

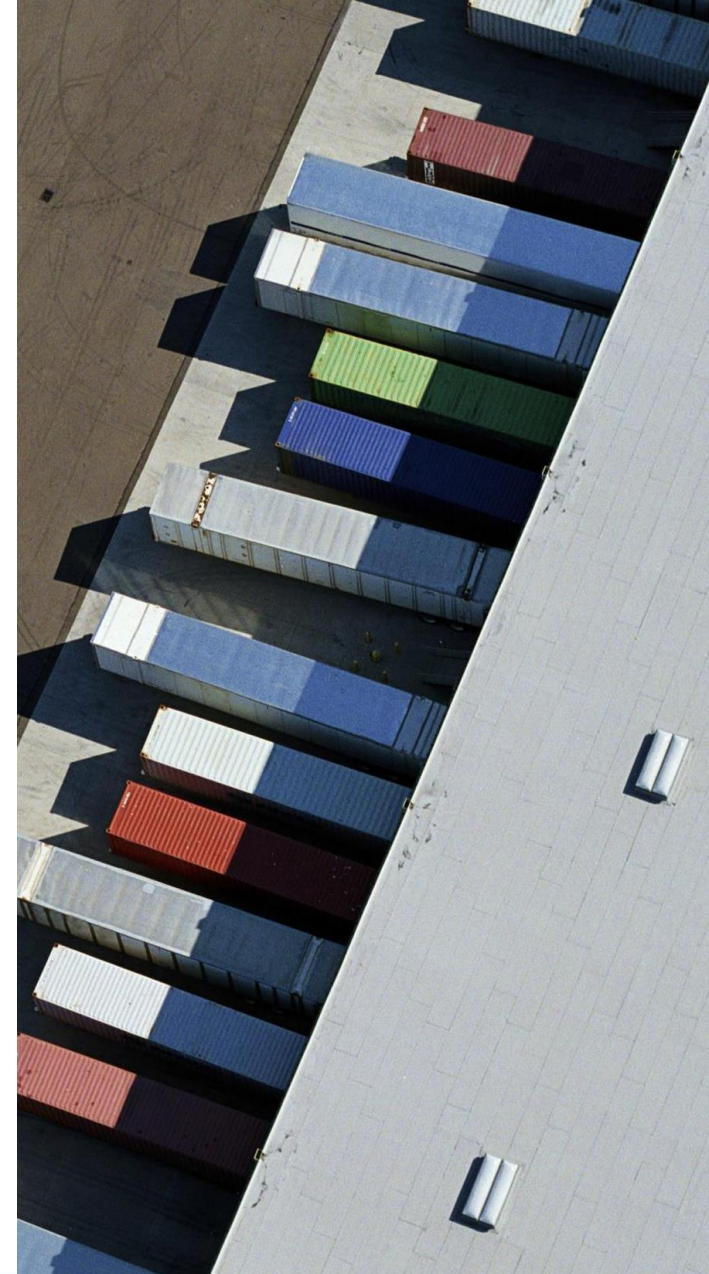


SEPTEMBER 16, 2015

Bank of America Merrill Lynch  
Global Real Estate Conference  
New York, NY



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# Contents





# Prologis Overview

# World's Largest Industrial Property Company

Prologis Park Toluca 4, Mexico City



- Leading global owner, operator and developer of industrial real estate with 670 million square feet of space
- \$56.0 billion<sup>(1)</sup> in assets under management, across 21 countries and four continents
- \$36.6 billion<sup>(1)</sup> in strategic capital assets (\$13.5 billion Prologis' share) in 11 geographically diverse co-investments<sup>(2)</sup>
- \$3.7 billion global development pipeline and \$1.8 billion land bank to fuel future starts
- Long history of industry-leading corporate governance and transparency

Note: Data as of June 30, 2015

1. Based on fair market value of investment management co-investment ventures and estimated investment capacity

2. The co-investment venture count excludes Prologis DFS Fund I due to the size of the venture

# Platform Covers Countries Representing ~70% of Global GDP<sup>(1)</sup>



## AMERICAS

### 2,412 Buildings

**Total Portfolio<sup>(2)</sup>:** 445 MSF / 41 MSM  
(74% PLD Share)

**Development TEI:** \$1,577M  
(85% PLD Share)



## EUROPE

### 685 Buildings

**Total Portfolio<sup>(2)</sup>:** 174 MSF / 16 MSM  
(46% PLD Share)

**Development TEI:** \$580M  
(91% PLD Share)



## ASIA

### 75 Buildings

**Total Portfolio<sup>(2)</sup>:** 51 MSF / 5 MSM  
(36% PLD Share)

**Development TEI:** \$1,561M  
(66% PLD Share)

## GLOBAL

### 3,172 Buildings

**Total Portfolio<sup>(2)</sup>**  
670 MSF / 62 MSM  
(PLD Share: 64%)

**Development TEI**  
\$3,718M (PLD Share: 78%)

Note: Data as of June 30, 2015

1. Source: International Monetary Fund

2. Comprises Prologis' operating, development and other portfolio

# Leading by Example



#1 governance ranking for 12 consecutive years among U.S. REITs



Named as one of the world's most admired companies



Global leader in sustainability and corporate responsibility practices



Recognized globally for design, stewardship and leadership



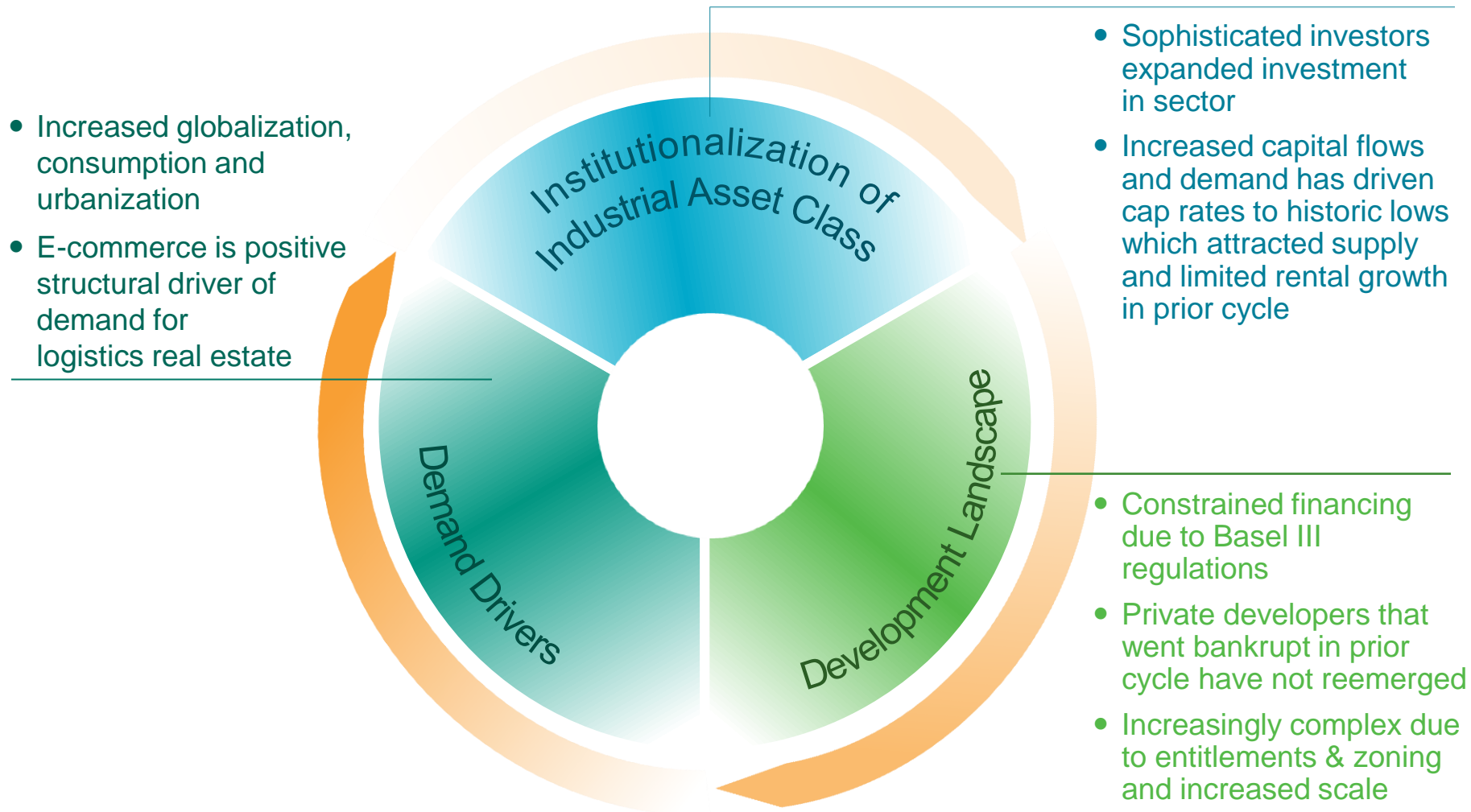
Wiegmann Distribution Center, Germany





Long-Term Global Trends

# The Changing Landscape of Industrial Real Estate

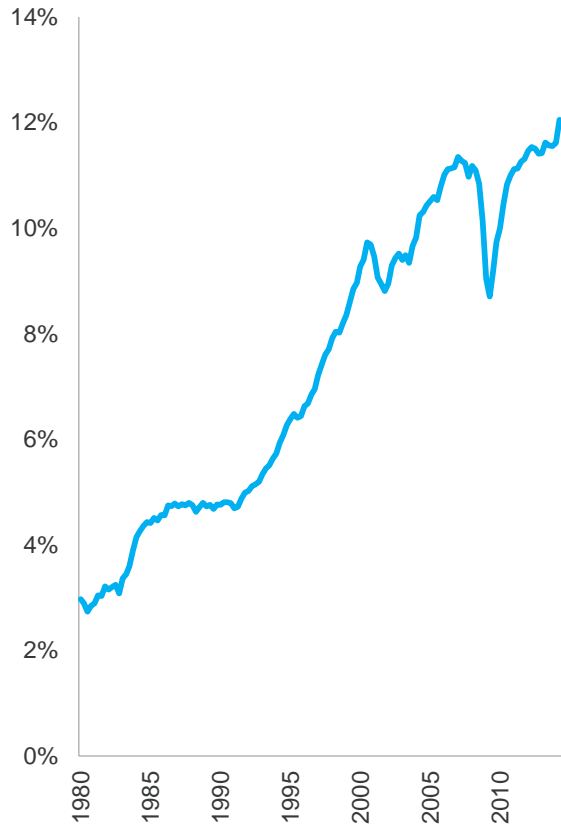




# Macro & Mega Trends Driving Demand for Logistics

## Trade as a % of GDP, U.S.

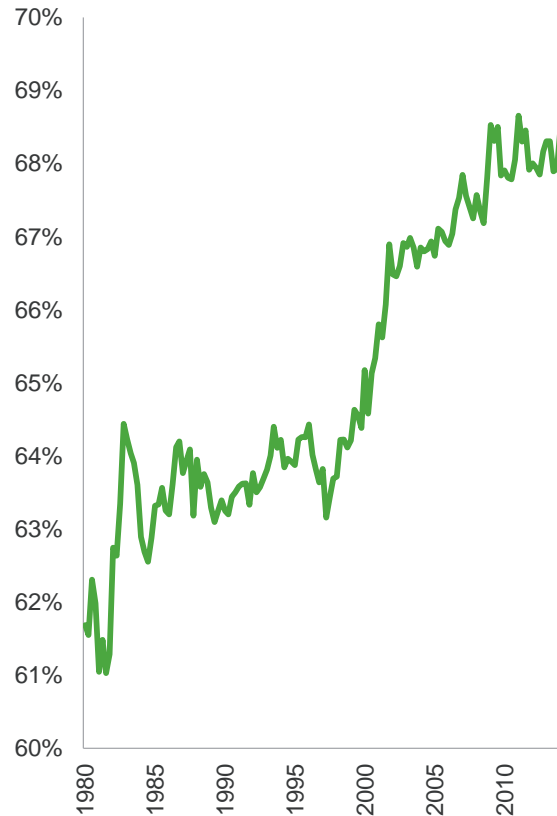
Trade continues to grow at a multiple of GDP



