of investments in real estate that are included in FFO, as defined by Prologis. If we recognize impairment charges due to the expected disposition of investments in real estate, we exclude those impairment charges. We may also adjust for certain other significant items that affect comparability as noted in the reconciliation. In 2011, we have adjusted to exclude Merger, Acquisitions and Other Integration Expenses; early extinguishment of debt; and losses for the disaster expenses that occurred in March 2011 in Japan.

Limitations on Use of our FFO Measures

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

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

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

Reporting Definitions

Assets Under Managements ("AUM") represents the estimated value of the real estate we own or manage through our consolidated entities and unconsolidated investees. We calculate AUM by adding the noncontrolling interests' share of the estimated fair value of the real estate investment to our share of total market capitalization.

Core EBITDA. We use Core EBITDA to measure both our operating performance and liquidity. We calculate Core EBITDA beginning with consolidated net earnings/loss and removing the affect of interest, income taxes, depreciation and amortization, impairment charges, gains or losses from the acquisition or disposition of investments in real estate, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our Core FFO (see definition below), and other non-cash charges or gains (such as stock based compensation amortization and unrealized gains or losses on foreign currency and derivative activity), including our share of these items from unconsolidated investees.

We consider Core EBITDA to provide investors relevant and useful information because it permits investors to view income from operations on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense and other items (including stock-based compensation amortization and certain unrealized gains and losses), gains or losses from the acquisition or disposition of investments in real estate, items that affect comparability, and other significant non-cash items. In 2011, we adjusted Core EBITDA to include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquired through the Merger and PEPR acquisition and to exclude Merger, Acquisition and Other Integration Expenses and costs associated with the hurricane and tsunami that occurred in first quarter 2011 in Japan. By excluding interest expense 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 included the costs of repurchasing debt securities. Although difficult to predict, these items may be recurring given the uncertainty of the current economic climate and its adverse effects on the real estate and financial markets. 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.

As a liquidity measure, we believe that Core 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 Core EBITDA in conjunction with net income (the primary measure of our performance) and the other required Generally Accepted Accounting Principles ("GAAP") measures of our performance and liquidity, to improve their understanding of our operating results and liquidity, and to make more meaningful comparisons of our performance against other companies. By using Core 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, Core EBITDA has limitations as an analytical tool and should be used in conjunction with our required GAAP presentations. Core EBITDA does not reflect our historical cash expenditures or future cash requirements for working capital, capital expenditures distribution requirements or contractual commitments. Core EBITDA, also does not reflect the cash required to make interest and principal payments on our outstanding debt.

While EBITDA is a relevant and widely used measure of operating performance and liquidity, it does not represent net income or cash flow from operations 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 Core EBITDA may not be comparable to EBITDA reported by other companies. We compensate for the limitations of Core EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Core EBITDA and a reconciliation of Core EBITDA to consolidated net earnings (loss), a GAAP measurement.

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, in this supplemental report, 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, private capital platform, or development platform.