# UBS Global Real Estate CEO Conference

**Prologis**

*London, United Kingdom*

November 27, 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.

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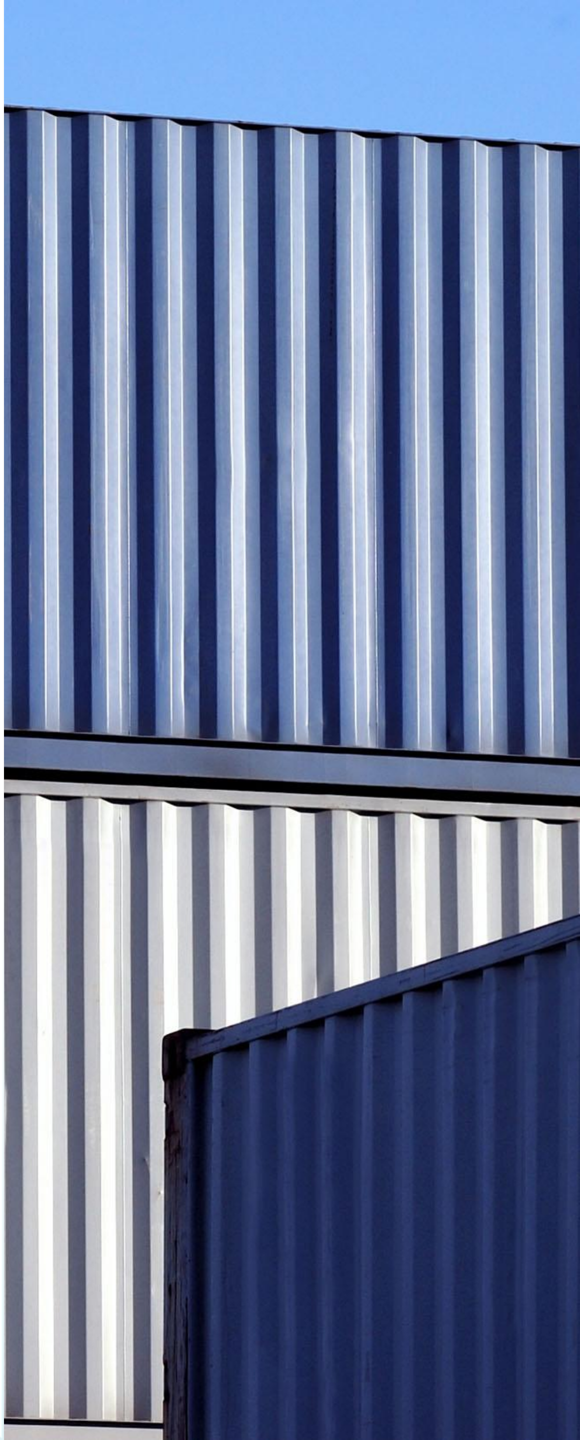


# Prologis Overview

**World Class Platform**

- Total AUM of ~$45 billion across ~565 msf (53 msm) in 21 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
- 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 ~$18 billion in 16 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 lender relationships



Note: Data as of September 30, 2012

# Chronology

**1983**
AMB Property Corporation (AMB) formed as an investment management business with focus on investing in office, industrial and community shopping centers on behalf of major institutional investors.

**1987**
AMB refines its investment strategy over the next two years by exiting office markets and focusing on industrial and shopping centers in infill trade areas.

**1991**
The company that is to later become ProLogis is incorporated as Security Capital IndustrialTrust.

**1991**
AMB launches its first commingled private capital fund.

**1994**
Security Capital Industrial Trust makes its initial public offering on the New York Stock Exchange.

**1997**
AMB closes initial public offering (IPO), becoming one of the largest publicly-traded real estate companies in the U.S.

**1998**
Security Capital Industrial Trust officially changes its name to ProLogis.

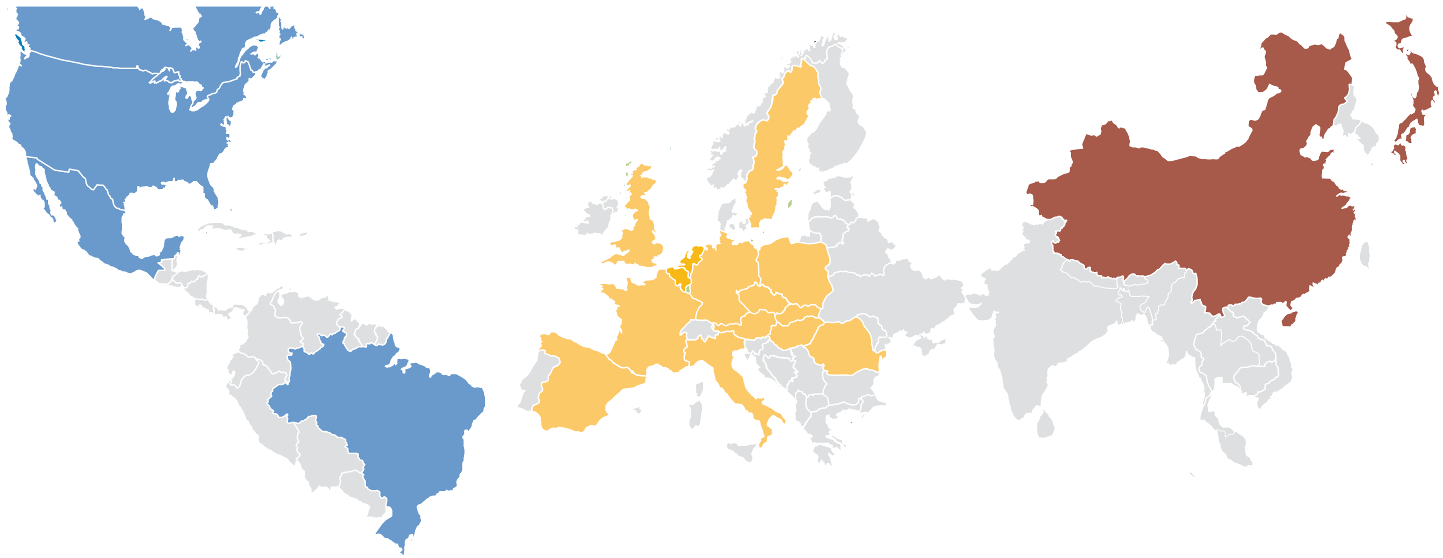
**1999**
ProLogis forms its first property fund, ProLogis California and the ProLogis European Property Fund.

**2003**
ProLogis is added to the S&P 500.

**2004**
AMB founded first open-end commingled fund by a REIT, AMB Institutional Alliance Fund III.

**2011**
The former ProLogis and AMB complete a merger of equals to create the pre-eminent global industrial real estate company.

# 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)** | 387 / 36 | *73%* | 144 / 13 | *67%* | 34 / 3 | *72%* | 565 / 53 | *71%* |
| **Development – TEI ($mm)** | $471 | *85%* | $179 | *89%* | $882 | *91%* | $1,532 | *89%* |
| **Land (acres)** | 6,897 | *97%* | 3,543 | *100%* | 129 | *95%* | 10,569 | *98%* |

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

Note: Data as of September 30, 2012
1. Comprises operating, development and other portfolio
2. International Monetary Fund



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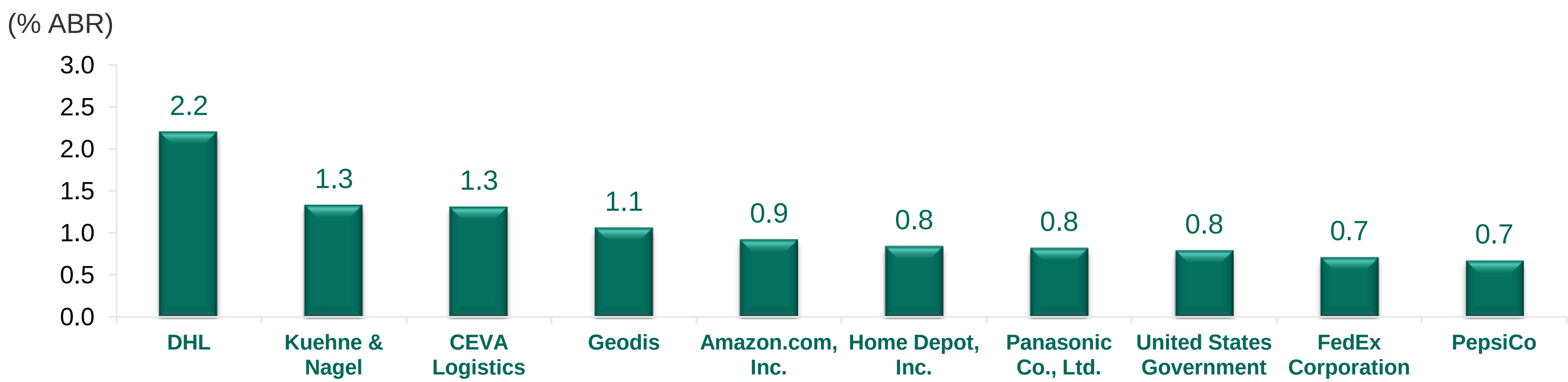
# Leading Customer Brand

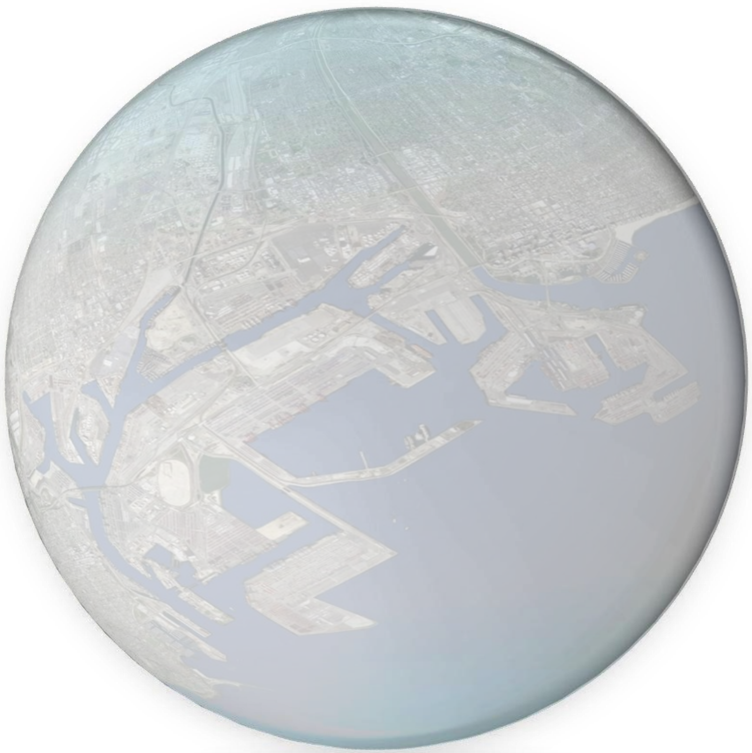



| | DHL | Kuehne & Nagel | CEVA Logistics | Geodis | Amazon.com, Inc. | Home Depot, Inc. | Panasonic Co., Ltd. | United States Government | FedEx Corporation | PepsiCo |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of Countries | 15 | 14 | 10 | 11 | 3 | 1 | 2 | 1 | 2 | 2 |
| Number of Markets[1] | 41 | 28 | 22 | 18 | 6 | 7 | 7 | 10 | 12 | 11 |
| Number of Leases | 126 | 65 | 42 | 39 | 13 | 8 | 20 | 52 | 42 | 18 |