Source: U.S. Bureau of Economic Analysis, Prologis Research

## Consumption as a % of GDP, U.S.

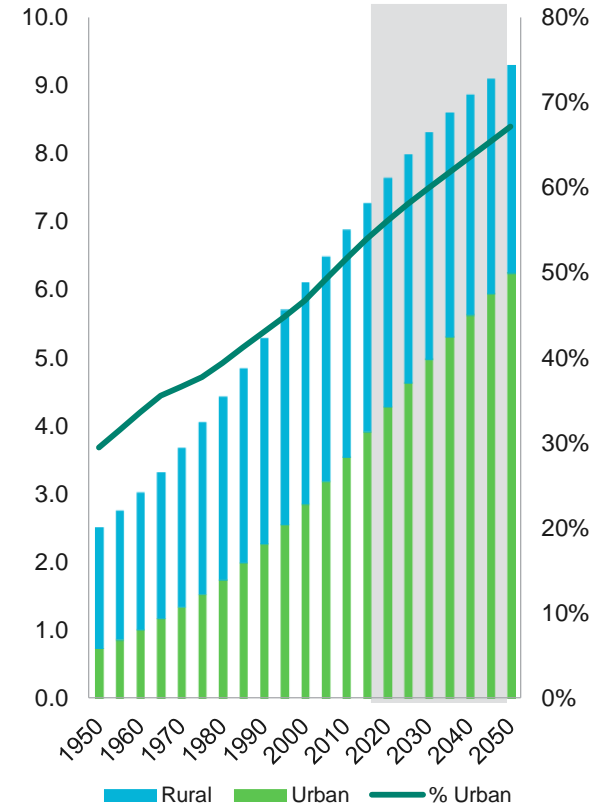
Increasing affluence drives consumption, requiring new facilities



Source: U.S. Bureau of Economic Analysis, Prologis Research

## Growth in Urban Population

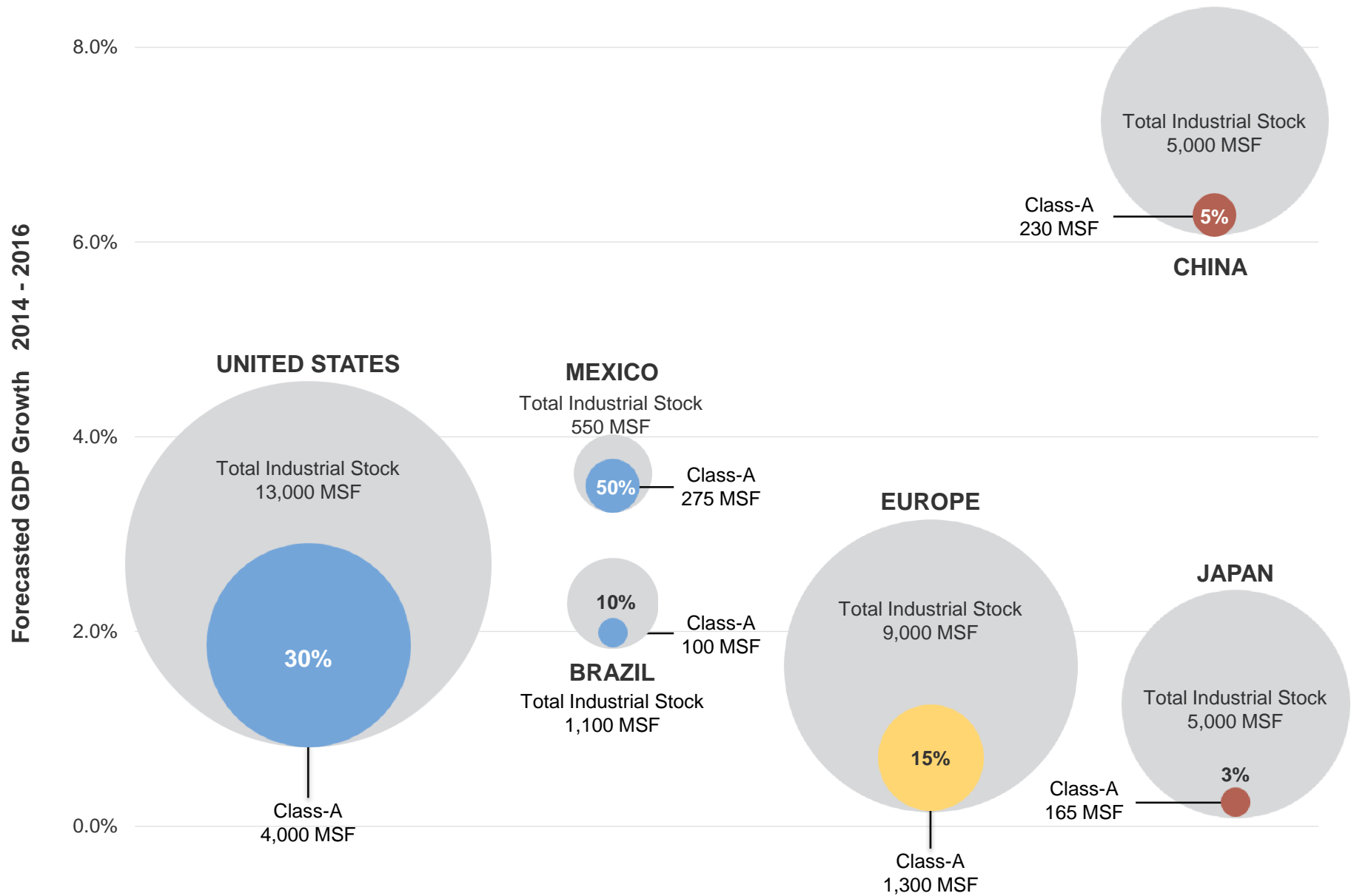
Customers locating within/adjacent to population centers; higher barriers to entry (bil.)



Source: United Nations

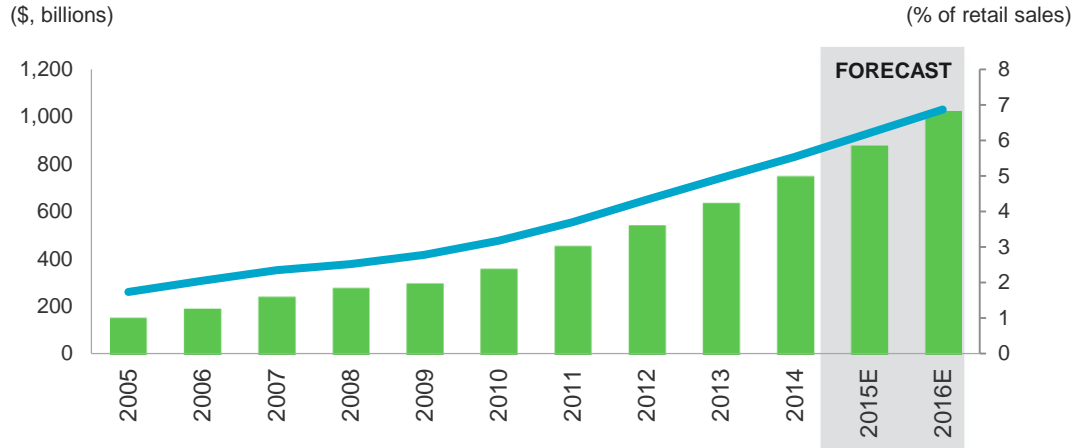
Increased globalization, consumption and urbanization fueling logistics demand

# Dearth of Class-A Stock

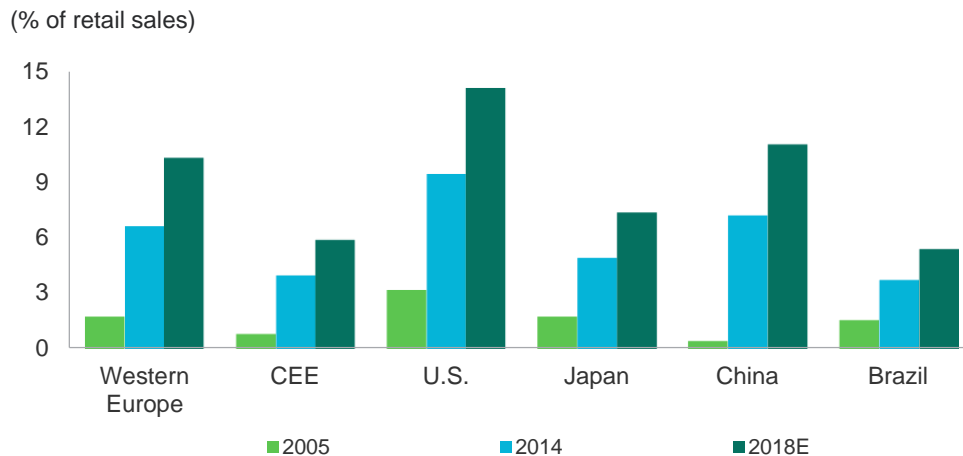


# E-Commerce – A New Driver of Demand

## Global E-Commerce Sales Volume & Share



## E-Commerce Share by Region



- E-commerce is positive structural driver of logistics real estate demand
- Accounts for more than 10% of new leasing, up from less than 5% four years ago
- More intensive user of logistics facilities and requires more space than comparable non-e-commerce users due to:
  - High inventory levels
  - Broader product variety
  - Outbound shipping direct to consumers
  - Reverse logistics (returns)
- E-commerce facilities are 2/3 less efficient, driving incremental demand by a factor of 3x

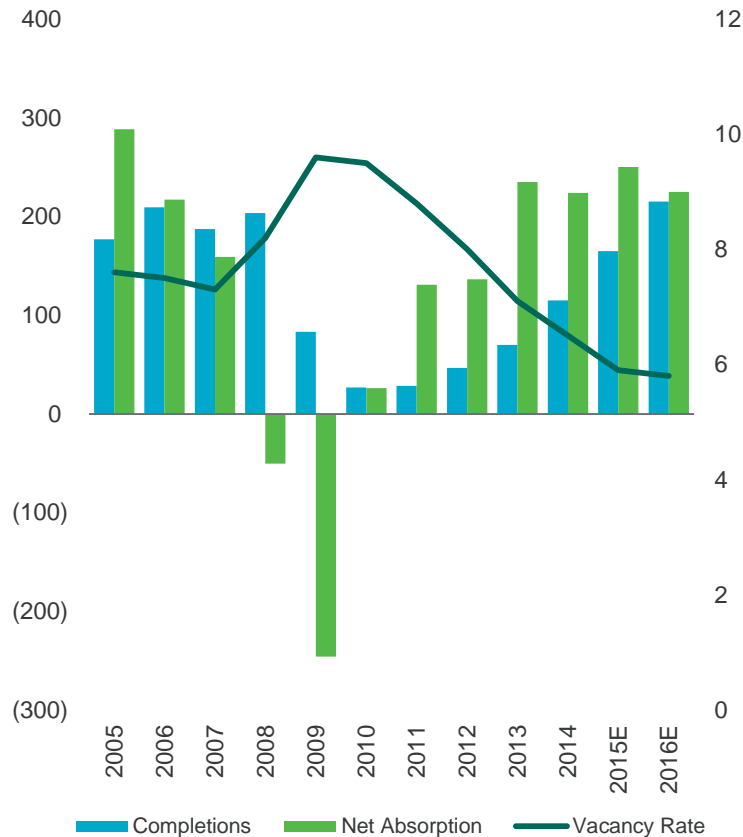


# U.S. Logistics Real Estate Fundamentals

## Logistics Market Fundamentals, U.S.

(sf, in millions)

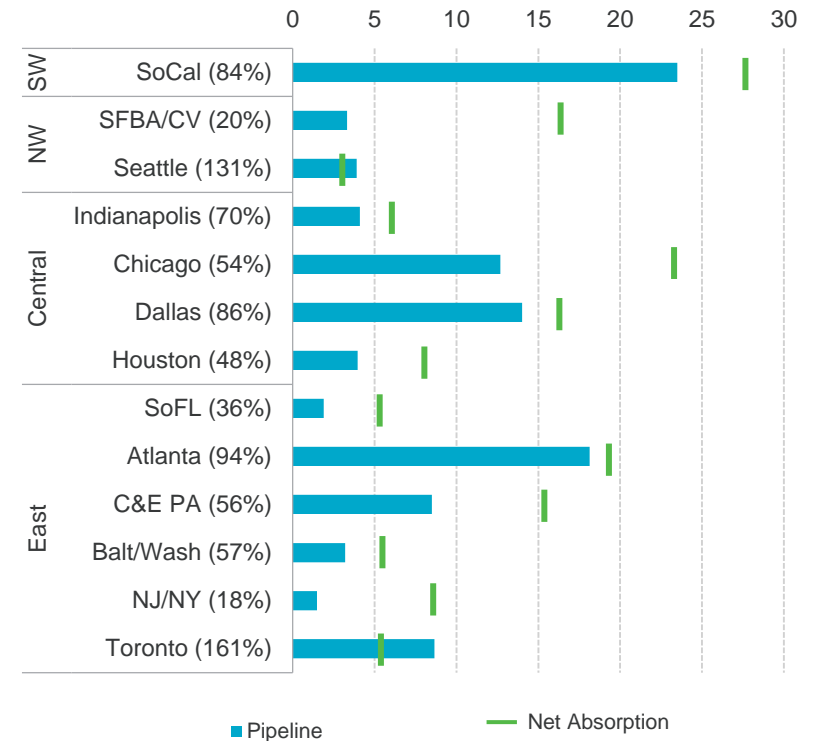
(vacancy rate, %)



Source: CBRE (historical), Prologis Research (forecast)

## Supply Pipeline vs. Demand by Market

(sf in millions and %<sup>(1)</sup>)



Source: CBRE, JLL, Cushman & Wakefield, Colliers, Prologis Research

1. The percentages within the axis labels are market-level development pipeline as a proportion of trailing net absorption

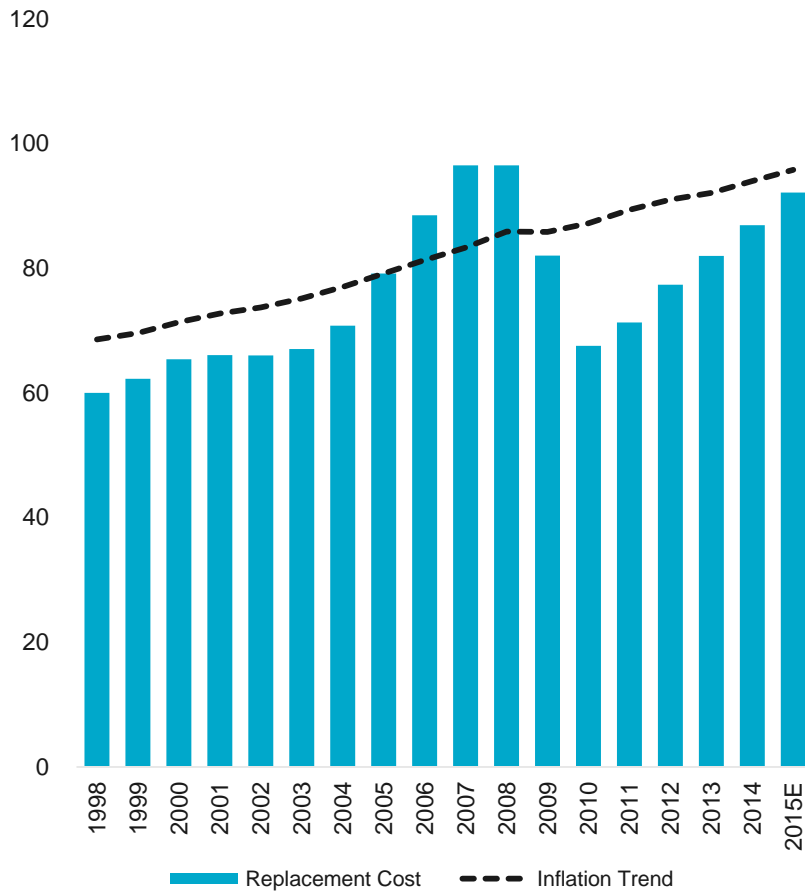
### 2016 Supply/Demand Forecast:

- Net Absorption: 225 MSF
- Supply: 215 MSF
- 2015 YE Vacancy: 5.9%
- 2016 YE Vacancy: 5.8%

# Recovery Beginning to Drive Cost

## U.S. Replacement Cost

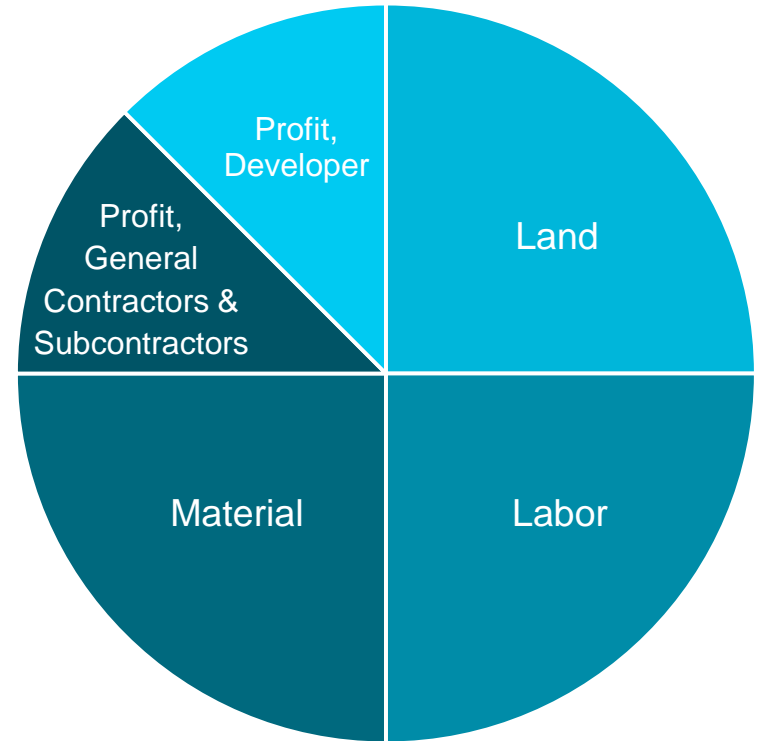
(\$ per square foot, inclusive of developer profit)



Source: Turner Construction, US. Bureau of Labor Statistics, Prologis Research

## Distribution of Replacement Cost

(% of total cost, estimate in U.S.)



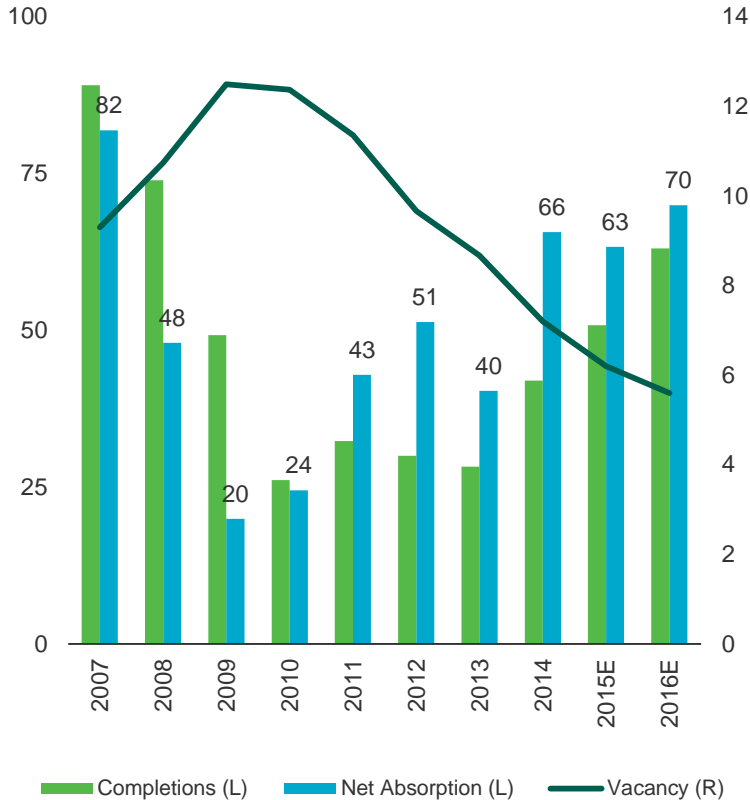
Source: Turner Construction, US. Bureau of Labor Statistics, Prologis Research

# Europe Logistics Real Estate Fundamentals

## Logistics Market Fundamentals, Europe

(sf, in millions)

(vacancy rate, %)

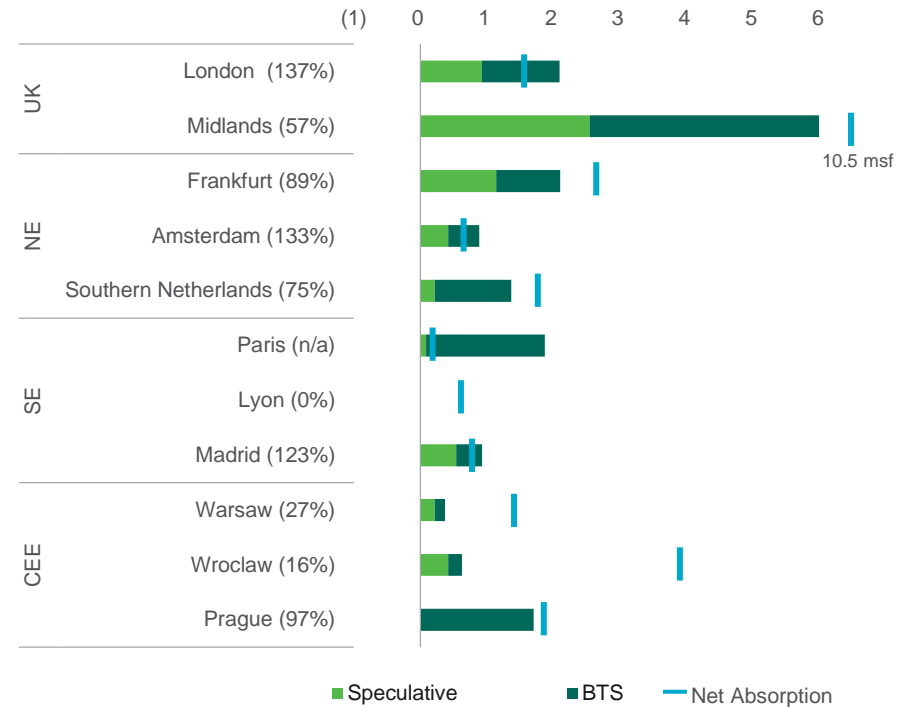


Source: CBRE, JLL, DTZ, Gerald Eve, Prologis Research

Note: Based on 48 largest European logistics markets

## Supply Pipeline vs. Demand by Market

(sf, in millions and %<sup>(1)</sup>)



Source: CBRE, JLL, DTZ, Gerald Eve, Prologis Research

1. The percentages within the axis labels are market-level development pipeline as a proportion of trailing net absorption

### 2016 Supply/Demand Forecast:

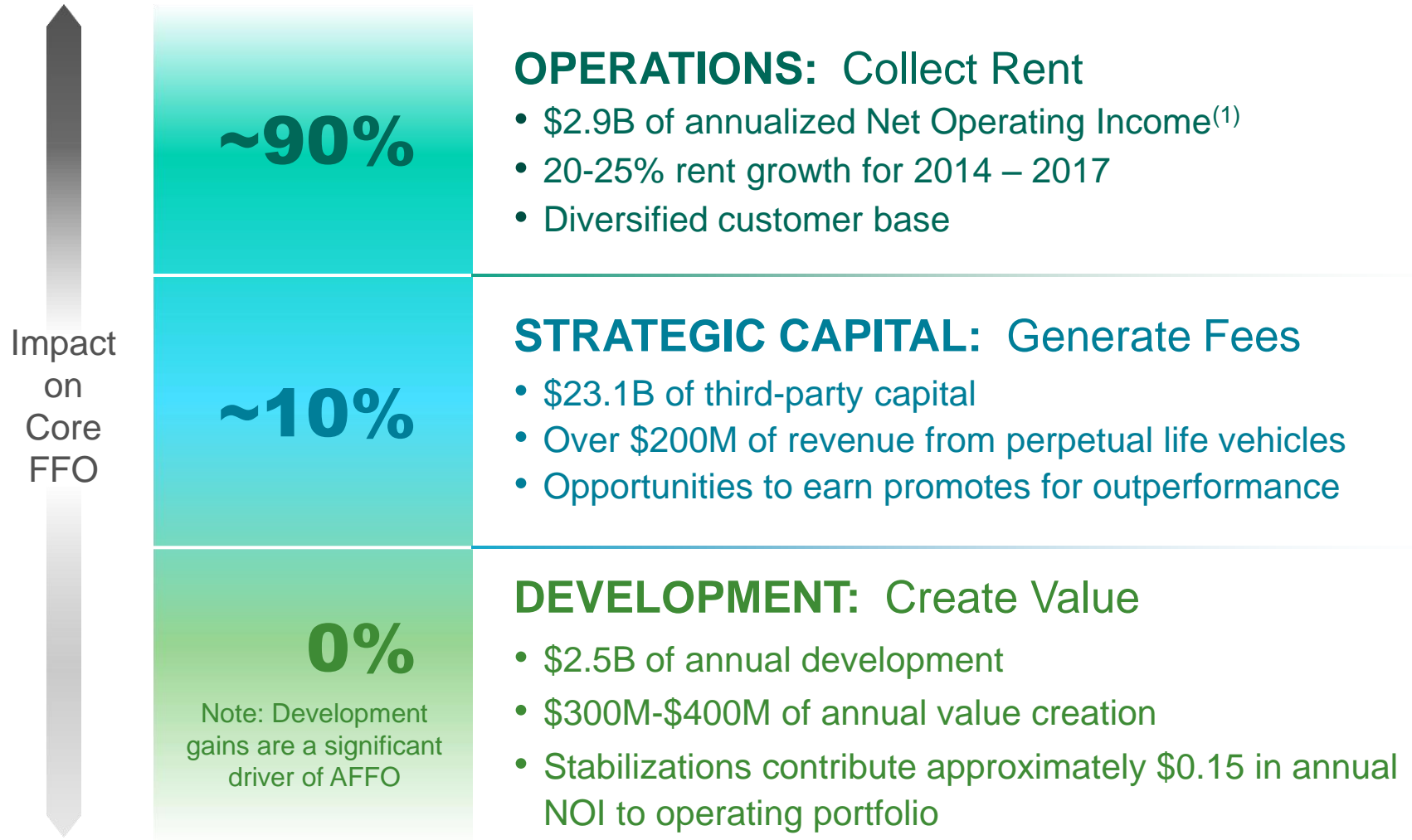
- Net Absorption: 70 MSF
- Supply: 63 MSF
- 2015 YE Vacancy: 6.2%
- 2016 YE Vacancy: 5.6%