**Deep partnerships with highly diversified customer base**

Note: Data as of September 30, 2012
1. On-Tarmac counted as a separate market

# Asset Allocation – Market Strategy



## 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 – 407 msf / 38 msm
  *(287 msf / 27 msm)* (1)

## REGIONAL MARKETS – 12% of NOI(1)

- Local and regional distribution, not storage optimization
- Selectively disposing, acquiring and developing
- Operating Portfolio – 82 msf / 8 msm
  *(61 msf / 6 msm)* (1)

## OTHER MARKETS – 5% of NOI(1)

- Exit over time
- Operating Portfolio – 41 msf / 4 msm
  *(25 msf / 2 msm)*(1)



1. Represents Prologis' share at September 30, 2012

# Strategic Priorities

| Priority | Today | Target | Status |
|---|---|---|---|
| **Build the best / most integrated real estate organization** | | | **Completed** |
| ▪ Merger synergy savings | $115 M | $90 M | |
| **Improve the utilization of our assets** | | | **Ahead** |
| ▪ Asset stabilization | 93.1% | 95% | |
| **Realign our portfolio with our investment strategy** | | | **Ahead** |
| ▪ Dispose of buildings to third-parties | $1.6 B | $2.9 B | |
| ▪ Assets in global markets | 83% | 90% | |
| **Streamline our Private Capital business** | | | **Ahead** |
| ▪ Fund rationalization | 7 | 4 | |
| ▪ New fund formation | 0 | 3-4/7 | |
| **Strengthen our financial position** | | | **Slightly behind** |
| ▪ Net debt to EBITDA | 9.0x | 6.0x | |
| ▪ Look through leverage ratio | 45% | 30% | |

**Execution of strategic plan on track**



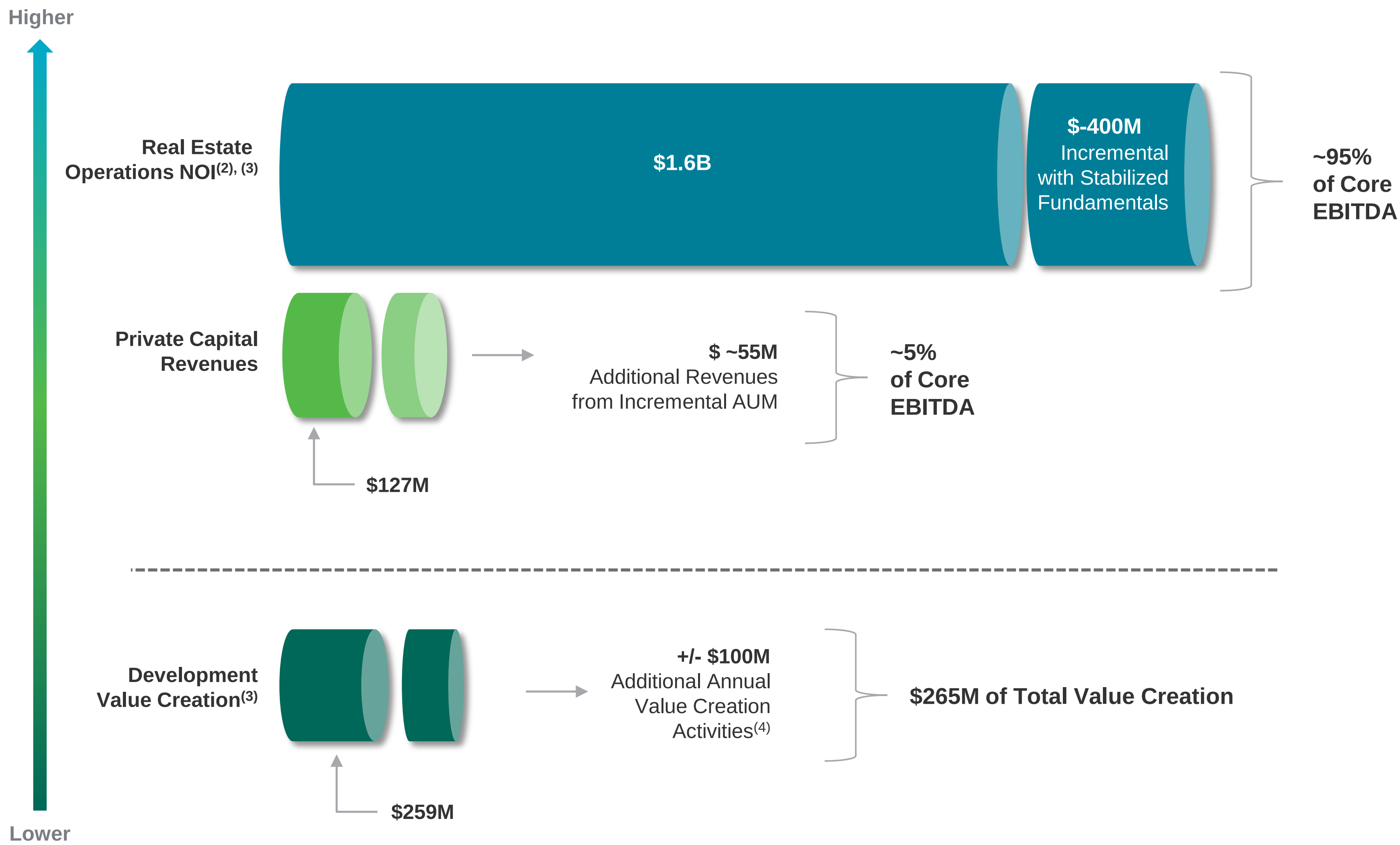
Data as of September 30, 2012

# Prologis Business Lines(1)

| OPERATIONS<br>Collect Rent | PRIVATE CAPITAL<br>Generate Fees | DEVELOPMENT<br>Create Value |
|---|---|---|
| • Stable income stream<br>• Global presence/local market expertise<br>• Diversified global customer base | • Recurring annuity stream diversified by geography and capital source<br>• Expands global operating platform: less Prologis capital; lower currency exposure<br>• New ventures will be seeded with Prologis assets | • Various demand drivers exist across all business cycles<br>• Established customer relationships drive BTS opportunities<br>• Existing land bank represents an asset as markets recover |
| • $2.4B of annualized NOI *($1.6B Prologis' share)*<br>• 565 msf *(404 msf Prologis' share)* / 21 countries / 4 continents<br>• 4,500 customers | ▪ $127M annualized private capital revenue(2)<br>▪ $18.4B of AUM ($4.2B Prologis' share) | ▪ $1.5B under development ($1.4B Prologis' share)<br>▪ Expected value creation $283M ($259M Prologis' share)(2) |
| • Rent recoveries, to align with replacement costs, and occupancy gains<br>• Long-term growth from annual contractual rent increases | • Increased revenues from incremental AUM<br>• Significant promote opportunities from recovery | • BTS activity in U.S. and Europe<br>• Speculative development in Asia and emerging markets |

1. Data as of September 30, 2012
2. Excludes promotes and development fees

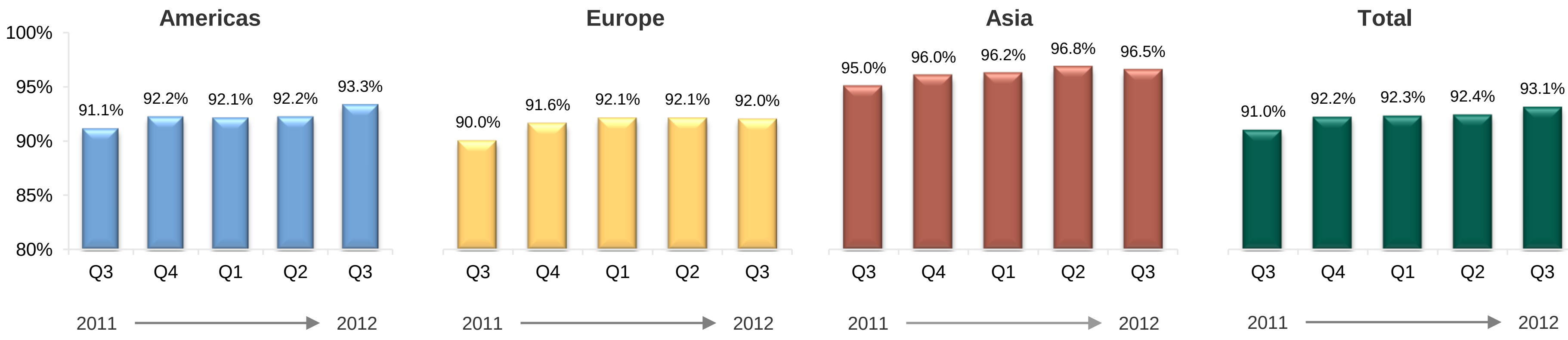
# Prologis' Annualized Income[1]



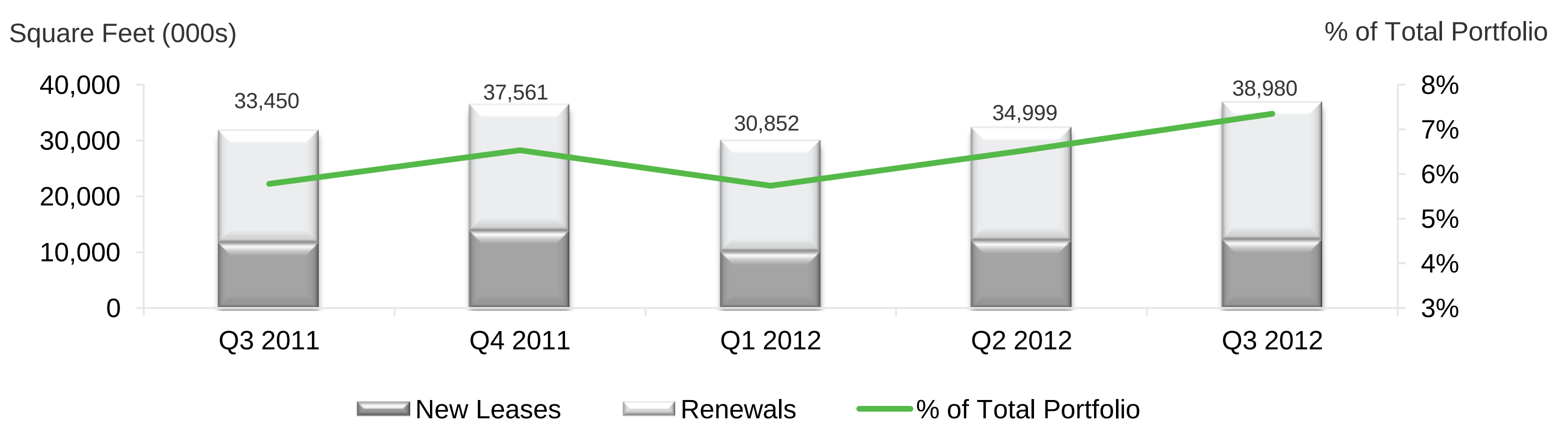

1. Represents a static portfolio, as of September 30, 2012, which excludes any effects from future acquisitions, dispositions, contributions and debt retirement
2. Net Operating Income ("NOI") represents rental income less rental expenses
3. Represents Prologis' share
4. Includes development, land bank monetization and value creation activities

# Operating Fundamentals

## Operating Portfolio – Period Ending Occupancy



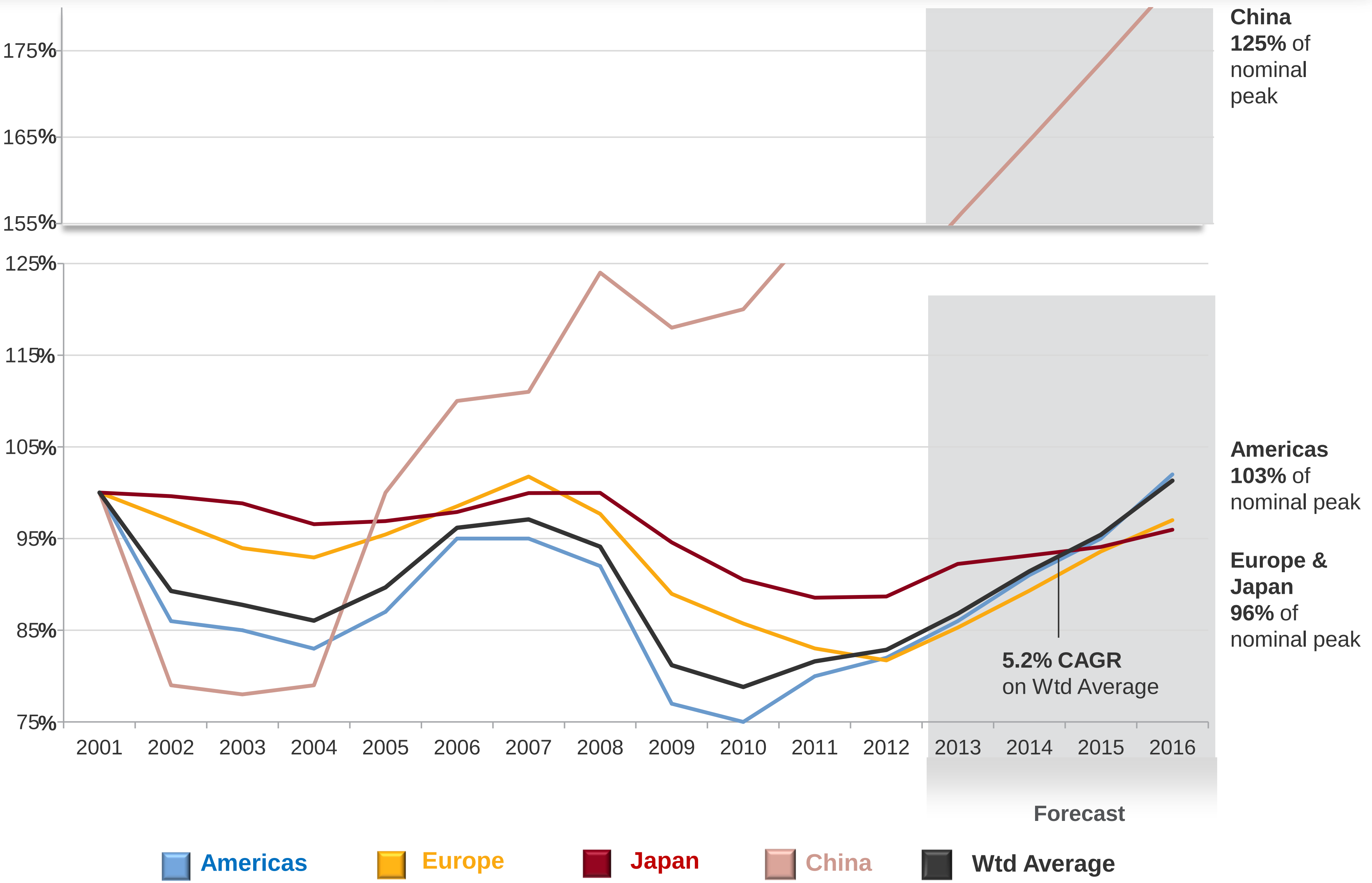

## Leasing Activity






Data as of September 30, 2012

# Global Rent Recovery






Source: Prologis Research, CBRE

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# Global Private Capital – Co-Investment Strategy

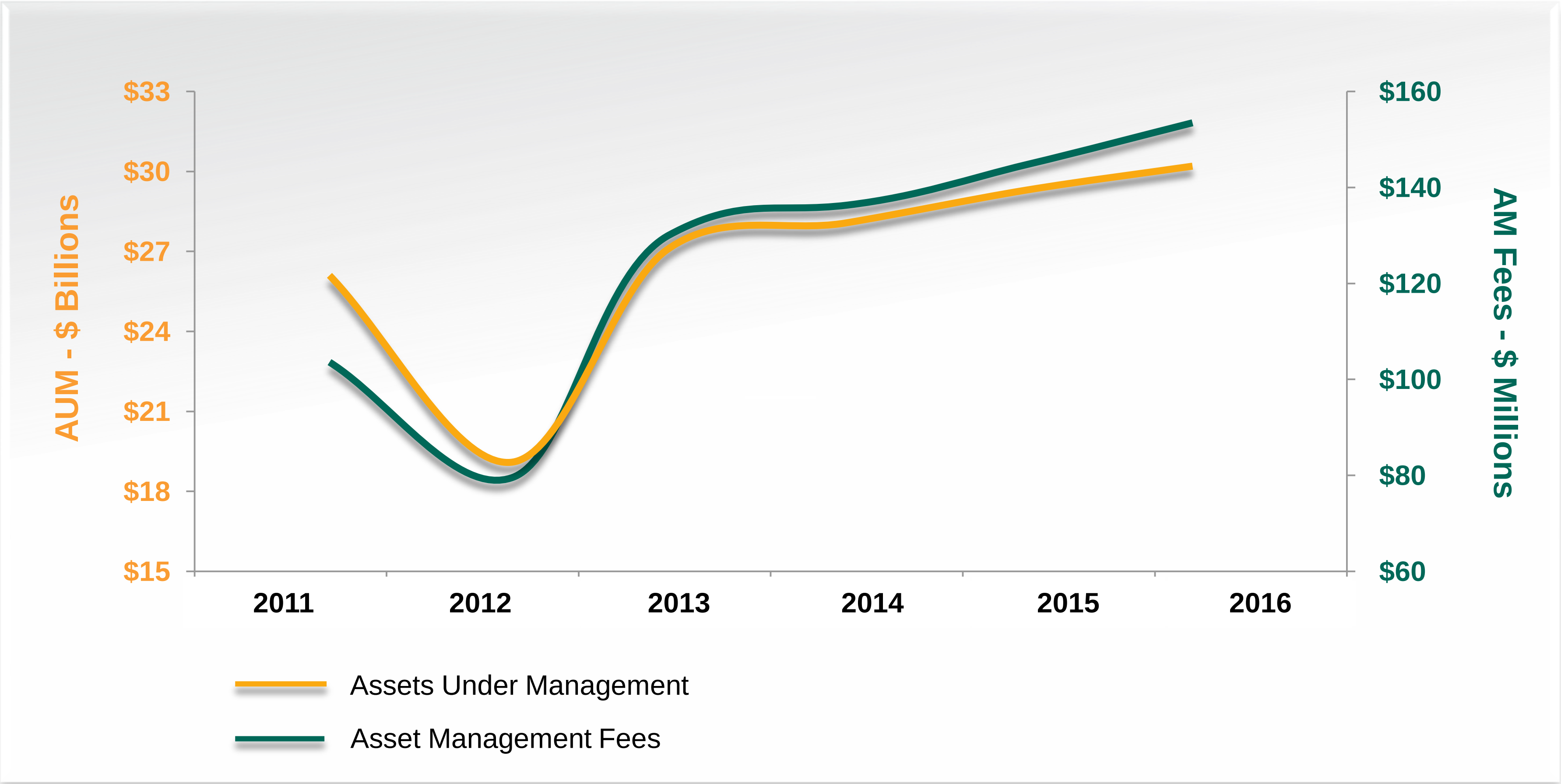
| | Asia $2.9B | Americas $9.9B | Europe $5.6B |
|---|---|---|---|
| **Core** | *Japan OEF and/or JREIT** | **North American Industrial Fund** | **European Properties Fund II**<br>**Europe Logistics Venture 1** |
| **Core Plus** | | **Targeted U.S. Logistics Fund**<br>**Mexico Industrial Fund** | **Targeted Europe Logistics Fund**<br>*Future Europe Venture** |
| **Value Add** | | **Mexico Fondo Logistico**<br>*Future Canada Venture**<br>*Future Mexico Venture** | *Future UK Venture** |
| **Opportunistic** | **China Logistics Venture 1**<br>*Japan Development Fund** | **Prologis DFS I**<br>**Brazil Logistics Partners Fund I**<br>*Future Brazil Venture** | |

- **Open end funds to hold assets in mature markets (U.S., Europe, Japan)**
- **Development outside the U.S. / Europe to occur in funds (China, Mexico, Brazil)**
- **Development in U.S. occur on balance sheet to replace dispositions**

Note: AUM is based on fair market value of private capital co-investment ventures and estimated investment capacity as of September 30, 2012.
* Represents potential future co-investments

# Fee Increase on Asset Management Alone

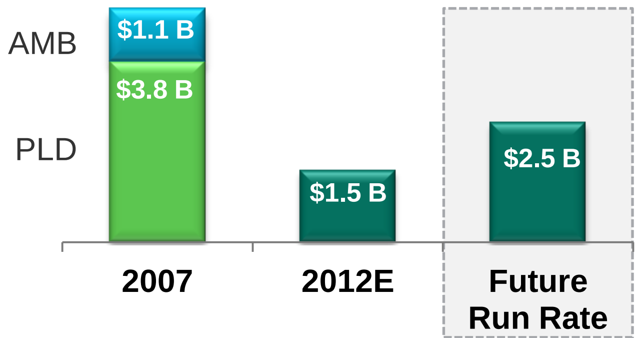
## Forecasted Asset Management[1]




1. Assumes no cap rate compression and property appreciation. It does assume that 50% of all expired capital is reinvested in a similar fund with a similar fee structure. Future fund deployment is factored into this analysis