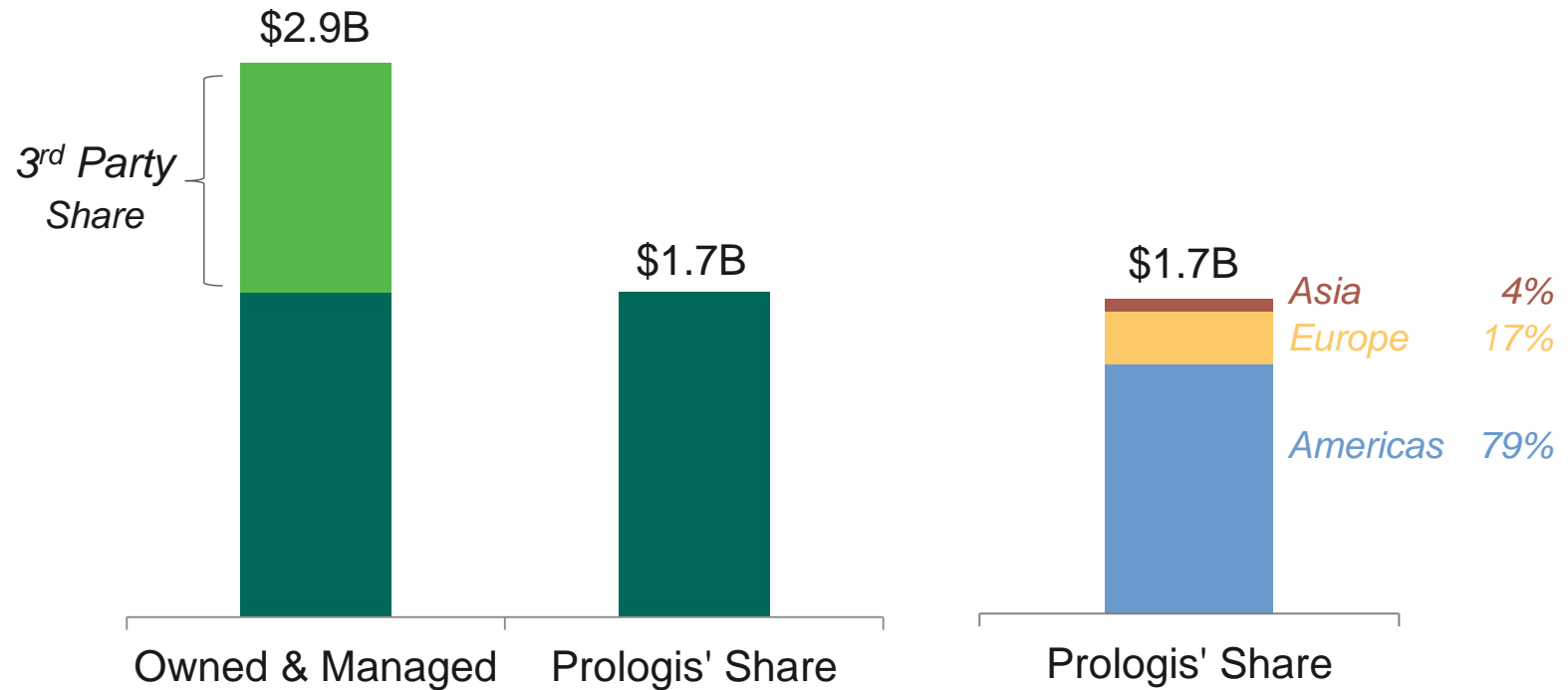


# Business Lines

# Prologis' Global Platform – Drivers of Core FFO



# Net Operating Income<sup>(1)</sup>

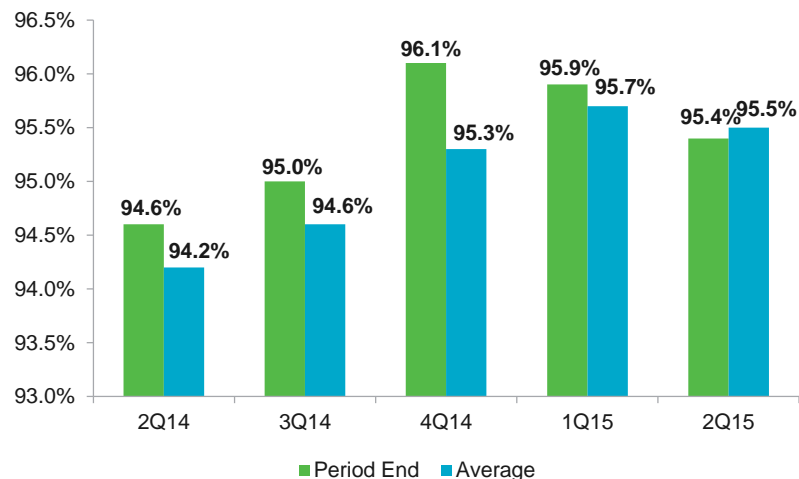


Americas Drive Prologis' Share of NOI

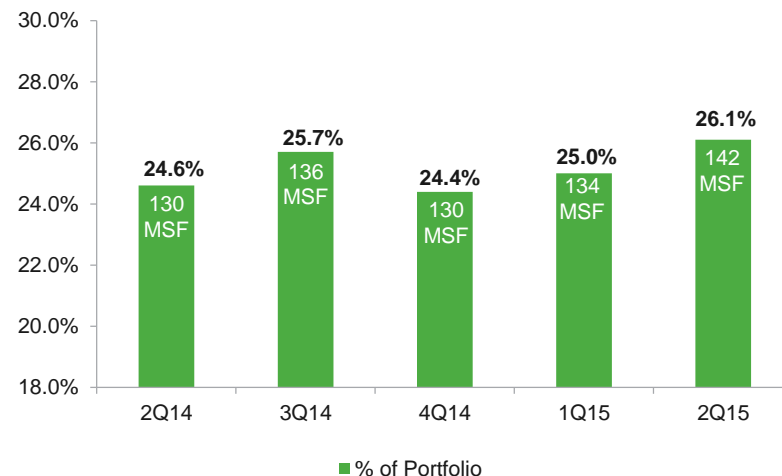


# Global Operations

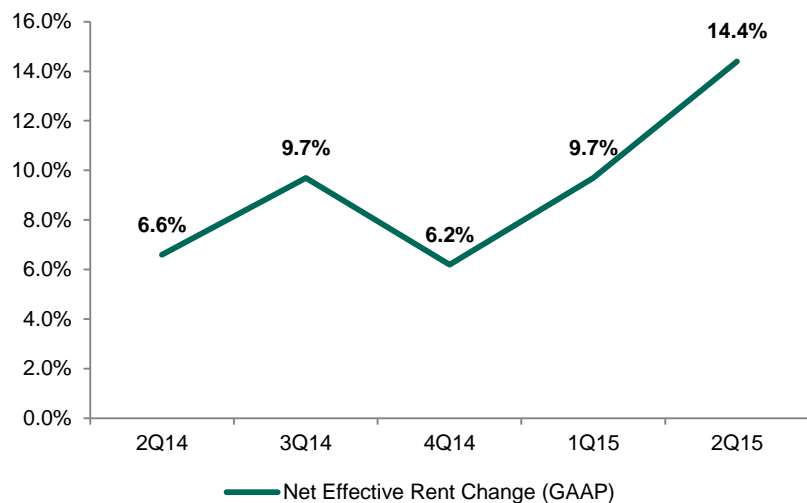
## Occupancy



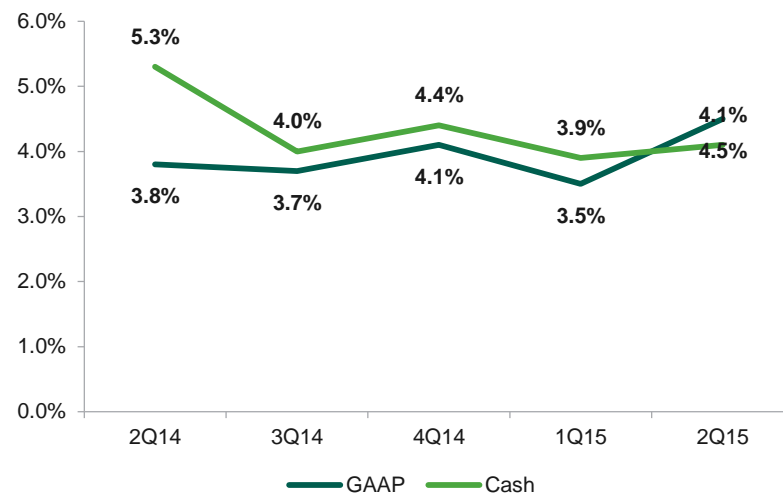
## Trailing Twelve Months Leasing Volume



## Rent Change on Rollover

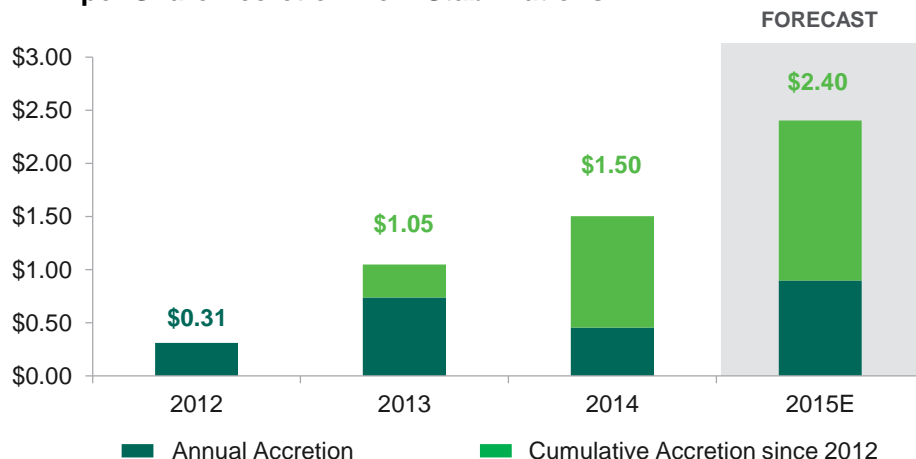


## Same-Store NOI



# Development Value Creation Engine

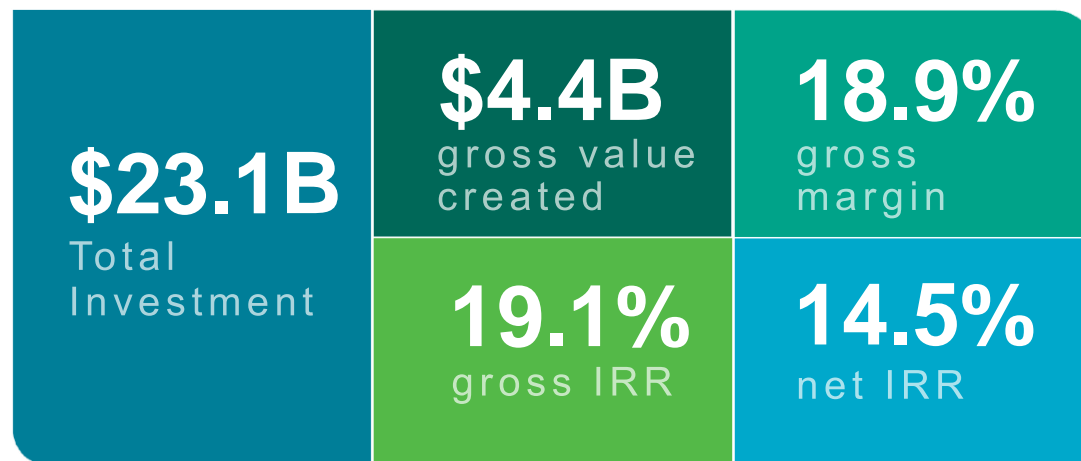
## NAV per Share Accretion from Stabilizations



## Annual Run Rate NAV Accretion

Development Stabilizations	(\$M)
Gross Development Volumes	\$2,500
PLD Share Development Volumes	\$2,100
Margins	19%
<b>Impact on NAV</b>	
NAV Accretion	\$400
NAV per Share Accretion	\$0.75