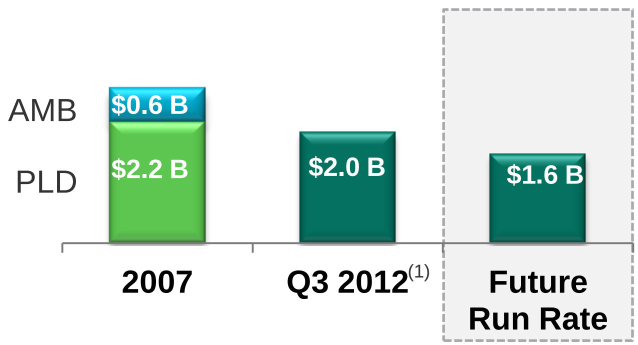
# Global Development Overview

## Development Starts

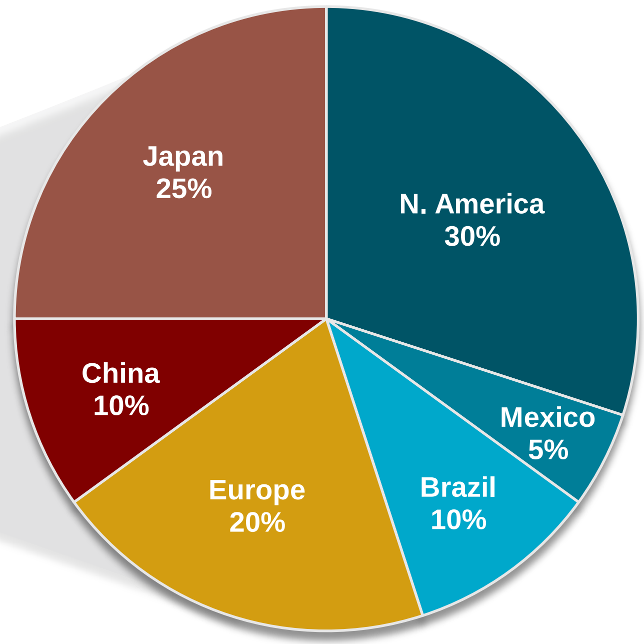



**Value Creation**
**$225 M**

## Land Portfolio




## Projected Deployment Mix ~$2.5 B




**Strategic land bank provides substantial development opportunities**

1. Original cost basis for land portfolio is $3.1 Billion



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# Global Platform Unlocked

| Asset Utilization | Projected Growth 2013-2016 | Annual Incremental NOI |
|---|---|---|
| Rent Growth | 20-25% | ~$365 M |
| Occupancy Stabilization | 2-3% | ~$35 M |
| **Asset Utilization** | **~25%** | **~$400 M** |

| Private Capital | Growth in Annual Revenues |
|---|---|
| Growth from Rationalization / New Funds - Asset Management Fee(1) | $55 M |
| Impact of Rent and Value Recovery | $20 M |
| Annual Promote Opportunity, Net | $20 M |
| **Private Capital** | **$95 M** |

| Value Creation | Annual Value Creation |
|---|---|
| Future Development Run Rate | $2.5 B |
| Expected Margin | 15% |
| Prologis’ Share | 60% |
| Prologis' Share of Value Creation | $225 M |
| Value-Added Acquisitions / Conversions | $40 M |
| **Value Creation** | **$265 M** |

1. Represents 50% of capital from expired funds is reinvested and excludes promotes and development, leasing, cash management and financing fees



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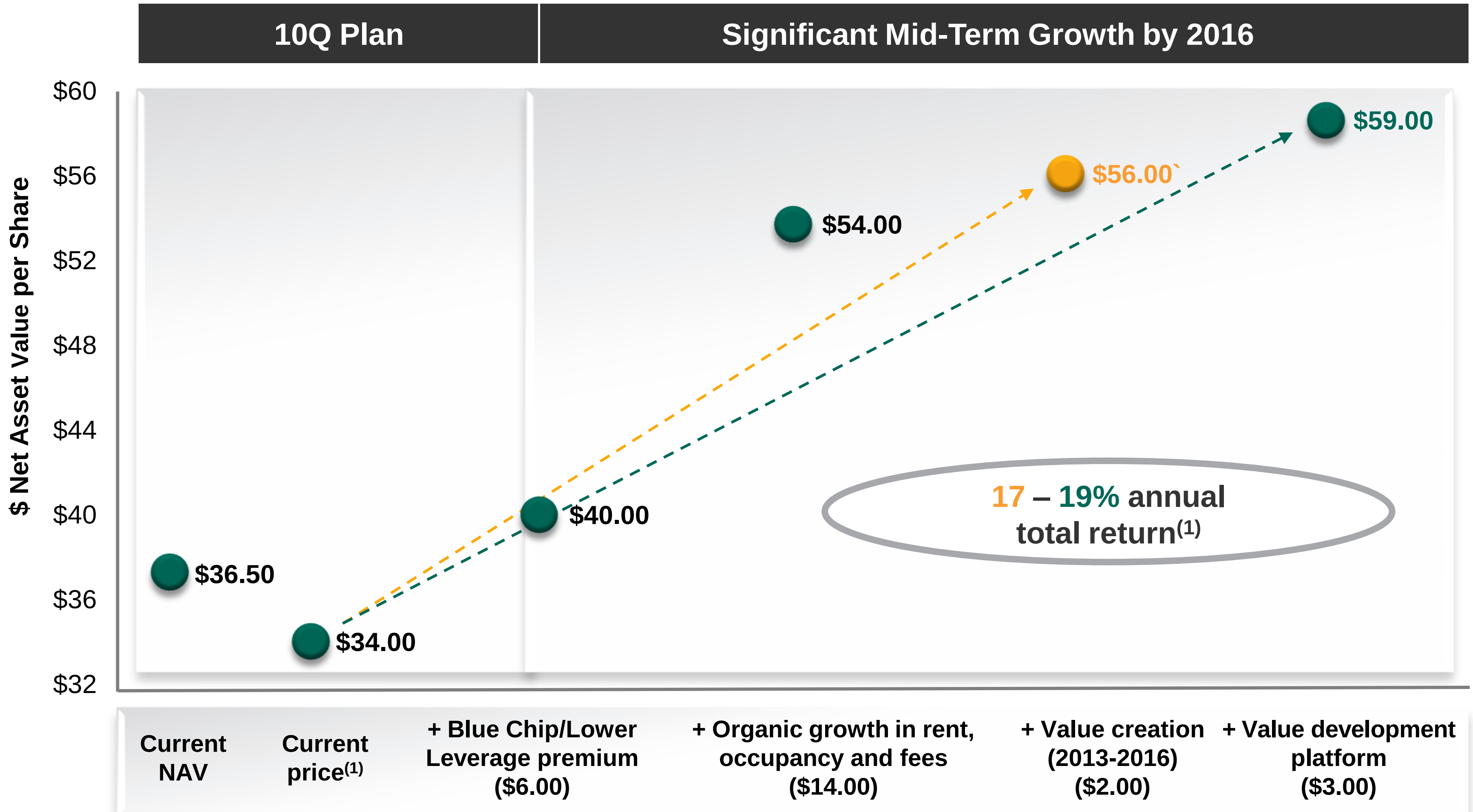
# Unlocking the Potential – (2013 - 2016)




1. 13-15% annual price appreciation plus 4% annual dividend equals 17 – 19% total return
2. Approximate price on November 7, 2012

Note: For illustrative purposes only.



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# 10Q Plan – Progress to Date

($ in millions)

| Capital Sources | | Plan | Total Since Inception[1] | Balance Remaining[2] |
| --- | --- | --- | --- | --- |
| Contributions | (Existing Funds) | $2,200 | $877 | $1,323 |
| | (Future Funds) | 6,100 | – | 6,100 |
| Dispositions | | 3,400 | 1,549 | 1,851 |
| **Total Sources[3]** | | **$11,700** | **$2,426** | **$9,274** |

| Capital Uses | Plan | Total Since Inception[1] | Balance Remaining[2] |
| --- | --- | --- | --- |
| Development[4] | ($2,100) | (949) | (1,151) |
| Acquisitions | (900) | (251) | (649) |
| **Total Uses** | **($3,000)** | **($1,200)** | **($1,800)** |

| | Plan | Total Since Inception[1] | Balance Remaining[2] |
| --- | --- | --- | --- |
| **Net Sources Available to Delever** | **$8,700** | **$1,226** | **$7,474** |

Note: Data as of September 30, 2012
1. From July 1, 2011 through September 30, 2012
2. Implied balance remaining, assuming 10Q Plan Sources & Uses less total completed since inception
3. Sources are net of PLD share of equity and debt funding of contributions
4. Represents estimated funding requirements for developments through 2013 post fund contribution and less land already owned



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# 10Q Plan – Illustrative Earnings Impact

($ in millions, except per share)

| **Total Sources[1]** | **$11,700** |
|---|---|
| Cap Rate[2] | ~6.1% |
| NOI | ($720) |

| **Capital Uses** | **$3,000** |
|---|---|
| Development and Acquisition | ($3,000) |
| Incremental Yield/Cap Rate[3] | ~9.0% |
| | $270 |
| Delever | ($8,700) |
| Interest Rate | ~4.3% |
| | $369 |
| Fees on incremental AUM[4] | $74 |
| Core FFO Impact | ~$(7) |

| **Net Dilution** | **~($0.02)/share** |
|---|---|

Unique opportunity to delever the balance sheet with minimal dilution

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 September 30, 2012
3. Development yield of 10% (8.5% adjusted to incorporate land already owned by Prologis) and acquisition stabilized cap rate of 6.5%
4. 80 bps on $9.2B (contributions and acquisitions held in funds)



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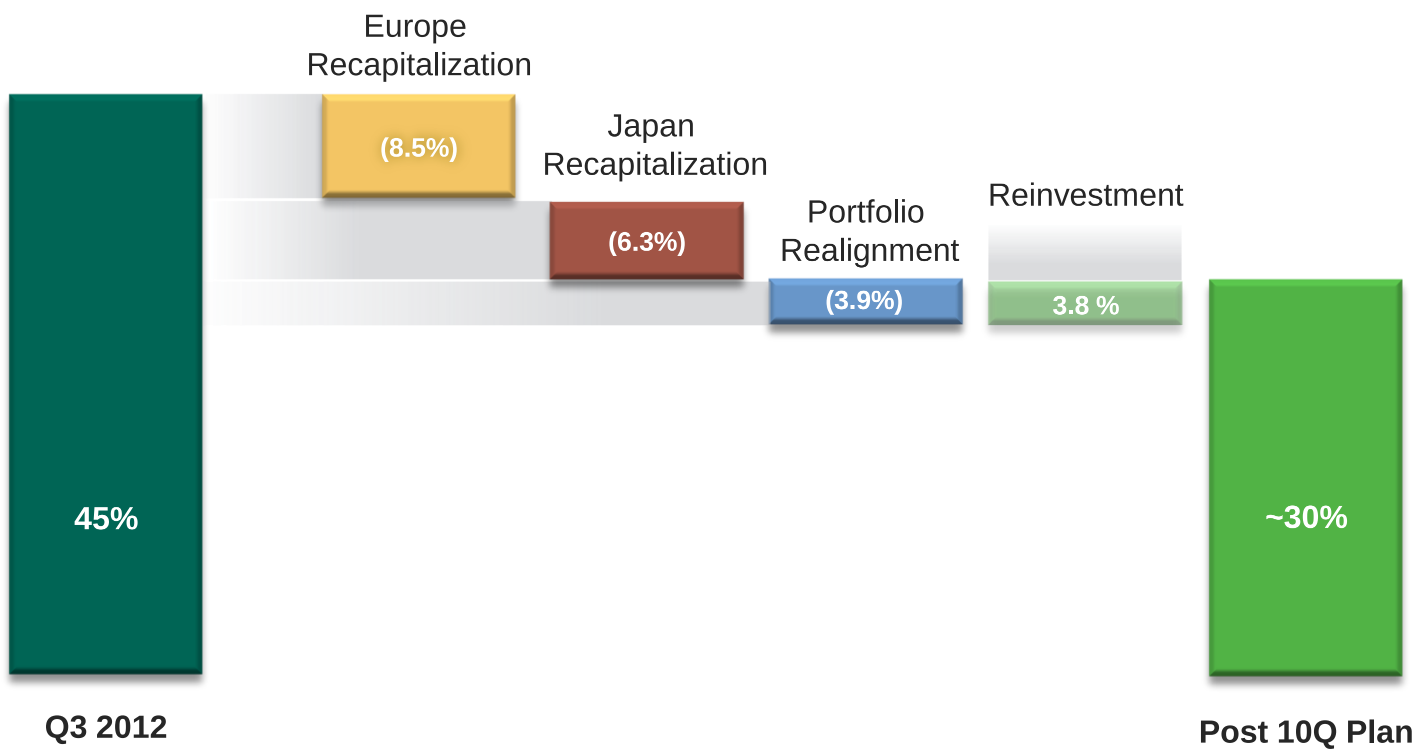
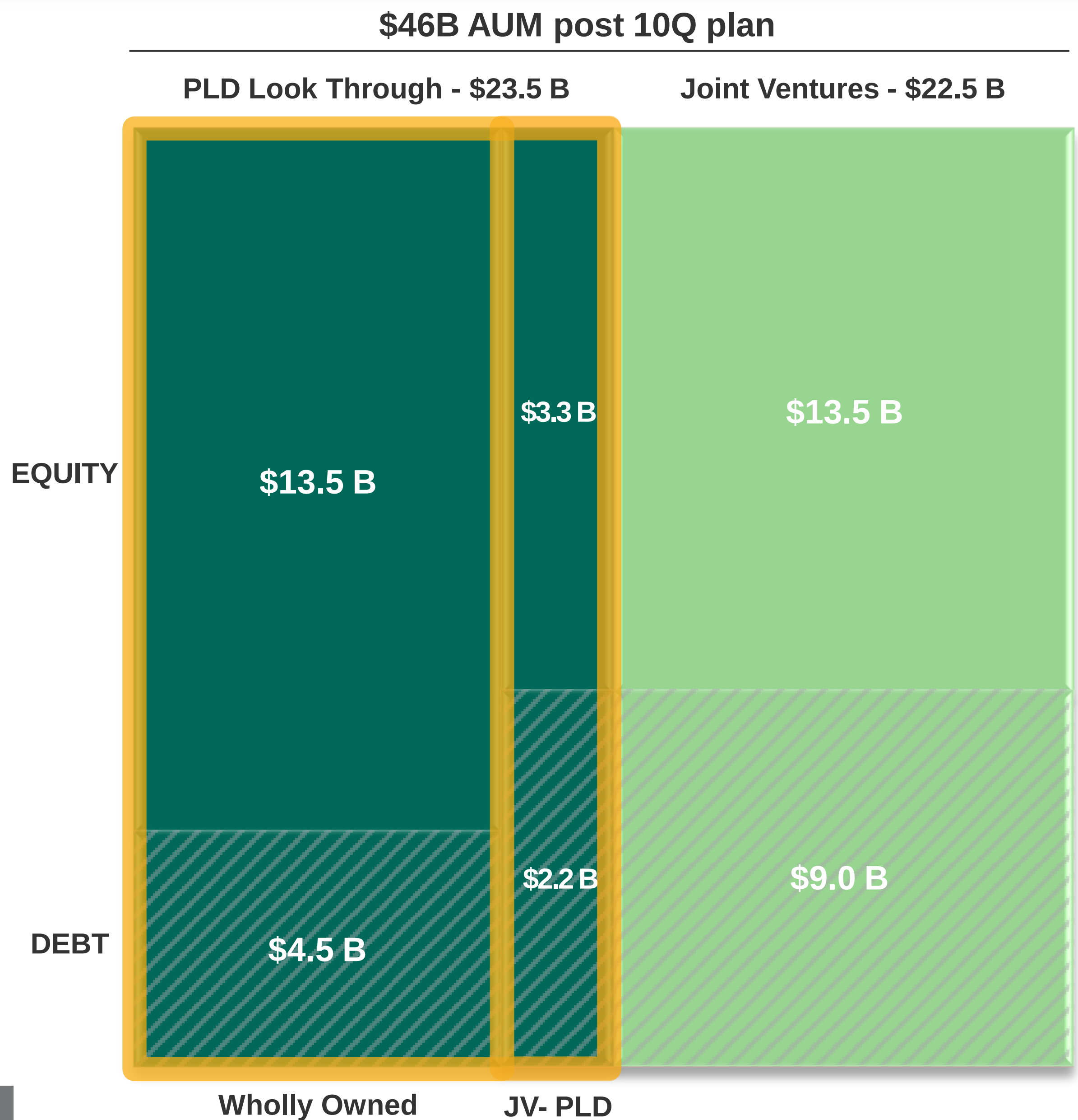
# 10Q Plan – Impact on Look Through Leverage




**10Q plan, including reinvestment, achieves target look-through leverage**

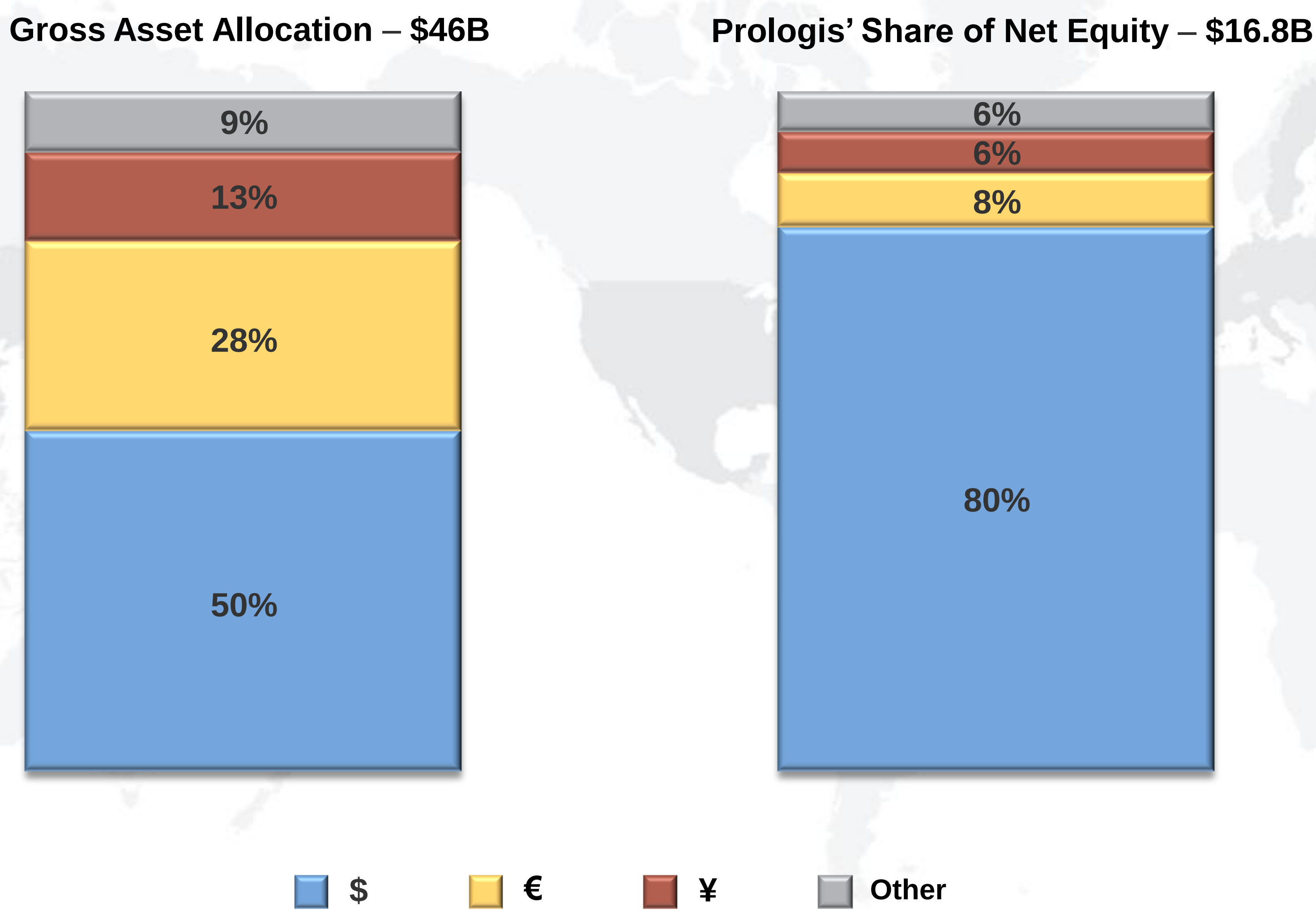
# Long Term Capital Structure Strategy – Look Through




- Aligns capitalization with our three businesses
- Risk mitigation and flexibility across business cycles
- Provides capacity to always be opportunistic

| <u>**Long-Term Leverage Target**</u> | |
|---|---|
| Wholly owned | 25% |
| Joint Ventures | <u>40%</u> |
| **Look-through LTV** | **30%** |

# Long Term Gross Asset Allocation and Net Equity Position






Note: Gross asset allocation and Prologis' share of net equity contemplates completion of the 10Q plan

# Building Blocks of NAV

| | Components | Net Asset Value Range |
|---|---|---|
| Properties with Net Operating Income | NOI $1,700[1] / 6.40% – 6.10%[2] | $26,563 - $27,869M |
| Properties with Net Operating Loss | 95%-105% of Book Value | $762 - $843M |
| Development Portfolio | Stabilized Fair Value | $1,009 - $1,086M |
| Land Bank | Book Value | $1,965M |
| Private Capital / Dev Mgmt | Multiple of Fees (10x -12x) | $652- $788M |
| Other Assets / (Liabilities) | Net Working Capital, Other Real Estate Related Assets & Minority Interests | ($59M) |
| Debt | Book Value + % Share of Fund Debt | ($14,312 M) |
| Preferred Stock | Book Value | ($582M) |

| NAV | Implied Cap Rate |
|---|---|
| $30.00 | 7.02% |
| $32.00 | 6.78% |
| $34.00 | 6.53% |
| $36.00 | 6.31% |
| $38.00 | 6.10% |
| $40.00 | 5.90% |
| $42.00 | 5.89% |

| | |
|---|---|
| Net Asset Value | $ 15,998 - $17,598M |
| Diluted Shares | 460M |
| Net Asset Value Per Diluted Share | ~$35.00 - $38.00 |

1. Data reflects wholly owned and Prologis' share of stabilized cash NOI, assets and debt as of September 30, 2012
2. Based on weighted average stabilized cap rates for Americas, Europe and Asia

# 2012 Guidance[1]

| ($ In Millions except per share data) | Low | High |
|---|---|---|
| **CORE FUNDS FROM OPERATIONS** *(per fully diluted unit and share)* | $1.72 | $1.74 |
| **OCCUPANCY IN OPERATING PORTFOLIO** | 93.0% | 93.5% |
| **SAME STORE NOI[2]** | 1.0% | 2.0% |
| **CAPITAL DEPLOYMENT** | | |
| **Acquisitions** | | |
| Total | $450 | $550 |
| Prologis' share (35-45%) | $180 | $220 |
| **Development Starts** | | |
| Total | $1,400 | $1,500 |
| Prologis' share (75-85%) | $1,120 | $1,275 |
| **CONTRIBUTIONS / DISPOSITIONS** | | |
| Total | $3,500 | $7,000 |
| Prologis' share (60-75%) | $2,360 | $4,725 |