## Development Track Record Since 2001<sup>(1)</sup>



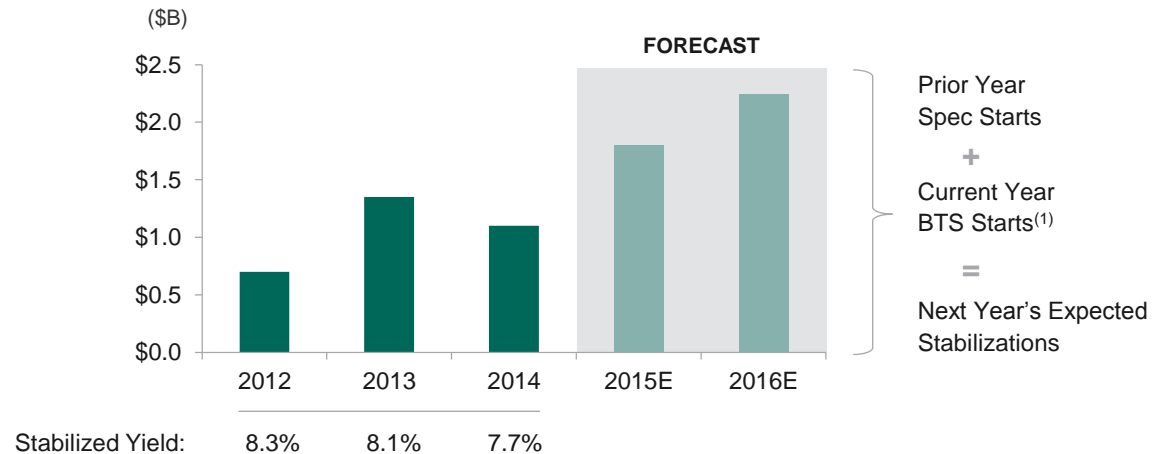
## We develop to:

- Meet customers' needs globally
- Deepen our market presence
- Refresh portfolio quality
- Generate profits across the cycle

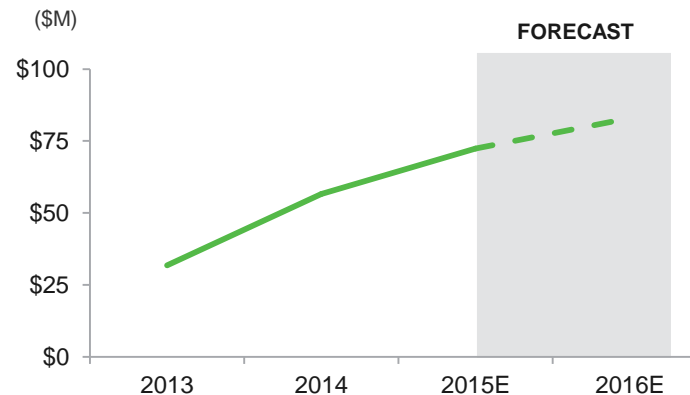
# Development Stabilizations Drive NOI Growth

- \$1.7B - \$1.9B of stabilizations expected in 2015
  - Increase of \$700M at the midpoint over 2014
- Incremental NOI from stabilizations expected to contribute approximately \$0.14 in 2015
- Stabilizations will continue to be significant driver of NOI growth given projected 2015 starts of ~\$2.5B

## Development Stabilizations



## PLD Share NOI Impact from Stabilizations



# Why Strategic Capital?





# Strategic Capital – \$36.6B AUM / \$13.5B Prologis' Share<sup>(1)</sup>

	Region	Ventures	Type	Investment Strategy	Next Promote Opportunity
<b>Americas</b> AUM: \$17.8B (\$9.8B) Avg Ownership: 45% Avg fees <sup>(2)</sup> : 65 bps	US	NAIF, USLV <sup>(3)</sup> , USLF	Open end	3 <sup>rd</sup> party stabilized acquisitions	Q4 2016 (USLV)
	Mexico	FIBRA Prologis	Public	Development contributions & 3 <sup>rd</sup> party stabilized acquisitions	Q2 2016
	Brazil	Brazil Fund & JV's	Closed end	Development & long-term hold	Q4 2017
<b>Europe</b> AUM: \$13.0B (\$7.9B) Avg Ownership: 39% Avg Fees <sup>(2)</sup> : 75 bps	Europe	PTELF, PEPF II, ELV 1, PELP	Open end	Development contributions & 3 <sup>rd</sup> party stabilized acquisitions	Q4 2015 (ELV1 & PELP)
<b>Asia</b> AUM: \$5.8B (\$5.0B) Avg Ownership: 15% Avg Fees <sup>(2)</sup> : 75 bps	Japan	Nippon Prologis REIT	Public	Development contributions & 3 <sup>rd</sup> party stabilized acquisitions	n/a
	China	China Logistics Fund	Closed end	Development & long-term hold	Q1 2018

**Reduces foreign currency exposure, increases Prologis' returns and drives operational scale**

1. AUM is based on fair market value of strategic capital co-investment ventures and estimated investment capacity as of June 30, 2015

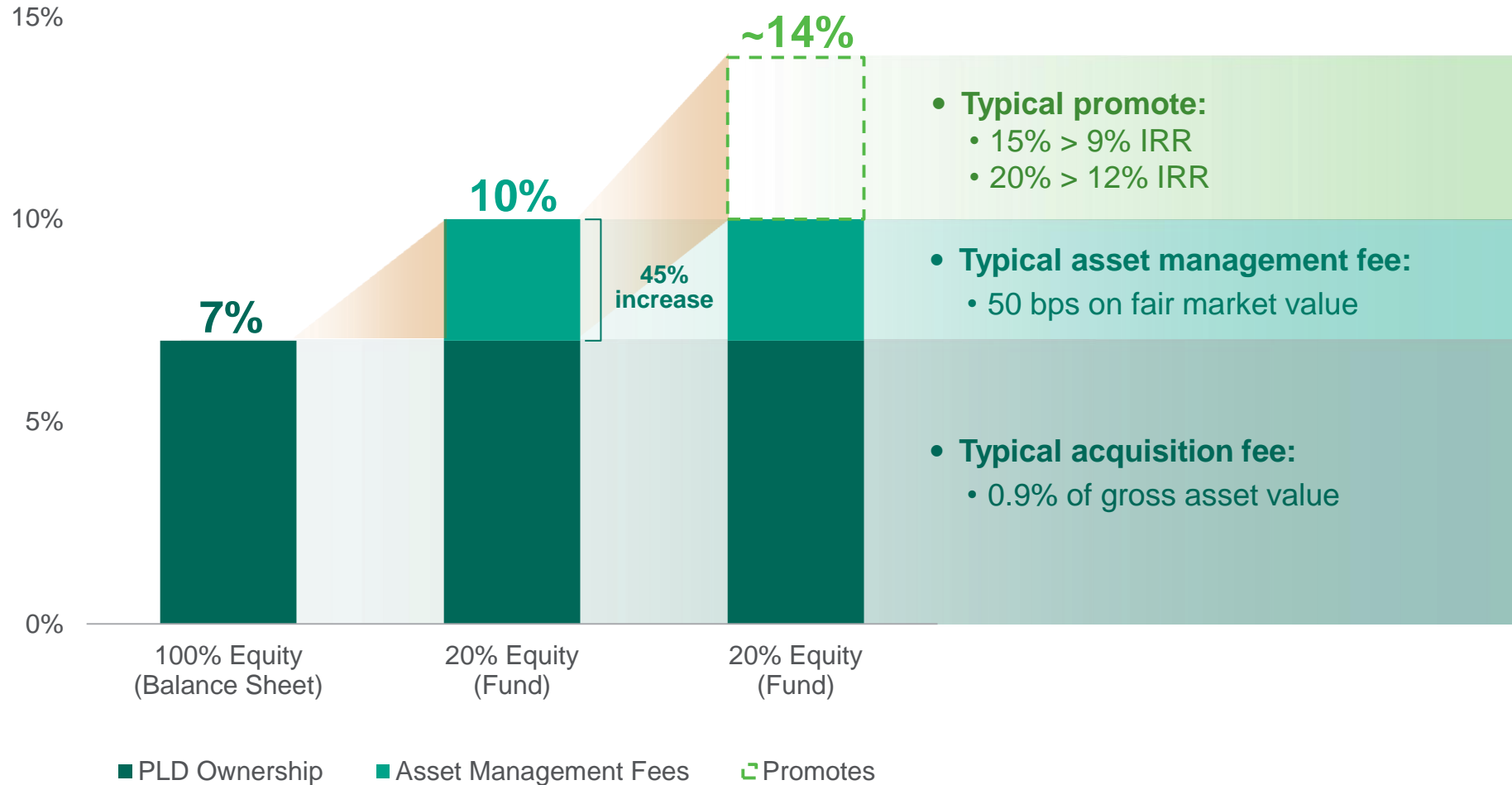
2. Represents asset management and property management fees generated as a percentage of FMV

3. USLV owns a small portion of under development assets and land held for future development that was purchased as part of the KTR acquisition

# Economics of Balance Sheet vs Fund Holding (Illustrative)

Strategic capital model improves real estate Return on Equity by at least ~300 bps

## Return on Equity



Note: For illustrative purposes only

1. Assumes 35% leverage

2. Assumes 5.5% NOI yield on gross asset value and 3% interest rate on debt



# Capital Structure & Financial Strength

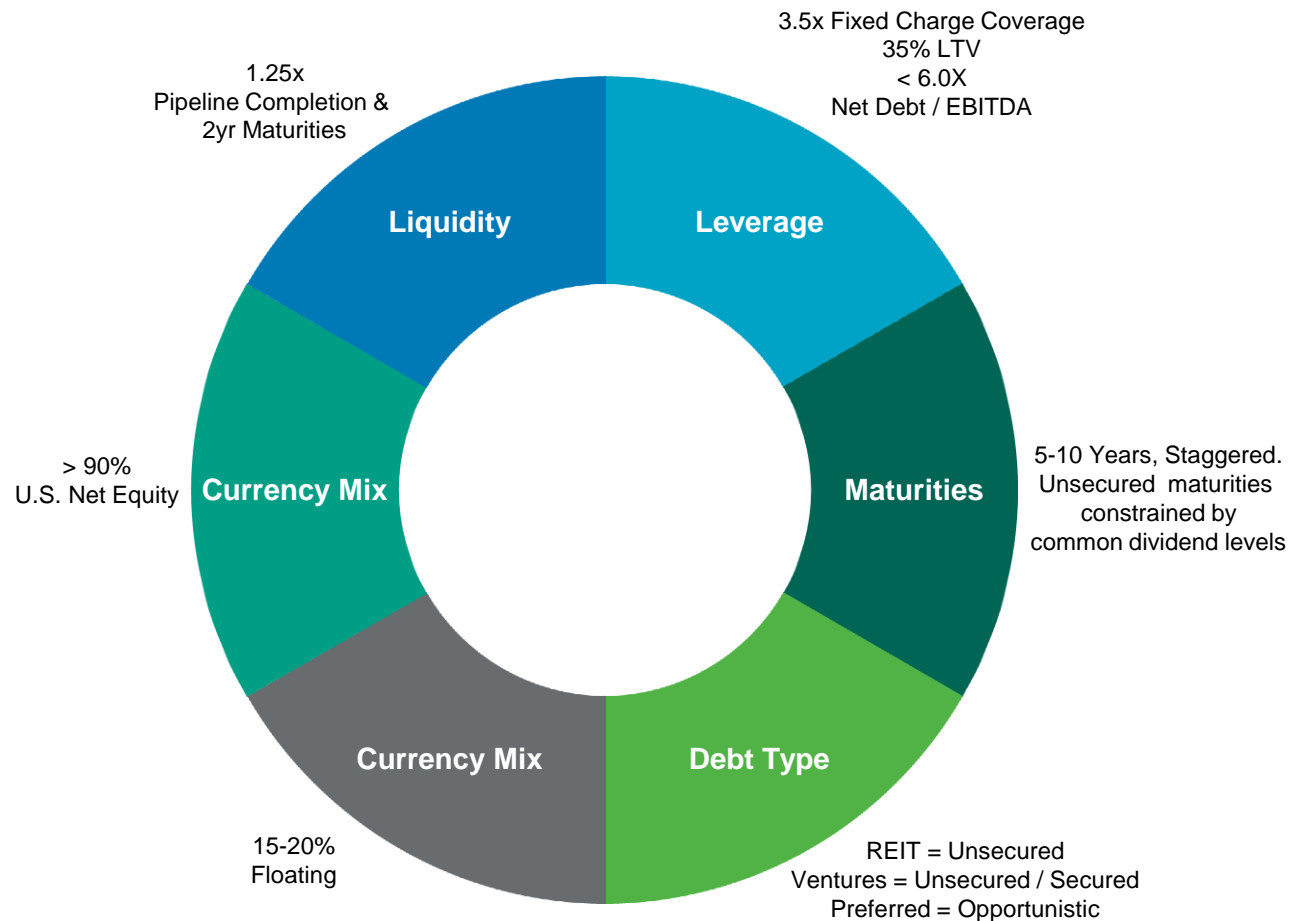
# Capital Structure – Guiding Principles

- **Balance Sheet Strategy:**

- Top three REIT industry balance sheet
- Low leverage (35% look-through) and debt metrics to support strong investment grade credit rating
- US dollar net equity > 90%
- Staggered unsecured maturities which can be repaid with forecasted dividend levels

- **Credit Ratings:**

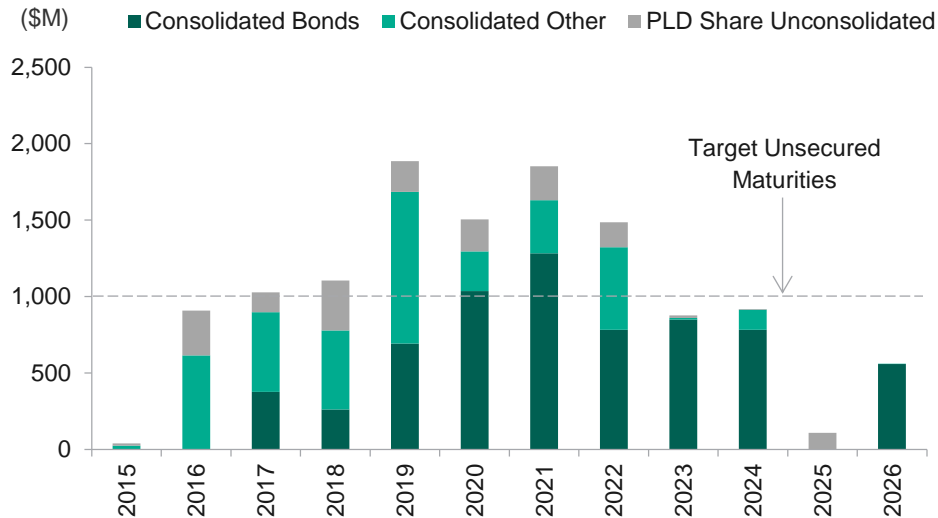
- Moody's Baa1 (stable)
- S&P BBB+ (stable)



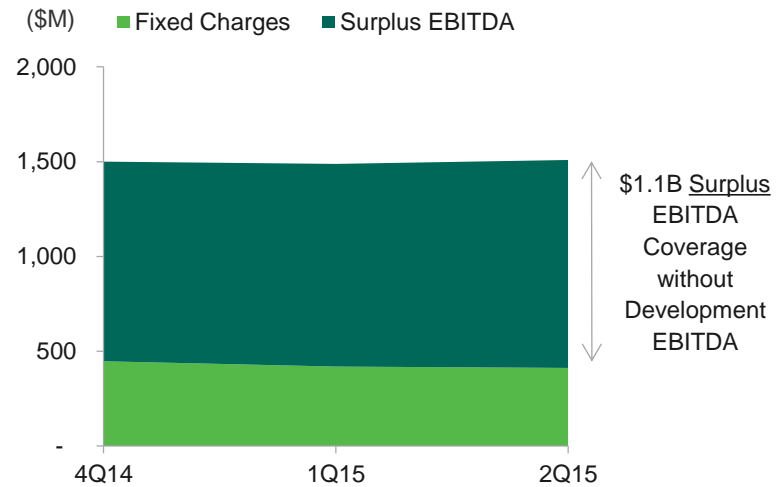


# Proactive Balance Sheet Management

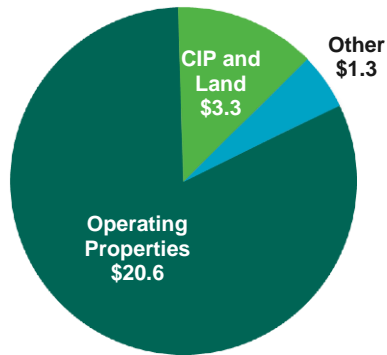
## Debt Maturities<sup>(1)(2)</sup>



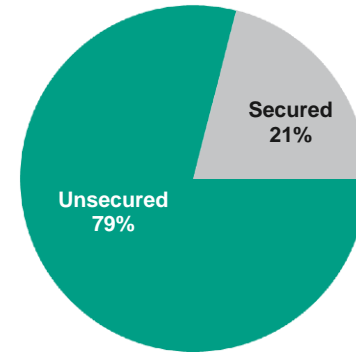
## Fixed Charge Coverage and Scale<sup>(2)</sup>



## Unencumbered Assets – Prologis' Share (\$B)<sup>(2)</sup>



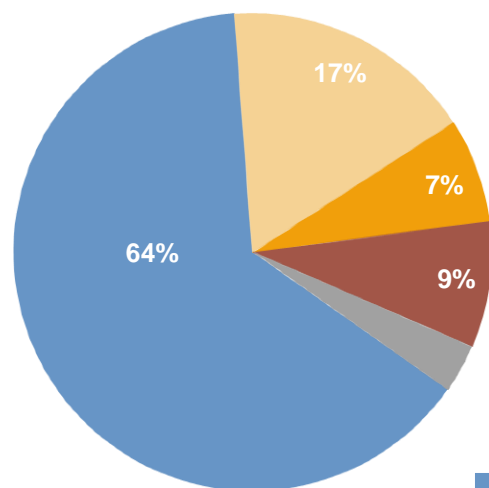
## Secured & Unsecured Debt – Prologis' Share<sup>(2)</sup>



**Prologis maintains significant liquidity**

# Currency Exposure

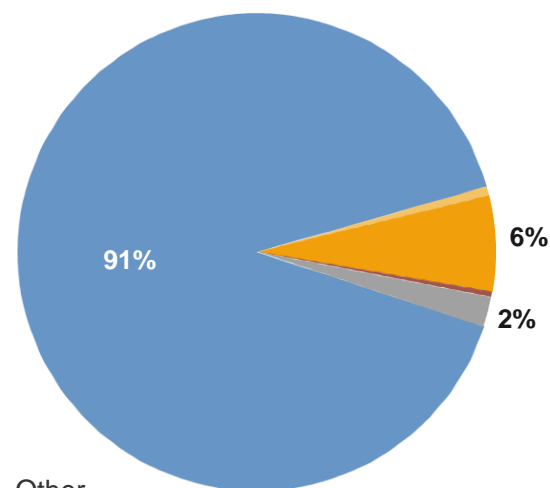
**Gross Asset Allocation**







- Strategic Capital Ventures
- Leverage
- Hedging

■ \$ 
 ■ € 
 ■ £ 
 ■ ¥ 
 ■ Other

**Net Equity Position**



## Impact of USD strengthening 10%

		Earnings		NAV
		2015	2016	
USD		—	—	—
Sterling		0¢	0¢	(25.2¢)
Euro		0¢	0¢	(2.0¢)
Yen		0¢	0¢	(7.2¢)
Other		0¢	0¢	(8.8¢)
<b>Total</b>		<b>&lt;(1¢)</b>	<b>(1¢)</b>	<b>(43.2¢)</b>

# Benchmarking

# Prologis – A Compelling Investment Opportunity

## 1 WHY REITs?

- Higher total returns vs. major indices (*FNRE total return over 1.5x SPX & INDU total return<sup>1</sup>*)
- Consistent income stream
- Hedge against inflation

## 2 WHY INDUSTRIAL?

- Stable occupancy
- Lower volatility of returns
- Demand drivers indicate further growth
- Challenging to assemble in quantity



## 3 WHY NOW?

- Operating fundamentals improving
- Ongoing supply chain reconfiguration
- Very limited new construction over the last 5 years

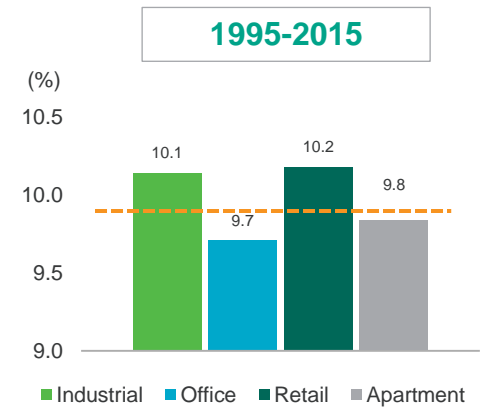
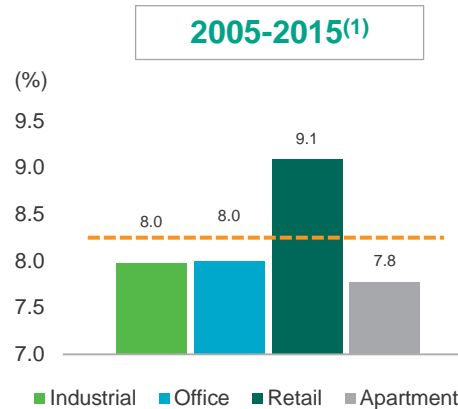
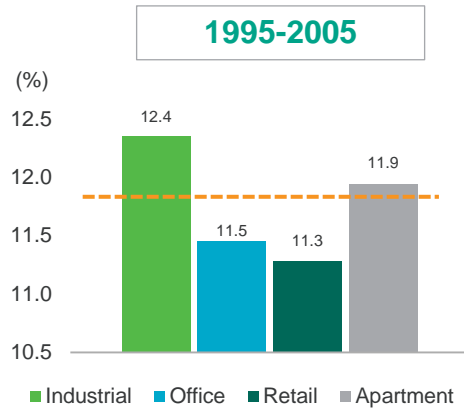
## 4 WHY PROLOGIS?

- Best customer brand in real estate
- Unmatched global platform
- World's leading industrial property developer
- Market leading strategic capital business

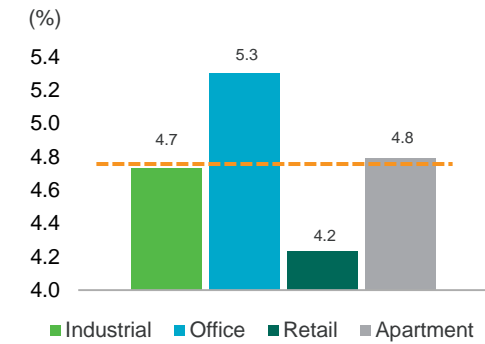
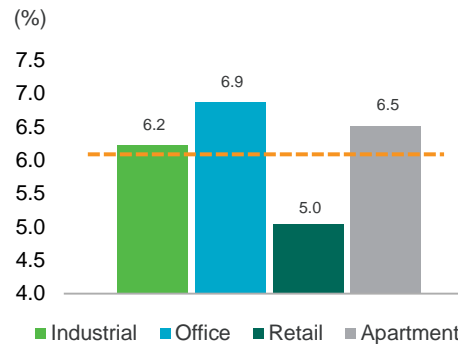
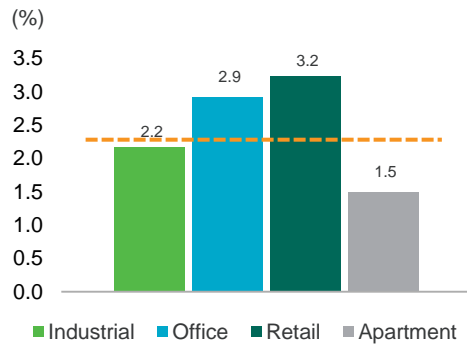


# Industrial Returns & Stability

Total Return by Property Type



Standard Deviation by Property Type<sup>(2)</sup>



Industrial income growth outperformed across cycles & has among the lowest standard deviations

Source: NCREIF, Prologis Research

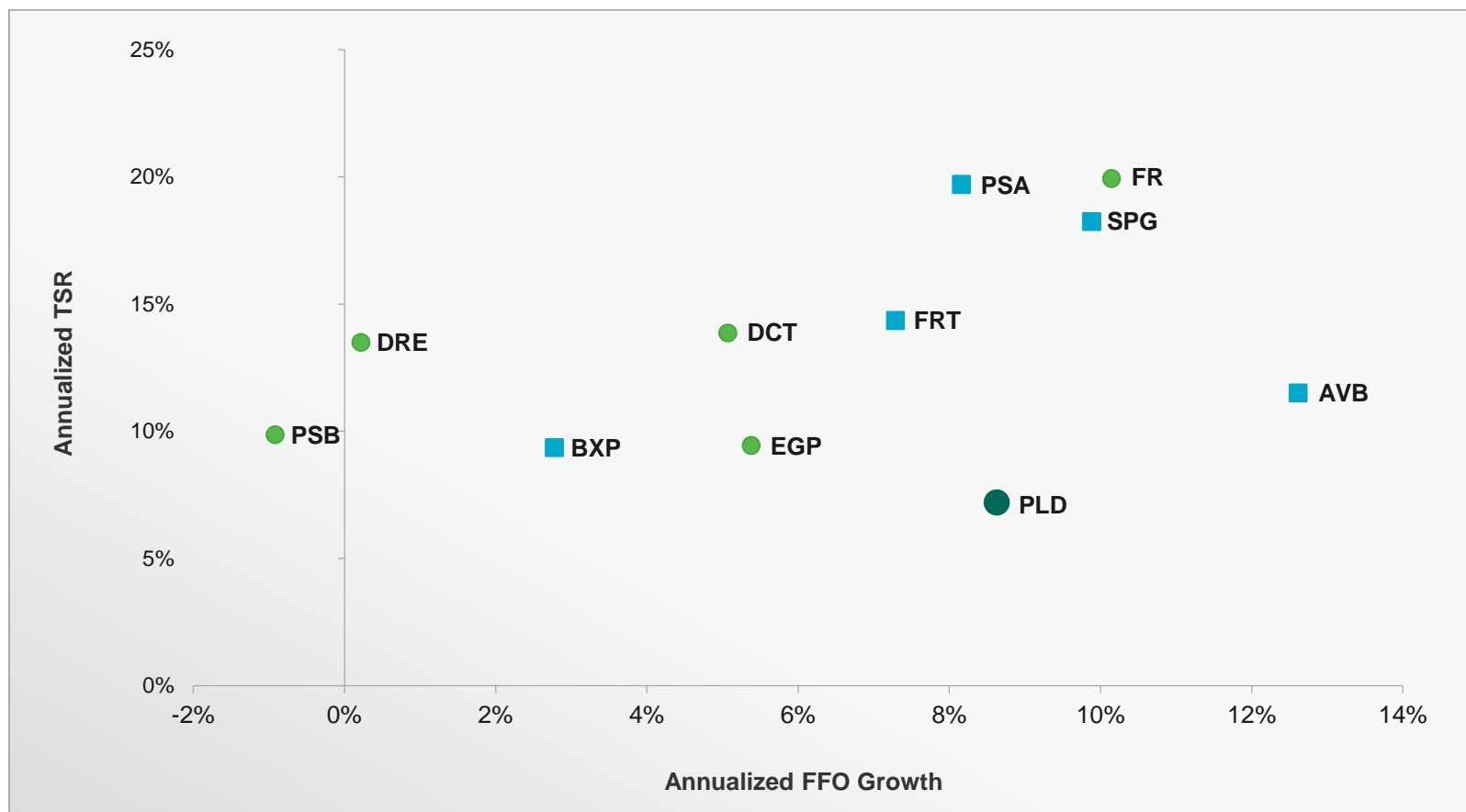
1) Represents data from Q2 2005 through Q2 2015