1. Annual company guidance provided on October 23, 2012
2. Same Store NOI is on GAAP basis

# Unlocking the Potential

**10Q Plan**

**Building the foundation for significant future growth**

- Organization
- Portfolio
- Balance Sheet

**Mid Term**

**Significant embedded organic growth potential**

- Recovery in rents and occupancies
- Stabilization of value creation activities
- Growth in Private Capital business

**Long Term**

**Secular drivers of demand**

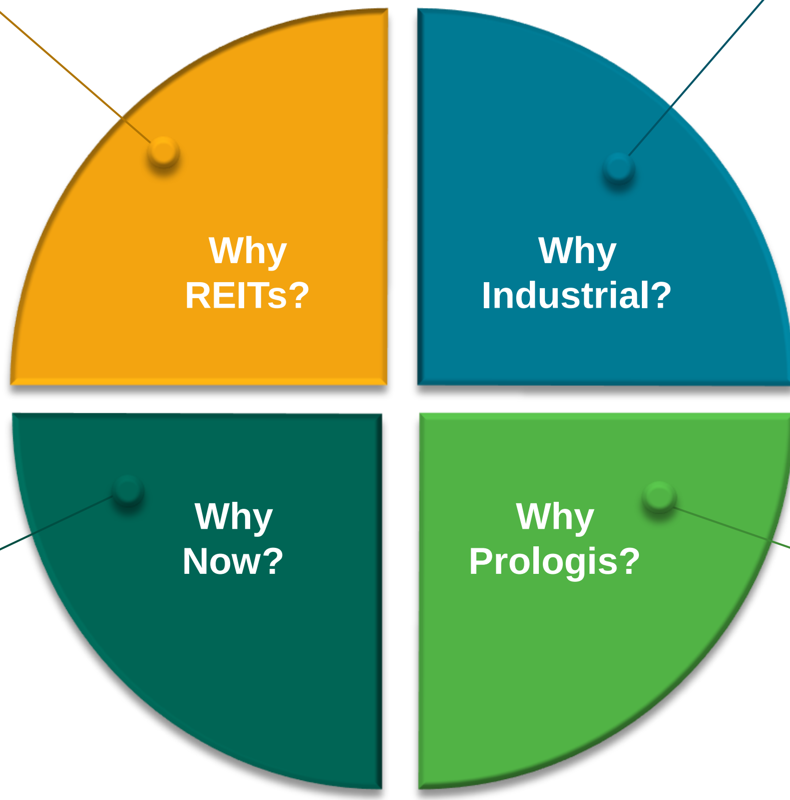
- Rapid growth in global trade
- Consumption growth in emerging markets
- Reconfiguration of the supply chain

# Appendix

# 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

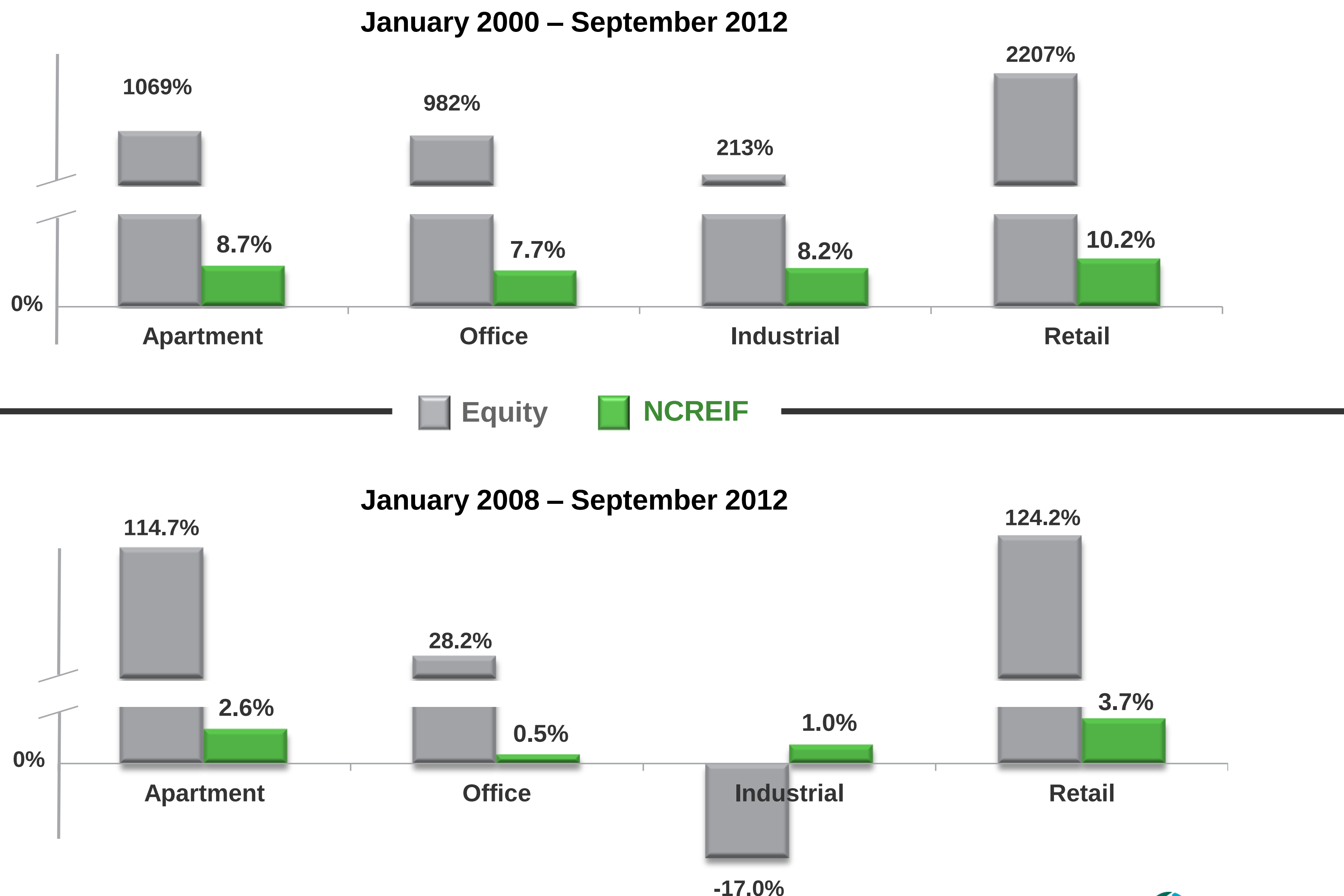
### Why Now?

- Global recovery underway
- Inventories at unprecedented lows
- Operating fundamentals improving

### 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 real estate organization

# Total Return Performance




Source: National Council of Real Estate Investment Fiduciaries (NCREIF), Bloomberg
Note: For equity total returns, Apartment = EQR and AVB; Office = BXP and SLG; Industrial = PLD; Retail = SPG and TCO



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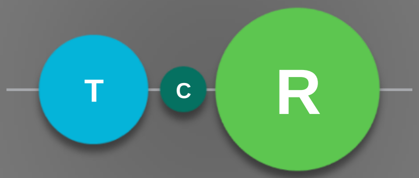
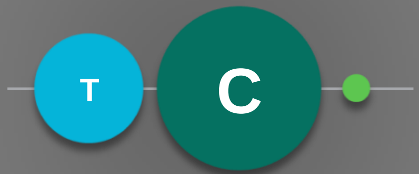
# Global Demand Drivers

| | Demand Drivers | Economy | Supply Chain |
|---|---|---|---|
| U.S., Canada |   | Mature | Developed |
| Japan, Europe |   | Mature | Underdeveloped |
| China, Brazil, Mexico |   | Emerging | Underdeveloped |

T Global Trade C Consumption R Reconfiguration

Source: Prologis Research, World Bank, International Monetary Fund



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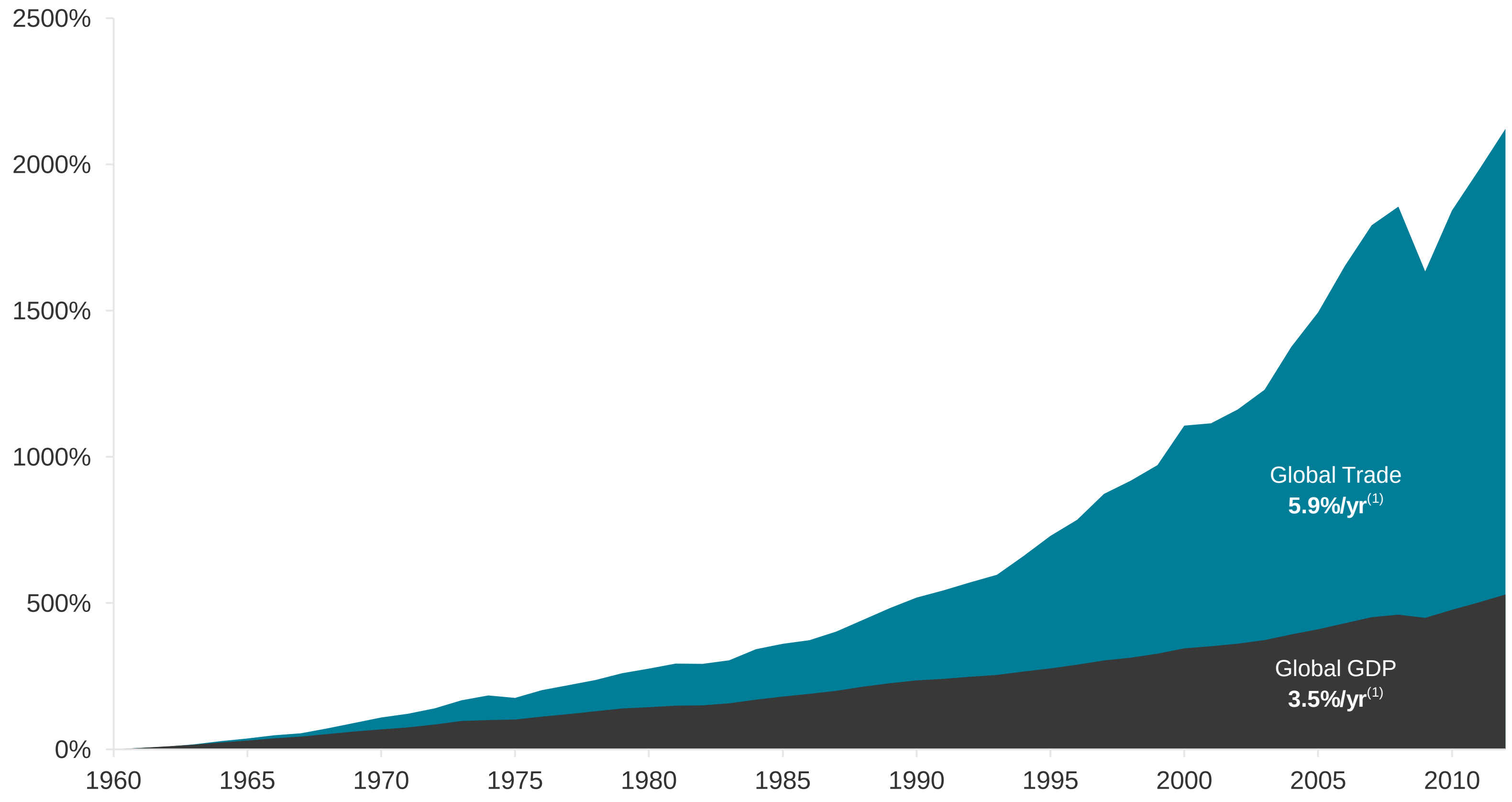
# Global Trade Relative to Global GDP




**Global trade has outpaced Global GDP by 3.5X over the past 50 years**

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



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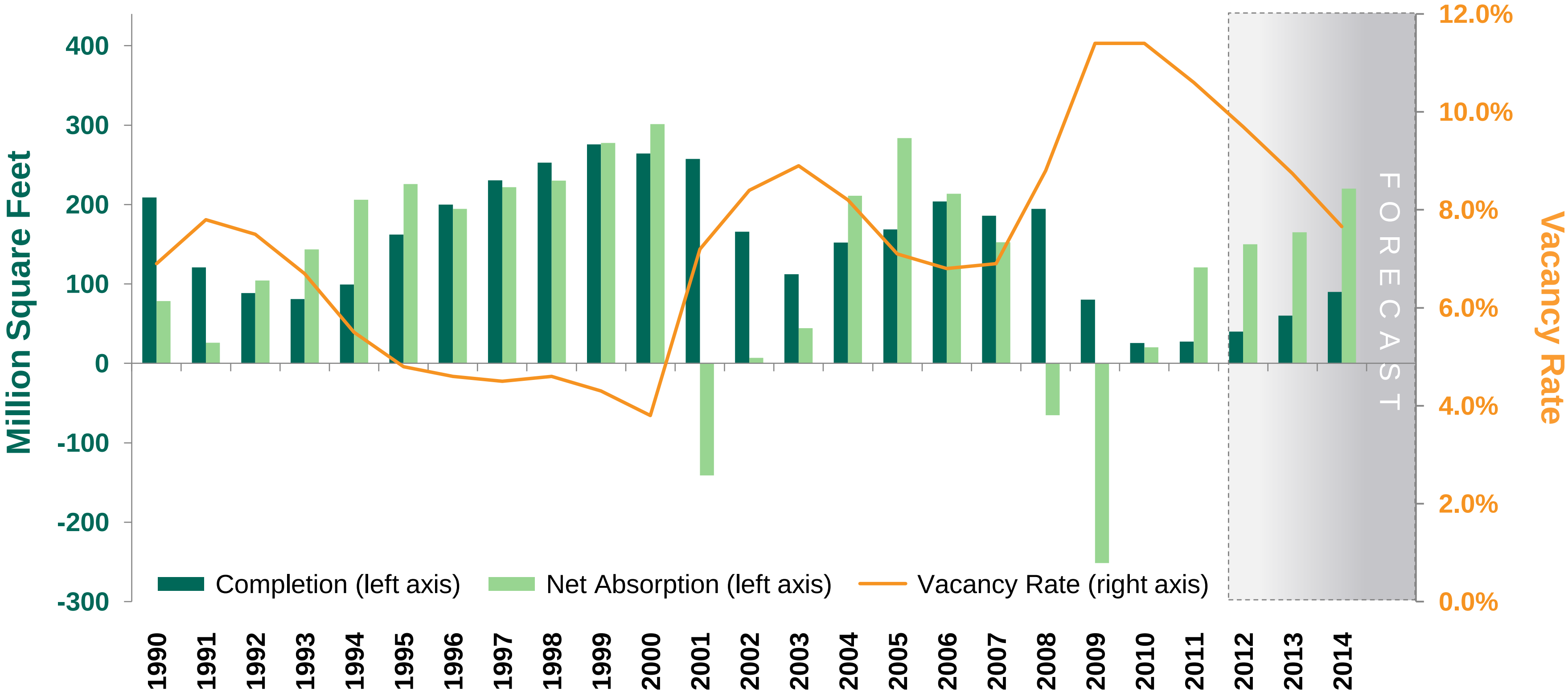
# U.S. Industrial Market Outlook

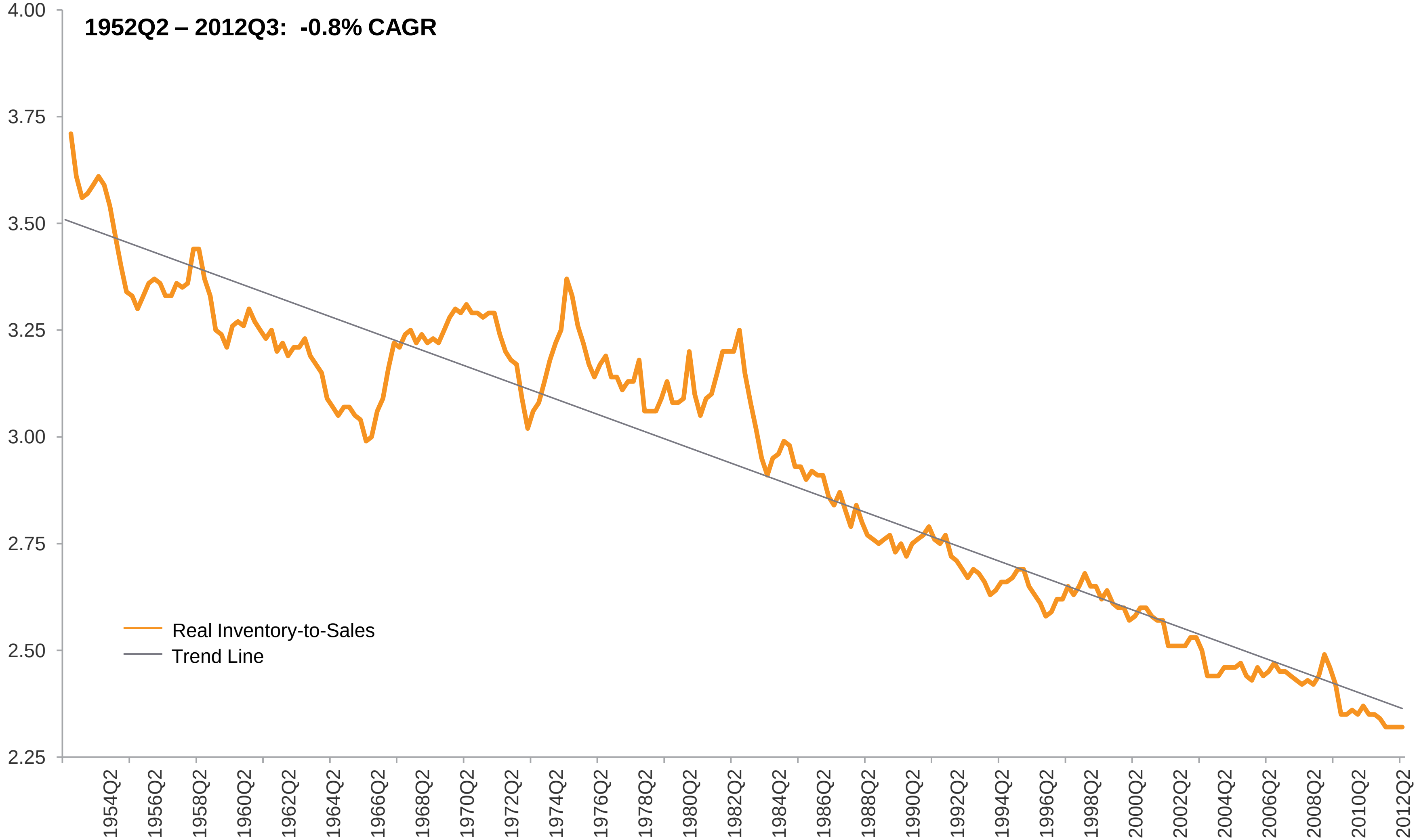



- Record low supply from 2009 through 2013
- Vacancy forecast consistent with broad based rent growth in 2013



Source: Prologis Research, CBRE-EA and Bureau of Economic Analysis (BEA)

# Real Inventory-to-Sales






Source: U.S. Bureau of Economic Analysis

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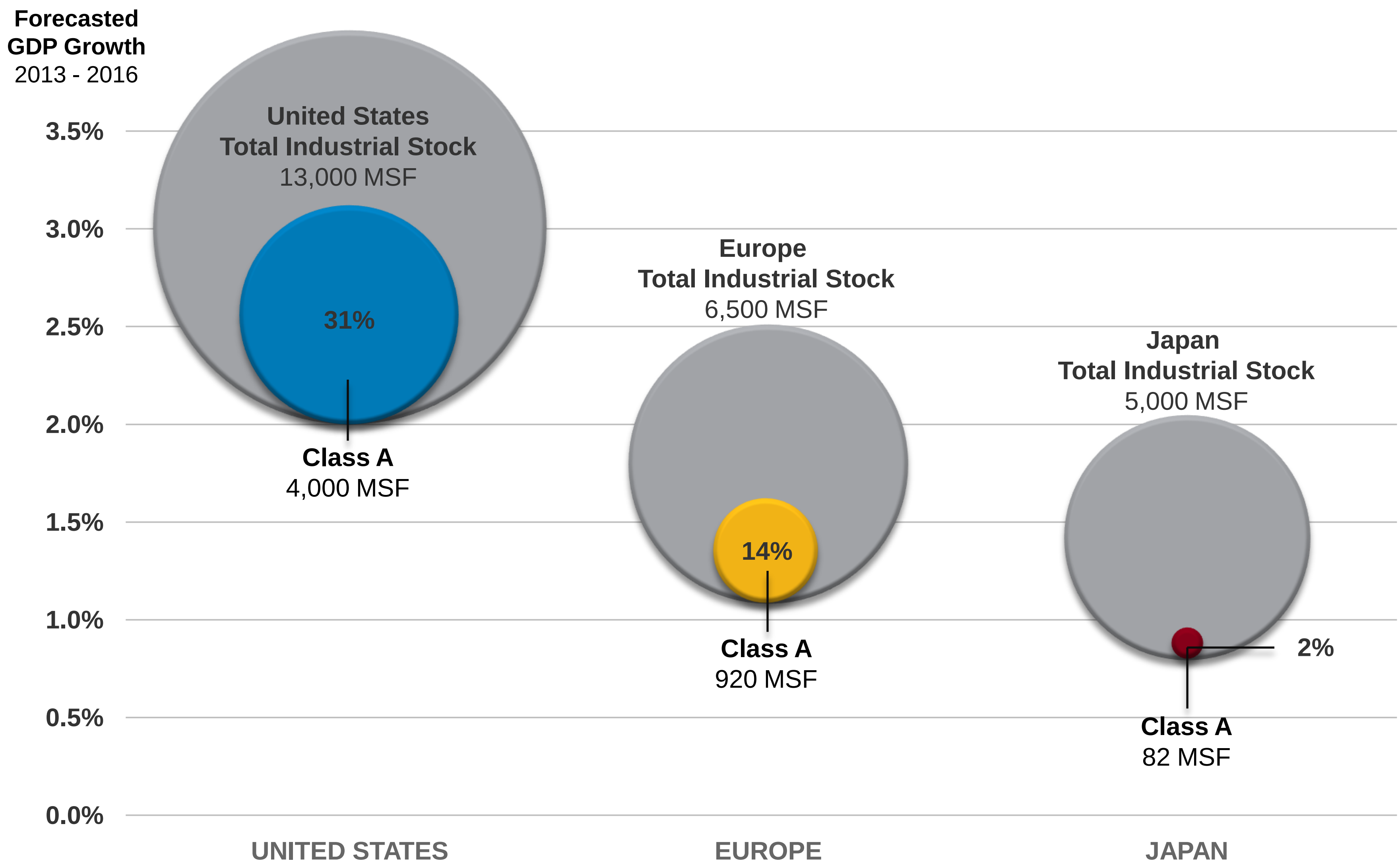
# Reconfiguration Driving Demand in Europe and Japan