2) Standard deviation measures the volatility of the NCREIF total return index

----- Simple Average of the Four Property Types

# Total Stock Return and FFO Growth (2011-2015)

2011-2015E	● Prologis	● Industrial – Domestic <sup>(2)</sup>	■ Blue Chip <sup>(2)</sup>
Annualized TSR	7%	13%	16%
Annualized FFO Growth <sup>(1)</sup>	9%	3%	9%
Premium / (Discount) to Consensus NAV <sup>(3)</sup>	-18%	-11%	-4%



Source: Bloomberg; Annualized TSR calculated as of 9/3/2015

1. Prologis 2015 estimated FFO is based on the midpoint of company guidance established July 21, 2015

2. Industrial – Domestic and Blue Chips weighted on equity market capitalization

3. Based on data as of 9/3/2015

# Level Setting Price / FFO<sup>(1)</sup>

Varied asset composition, asset quality and capital structure require adjustments when making comparisons across companies:

A) normalize for non-income producing assets

- Remove land & construction in progress<sup>4</sup>

B) normalize for asset quality premium

- 6.2% average industrial capitalization rates vs 5.7% for Prologis
- Blue chips excluded due to varying sectors

C) normalize for risk-adjusted capital structure

- Equalize leverage levels

Adjustments made to level set to U.S. industrial peer average

	US Industrial <sup>(2)</sup>	Prologis	Blue Chips <sup>(3)</sup>
<b>P/FFO</b>	15.3x	19.3x	22.0x
	—	—	—
<b>A) CIP + Land</b>	1.0x	2.6x	0.9x
	—	—	—
<b>B) Cap Rate</b>	0.1x	2.6x	N/A
	—	—	—
<b>C) Leverage</b>	0.0x	1.2x	3.6x
	=	=	=
<b>P/FFO Adjusted</b>	14.2x	12.9x	17.5x

1. Sources: Green Street Advisors, Bloomberg and Company Reports; market data as of September 3, 2015 (Prologis share price of \$37.81)

2. U.S. industrials include: DCT, DRE, EGP, FR and LPT

3. Blue Chips include: AVB, BXP, FRT, PSA, and SPG

4. Construction in progress adjusted to remove the difference between the yield received on development (approximately 7%) and the amount of interest capitalized on development (approximately 4%)



# Acquisition of KTR Capital Partners



# KTR Capital Partners Acquisition

## Transaction Overview

### **\$5.9B acquisition closed on May 29, 2015:**

- 60 MSF of high quality operating properties
- 3.6 MSF of development-in-progress
- Land with build-out potential of 6.8 MSF
- Acquisition made through Prologis U.S. Logistics Venture (USLV), a 55-45 consolidated joint venture between Prologis and Norges Bank Investment Management (NBIM)



Market: Los Angeles  
Customer: Michael Kors

Size: 615,000  
Year Built: 2005

## Strategic Rationale

### **Strengthens Presence**

- Highly complementary with Prologis investment strategy – 95% overlap of U.S. operating portfolio

### **Increases Profitability**

- Expected to increase annual stabilized Core FFO per share by 7% and drive corresponding cash flow growth while lowering G&A as a % of AUM by 10%

### **Expands Relationship**

- Prologis / NBIM ventures will exceed \$11B in Europe and the U.S.

### **Deepens Customer Relationships**

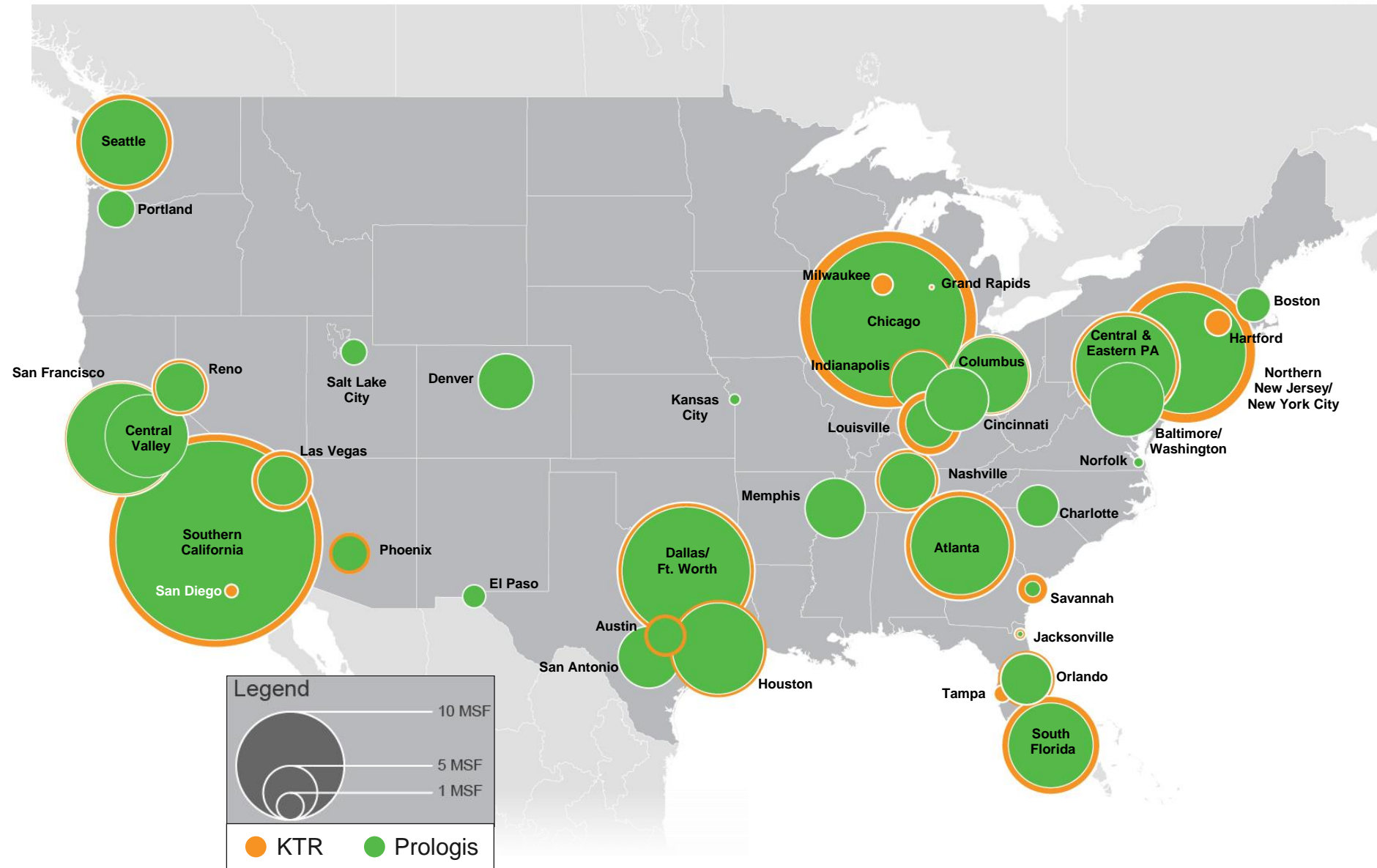
- Expands Focus Customer relationships and develops relationships new to Prologis



Market: Atlanta  
Customer: Bosch

Size: 375,000  
Year Built: 2004

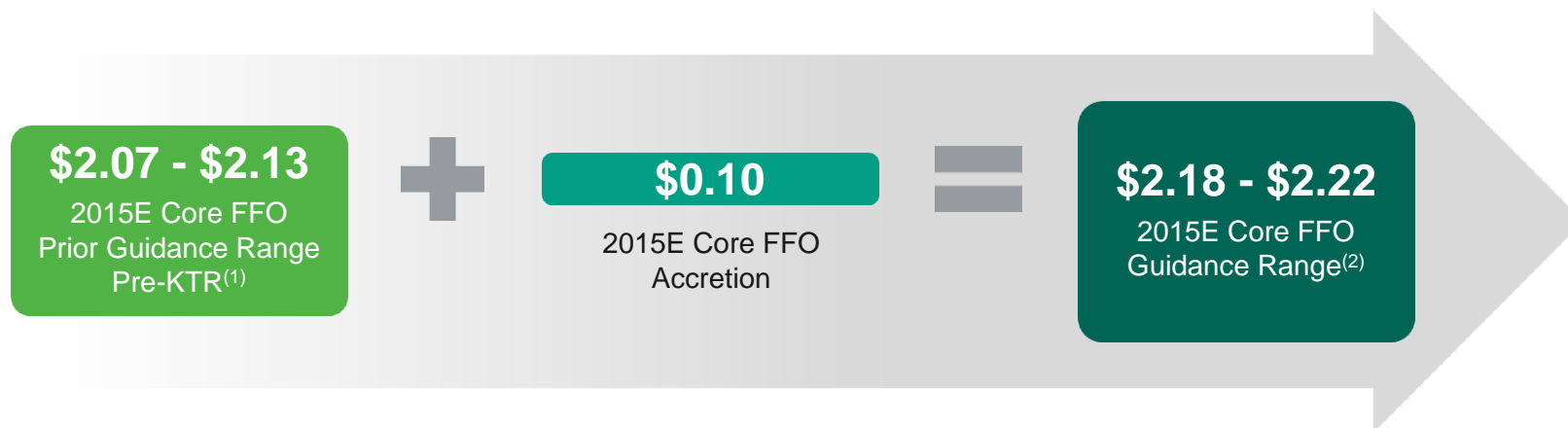
# Highly Synergistic Portfolio



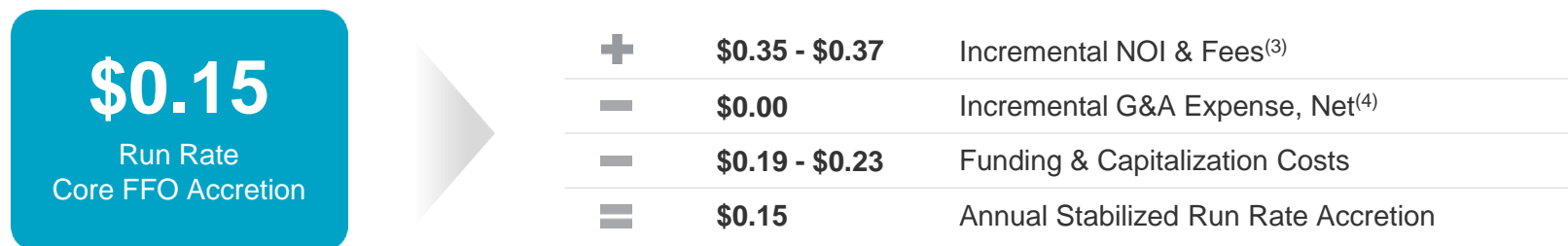
1. Note: Prologis data as of March 31, 2015. KTR data as of May 29, 2015. Scaling is proportionate to the size of square feet for the combined portfolio.

# KTR Earnings Accretion

## 2015 Accretion



## Run Rate Accretion



### Annual Stabilized Impact:

7% Core FFO growth from the prior guidance midpoint<sup>(1)</sup> and corresponding cash flow growth

Note: Represents expected full year impact of transaction on a stabilized basis for illustrative purposes

1. Based on guidance established on April 19, 2015 excluding impact of KTR acquisition

2. Based on guidance established on July 21, 2015

3. Includes asset management fees

4. Operating expenses are completely offset by property management fees

# Key Takeaways

- Company positioned for sustainable growth with global platform, value creation through development and strong balance sheet
- Favorable market conditions, including rent growth, driving strong recovery in fundamentals
- Strategic Capital and development businesses provide incremental EBITDA, reduce risk and improve portfolio quality
- 17% Core FFO growth and corresponding cash flow growth expected in 2015







**PROLOGIS.**

# Notes and Definitions



# Notes and 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. Certain amounts from previous periods presented in the Supplemental Information have been reclassified to conform to the current presentation.