Source: Prologis Research, CBRE-EA, JLL, DTZ, International Monetary Fund, World Economic Outlook

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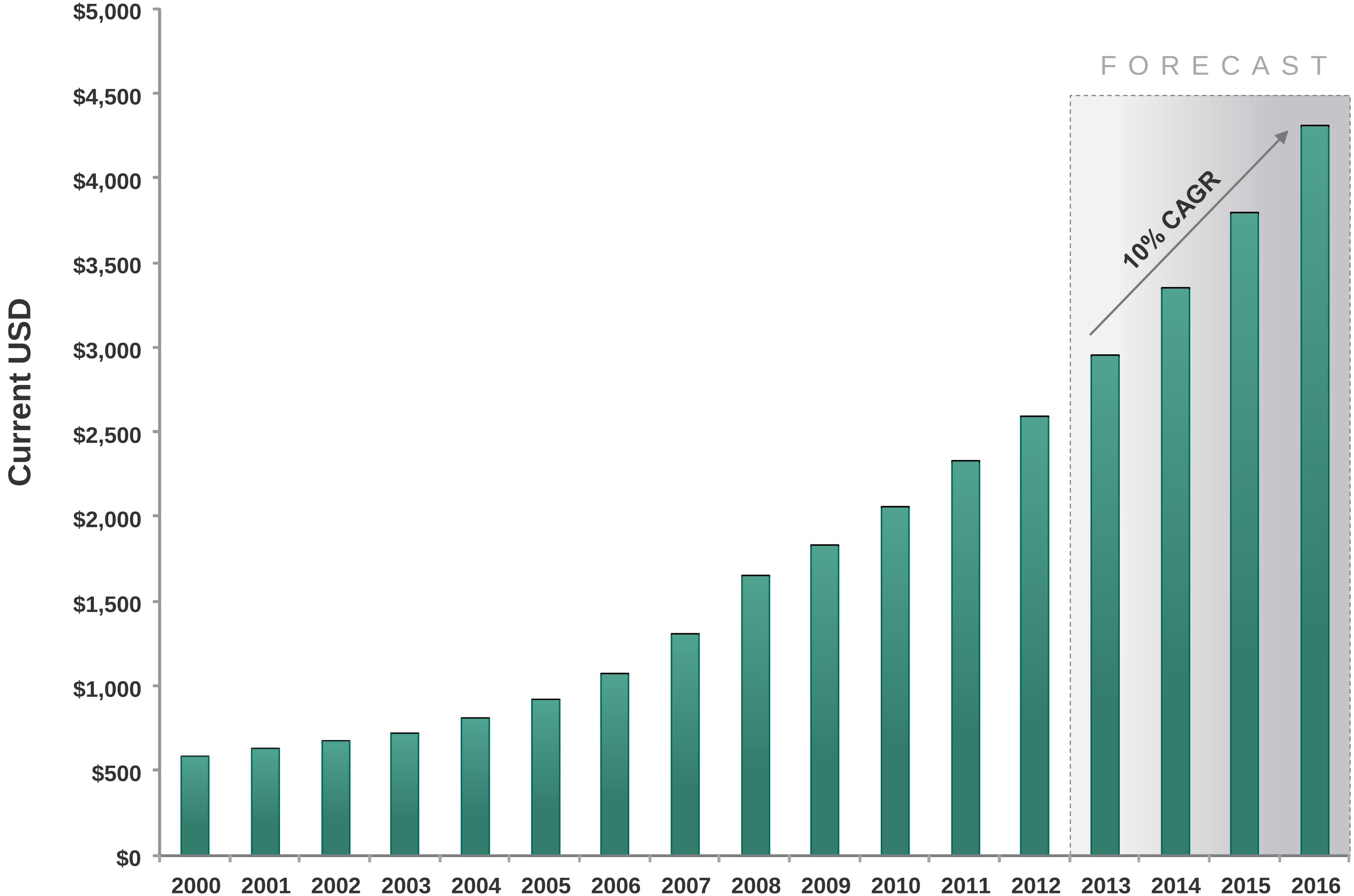
# China Consumption Per Capita






Source: Prologis Research, World Bank, Consensus Economics, Inc.


**Prologis Northampton Pineham Distribution Center 1 —** Midlands, UK

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**Prologis Fokker Logistics Park —** Amsterdam, The Netherlands

**Prologis CDG Cargo Center —** Paris, France

**Prologis Park Osaka 2 —** Osaka, Japan

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**Prologis Park Bolton DC1 —** Toronto, Canada

**Prologis Park Kaiser DC3 —** Inland Empire, California

**Prologis Slauson Distribution Center 6 —** City of Commerce, CA

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**Prologis Park Rialto—** Rialto, CA

# 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 along with impairment charges of previously depreciated properties. We agree that these two NAREIT adjustments are useful to investors for the following reasons:

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.

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 and impairment charges of land and development properties, as well as our proportionate share of the gains and losses from dispositions recognized by our unconsolidated investees, in NAREIT's 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 entities; 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*

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

*(i) gains or losses from acquisition, contribution or sale of land or development properties;*

*(ii) income tax expense related to the sale of investments in real estate;*

*(iii) impairment charges recognized related to our investments in real estate (either directly or through our investments in unconsolidated entities) generally as a result of our change in intent to contribute or sell these properties;*

*(iv) impairment charges of goodwill and other assets;*

*(v) gains or losses from the early extinguishment of debt;*

*(vi) merger, acquisition and other integration expenses; and*

*(vii) expenses related to natural disasters*

We believe it is appropriate to further adjust our FFO, as defined by Prologis for certain recurring items as they were driven by transactional activity and factors relating to the financial and real estate markets, rather than factors specific to the on-going operating performance of our properties or investments. The impairment charges we 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. We currently have and have had over the past several years a stated priority to strengthen our financial position. We expect to accomplish this by reducing our debt, our investment in certain low yielding assets, such as land that we decide not to develop and our exposure to foreign currency exchange fluctuations. As a result, we have sold to third parties or contributed to unconsolidated entities real estate properties that, depending on market conditions, might result in a gain or loss. The impairment charges related to goodwill and other assets that we have recognized were similarly caused by the decline in the real estate markets. Also in connection with our stated priority to reduce debt and extend debt maturities, we have purchased portions of our debt securities. As a result, we recognized net gains or losses on the early extinguishment of certain debt due to the financial market conditions at that time. We have also adjusted for some non-recurring items. The merger, acquisition and other integration expenses include costs we incurred in 2011 and that we expect to incur in 2012 associated with the Merger and PEPR Acquisition and the integration of our systems and processes. We have not adjusted for the acquisition costs that we have incurred as a result of routine acquisitions but only the costs associated with significant business combinations that we would expect to be infrequent in nature. Similarly, the expenses related to the natural disaster in Japan that we recognized in 2011 are a rare occurrence but we may incur similar expenses again in the future. We analyze our operating performance primarily by the rental income of our real estate and the revenue driven by our private 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. As a result, although these items 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 under stand the core operating performance of our properties over the long-term. We use Core FFO, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison to expected results and results of previous periods, relative to resource allocation decisions; (ii) evaluate the performance of our management; (iii) budget and forecast future results to assist in the allocation of resources; (iv) provide guidance to the financial markets to understand our expected operating performance; (v) assess our operating performance as compared to similar real estate companies and the industry in general; and (vi) evaluate how a specific potential investment will impact our future results. Because

# Reporting Definitions

we make decisions with regard to our performance with a long -term outlook, we believe it is appropriate to remove the effects of items that we do not expect to affect the underlying long -term performance of the properties we own. As noted above, we believe the long -term performance of our properties is principally driven by rental income. We believe investors are best served if the information that is made available to them allows them to align their analysis and evaluation of our operating results along the same lines that our management uses in planning and executing our business strategy.

### *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. The impairment charges of goodwill and other assets that we exclude from Core FFO, have been or may be realized as a loss in the future upon the ultimate disposition of the related investments or other assets through the form of lower cash proceeds. The gains and losses on extinguishment of debt that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our debt at less or more than our future obligation. The Merger, acquisition and other integration expenses and the natural disaster expenses that we exclude from Core FFO are costs that we have incurred.

We compensate for these limitations by using our FFO measures only in conjunction with net earnings computed under GAAP when making our decisions. 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.

**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. We also included a pro forma adjustment in Core EBITDA to reflect a full period of NOI on the operating properties we acquired in a significant transaction, such as the Merger, Acquisition and Other Integration Expenses and costs associated with the natural disaster 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.

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, 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.

| *(in thousands)* | Three Months Ended September 30, 2012 | 2011 |
|---|---|---|
| **Reconciliation of consolidated earnings (loss) to Core EBITDA** | | |
| Net earnings (loss) available for common stockholders | $ (46,526) | $ 55,436 |
| Net gain on acquisitions and dispositions of investments in real estate | (8,628) | (19,806) |
| Depreciation and amortization from continuing operations | 194,622 | 182,774 |
| Interest expense from continuing operations | 123,161 | 135,863 |
| Impairment charges | 37,187 | - |
| Merger, acquisition and other integration expesnes | 20,659 | 12,683 |
| Loss (gain) on early extinguishment of debt | - | 298 |
| Current and deferred income tax expense (benefit) | (19,983) | (2,838) |
| Pro forma adjustment (A) | - | - |
| Income attributable to disposal properties and assets held for sale | (4,618) | (11,903) |
| NOI attributable to assets held for sale | 6,917 | 2,200 |
| Net earnings attributabel to noncontrolling interest | 3,323 | 23 |
| Preferred stock dividends | 10,305 | 10,409 |
| Unrealized losses (gains) and stock compensation expense, net | 14,279 | (44,680) |
| Other adjustments made to arrive at Core FFO | - | (400) |
| **Core EBITDA, prior to our share of unconsolidated entities** | **330,698** | **320,059** |
| Our share of reconciling items from unconsolidated entities: | | |
| Net losses (gains) on disposition of real estate, net | 357 | (2,860) |
| Depreciation and amortization | 35,309 | 31,393 |
| Interest expense | 22,328 | 38,043 |
| Loss on early extinguishment of debt | - | - |
| Impairment of real estate properties and other assets | 1,563 | - |
| Current income tax expense | 2,226 | 1,301 |
| Unrealized losses (gains) and deferred income tax expense (benefit) | 890 | (1,615) |
| Realized losses on derivative activity | - | - |
| **Core EBITDA** | **$ 393,371** | **$ 386,321** |

(A) Adjustments for the effects of Prologis North American Industrial Fund II and Prologis California acquisitions to reflect NOI for the full period.



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# Reporting Definitions

**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 presentation, 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.