On May 29, 2015, we acquired the real estate assets and operating platform of KTR Capital Partners and its affiliates ("KTR"). The \$5.9 billion portfolio included 314 operating properties aggregating 59 million square feet, 3.3 million square feet of properties under development and land parcels that will support an estimated potential build out of 9.6 million square feet. The properties were acquired by our consolidated co-investment venture Prologis U.S. Logistics Venture, in which we own 55%. The acquisition was funded through cash, the assumption of secured mortgage debt valued at \$735 million and the issuance of 4.5 million common limited partnership units in Prologis, L.P. valued at \$181.2 million. We incurred acquisition costs of \$21.9 million and received an acquisition fee of \$3.1 million representing our partners' share, which is recorded in noncontrolling interest.

**Acquisition cost**, as presented for building acquisitions, represents the economic cost and not necessarily what is capitalized. It includes the initial purchase price; the effects of marking assumed debt to market, if applicable; all due diligence and lease intangibles; and estimated acquisition capital expenditures including leasing costs to achieve stabilization.

**Adjusted EBITDA.** We use Adjusted EBITDA to measure both our operating performance and liquidity. We calculate Adjusted EBITDA beginning with consolidated net earnings (loss) attributable to common stockholders and removing the effect of interest, income taxes, depreciation and amortization, impairment charges, third party acquisition expenses related to the acquisition of real estate, gains or losses from the acquisition or disposition of investments in real estate (other than from land and development properties), gains from the revaluation of equity investments upon acquisition of a controlling interest, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other non-cash charges or gains (such as stock based compensation and unrealized gains or losses on foreign currency and derivative activity and related amortization). We make adjustments to reflect our economic ownership in each entity, whether consolidated or unconsolidated.

We consider Adjusted EBITDA to provide investors relevant and useful information because it permits investors to view our operating performance on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense and other items (outlined above), items that affect comparability, and other significant non-cash items. We also include a pro forma adjustment in Adjusted EBITDA to reflect a full period of NOI on the operating properties we acquire and stabilize and to remove NOI on properties we dispose of during the quarter assuming the transaction occurred at the beginning of the quarter. By excluding interest expense, Adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for a more meaningful comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. Gains and losses on the disposition of non-development properties and on the early extinguishment of debt generally include the costs of repurchasing debt securities. While not infrequent or unusual in nature, these items result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

We believe that Adjusted EBITDA helps investors to analyze our ability to meet interest payment obligations and to make quarterly preferred share dividends. We believe that investors should consider Adjusted EBITDA in conjunction with net earnings (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 Adjusted EBITDA, an investor is assessing the earnings generated by our operations but not taking into account the eliminated expenses or gains incurred in connection with such operations. As a result, Adjusted EBITDA has limitations as an analytical tool and should be used in conjunction with our GAAP presentations. Adjusted EBITDA does not reflect our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements or contractual commitments. Adjusted 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 Adjusted EBITDA may not be comparable to EBITDA reported by other companies. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to consolidated net earnings (loss), a GAAP measurement.

**Adjusted Cash NOI (Actual).** A reconciliation of our rental income and rental expenses included in our Statement of Operations to adjusted cash NOI for the consolidated operating portfolio for purposes of the Net Asset Value calculation is as follows (*in thousands*):

Rental income .....	\$ 461,444
Rental expenses .....	(125,599)
NOI .....	335,845
Net termination fees and adjustments (a) .....	97
Less: actual NOI for development portfolio and other .....	(18,983)
Less: properties contributed or sold (b) .....	(3,651)
Less: third party share of NOI .....	(36,227)
<b>Adjusted NOI for consolidated operating portfolio owned at June 30, 2015</b> .....	<b>277,081</b>
Straight-lined rents (c) .....	(11,421)
Free rent (c) .....	10,464
Amortization of lease intangibles (c) .....	2,999
Less: third party share .....	848
<b>Second Quarter Adjusted Cash NOI (Actual)</b> .....	<b>\$ 279,971</b>

- Net termination fees generally represent the gross fee negotiated at the time a customer is allowed to terminate its lease agreement offset by that customer's rent leveling asset or liability, if any, that has been previously recognized. Removing the net termination fees from rental income allows for the calculation of Adjusted Cash NOI (Pro forma) to include only rental income that is indicative of the property's recurring operating performance.*
- The actual NOI for properties that were contributed or sold during the three-month period is removed.*
- Straight-lined rents, free rent amount and amortization of lease intangibles (above and below market leases) are removed from rental income for the Operating Portfolio to allow for the calculation of a cash yield.*

**Adjusted Cash NOI (Pro forma)** consists of Adjusted Cash NOI (Actual) for the properties in our Operating Portfolio adjusted to reflect NOI for a full quarter for operating properties that were acquired or stabilized during the quarter. Adjusted Cash NOI (Pro forma) for the properties in our Development Portfolio is based on current Total Expected Investment and an estimated stabilized yield.

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

# Notes and Definitions

**Business Line Reporting.** Core FFO and development gains are generated by our three lines of business: (i) real estate operations; (ii) strategic capital; and (iii) development. Real estate operations represents total Prologis Core FFO, less the amount allocated to the Strategic Capital line of business. The amount of Core FFO allocated to the Strategic Capital line of business represents the third party share of the asset management related fees we earn from our co-investment ventures (both consolidated and unconsolidated) less costs directly associated to our strategic capital group, plus development management income. Development gains include our share of gains on dispositions of development properties and land, net of taxes. To calculate the per share amount, the amount generated by each line of business is divided by the weighted average diluted common shares outstanding used in our Core FFO calculation of per share amounts. Management believes evaluating our results by line of business is a useful supplemental measure of our operating performance because it helps the investing public compare the operating performance of Prologis' respective businesses to other companies' comparable businesses. Prologis' computation of FFO by line of business may not be comparable to that reported by other real estate investment trusts as they may use different methodologies in computing such measures.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Net earnings</b>				
Net earnings	\$ 140,240	\$ 72,715	\$ 485,446	\$ 77,381
Noncontrolling interest attributable to exchangeable limited partnership units	1,623	264	3,273	302
Gains, net of expenses, associated with exchangeable debt assumed exchanged	-	(7,498)	(1,614)	-
<b>Adjusted net earnings - Diluted</b>	<b>\$ 141,863</b>	<b>\$ 65,481</b>	<b>\$ 487,105</b>	<b>\$ 77,683</b>
Weighted average common shares outstanding - Basic	523,476	499,112	518,791	498,919
Incremental weighted average effect on exchange of limited partnership units	5,431	1,964	4,617	1,964
Incremental weighted average effect of stock awards	1,733	3,664	2,037	3,677
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	-	11,879	4,382	-
<b>Weighted average common shares outstanding - Diluted</b>	<b>530,640</b>	<b>516,619</b>	<b>529,827</b>	<b>504,560</b>
<b>Net earnings per share - Basic</b>	<b>\$ 0.27</b>	<b>\$ 0.15</b>	<b>\$ 0.94</b>	<b>\$ 0.16</b>
<b>Net earnings per share - Diluted</b>	<b>\$ 0.27</b>	<b>\$ 0.13</b>	<b>\$ 0.92</b>	<b>\$ 0.15</b>
<b>Core FFO</b>				
Core FFO	\$ 273,885	\$ 244,275	\$ 528,264	\$ 461,830
Noncontrolling interest attributable to exchangeable limited partnership units	902	35	1,782	57
Interest expense on exchangeable debt assumed exchanged	-	4,246	3,506	8,492
<b>Core FFO - Diluted</b>	<b>\$ 274,787</b>	<b>\$ 248,556</b>	<b>\$ 533,552</b>	<b>\$ 470,379</b>
Weighted average common shares outstanding - Basic	523,476	499,112	518,791	498,919
Incremental weighted average effect on exchange of limited partnership units	5,431	1,964	4,617	1,964
Incremental weighted average effect of stock awards	1,733	3,664	2,037	3,677
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	-	11,879	4,382	11,879
<b>Weighted average common shares outstanding - Diluted</b>	<b>530,640</b>	<b>516,619</b>	<b>529,827</b>	<b>516,439</b>
<b>Core FFO per share - Diluted</b>	<b>\$ 0.52</b>	<b>\$ 0.48</b>	<b>\$ 1.01</b>	<b>\$ 0.91</b>

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

**Debt Metrics.** See below for the detailed calculations for the respective period (*dollars in thousands*):

	Three Months Ended June 30 2015		Three Months Ended Mar. 31 2015	
<b>Debt as a % of gross real estate assets:</b>				
Total Prologis share of debt - at par	\$ 13,076,352	\$ 9,926,040		
Less: Prologis share of outstanding foreign currency derivatives	(17,749)	(171,605)		
Less: consolidated cash and cash equivalents	(351,025)	(192,013)		
Add: consolidated cash and cash equivalents - third party share	114,522	38,821		
Less: unconsolidated entities cash - Prologis share	(136,501)	(91,462)		
Total Prologis share of debt, net of adjustments	\$ 12,685,599	\$ 9,509,781		
Gross real estate assets - Prologis share	\$ 31,531,375	\$ 27,612,385		
<b>Debt as a % of gross real estate assets</b>	<b>40.2%</b>	<b>34.4%</b>		
<b>Debt as a % of gross market capitalization:</b>				
Total Prologis share of debt, net of adjustments	\$ 12,685,599	\$ 9,509,781		
Total outstanding common stock and limited Operating Partnership units	530,635	526,050		
Share price at quarter end	\$ 37.10	\$ 43.56		
Total equity capitalization	\$ 19,686,559	\$ 22,914,738		
Total Prologis share of debt, net of adjustments	12,685,599	9,509,781		
Gross market capitalization	\$ 32,372,158	\$ 32,424,519		
<b>Debt as a % of gross market capitalization</b>	<b>39.2%</b>	<b>29.3%</b>		
<b>Secured debt as a % of gross real estate assets:</b>				
Prologis share of secured debt - at par	\$ 2,740,183	\$ 2,453,166		
Gross real estate assets - Prologis share	\$ 31,531,375	\$ 27,612,068		
<b>Secured debt as a % of gross real estate assets</b>	<b>8.7%</b>	<b>8.9%</b>		
<b>Unencumbered gross real estate assets to unsecured debt:</b>				
Unencumbered gross real estate assets - Prologis share	\$ 25,240,772	\$ 21,912,632		
Prologis share of unsecured debt - at par	\$ 10,336,169	\$ 7,472,874		
<b>Unencumbered gross real estate assets to unsecured debt</b>	<b>244.2%</b>	<b>293.2%</b>		
<b>Fixed Charge Coverage ratio:</b>				
Adjusted EBITDA	\$ 489,035	\$ 365,996		
Adjusted EBITDA-annualized including 12 month rolling development gains	\$ 1,862,306	\$ 1,621,292		
Net promote for the twelve months ended	2,018	28,378		
Adjusted EBITDA-annualized	\$ 1,864,324	\$ 1,649,670		
Pro forma adjustment for mid-quarter activity and NOI from disposed properties - annualized	(114,700)	(2,960)		
Adjusted EBITDA, including NOI from disposed properties, annualized	\$ 1,749,624	\$ 1,646,710		
Interest expense	\$ 68,902	\$ 68,761		
Amortization and write-off of deferred loan costs	(2,862)	(3,418)		
Amortization of debt premium (discount), net	10,829	9,837		
Capitalized interest	16,488	16,284		
Preferred stock dividends	1,678	1,670		
Third party share of fixed charges from consolidated entities	(6,531)	(5,215)		
Our share of fixed charges from unconsolidated entities	15,921	16,933		
Total fixed charges	\$ 104,425	\$ 104,852		
Total fixed charges, annualized	\$ 417,700	\$ 419,408		
<b>Fixed charge coverage ratio</b>	<b>4.19x</b>	<b>3.93x</b>		
<b>Debt to Adjusted EBITDA:</b>				
Total Prologis share of debt, net of adjustments	\$ 12,685,599	\$ 9,509,781		
Adjusted EBITDA-annualized	\$ 1,864,324	\$ 1,649,670		
<b>Debt to Adjusted EBITDA ratio</b>	<b>6.80x</b>	<b>5.76x</b>		

# Notes and Definitions

**Development Margin** is calculated on developed properties as the estimated value at Stabilization minus estimated total investment, before closing costs, the impact of any deferred rents, taxes or third party promotes net of deferred amounts on contributions, divided by the estimated total investment.

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

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

**FFO, as defined by Prologis attributable to common stockholders/unitholders ("FFO, as defined by Prologis"); Core FFO attributable to common stockholders/unitholders ("Core FFO"); AFFO (collectively referred to as "FFO").** FFO is a financial measure that is not determined in accordance with GAAP, but is a measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings. Although the National Association of Real Estate Investment Trusts ("NAREIT") has published a definition of FFO, modifications to the NAREIT calculation of FFO are common among REITs, as companies seek to provide financial measures that meaningfully reflect their business.

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

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

- (i) historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on FFO "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." Consequently, NAREIT's definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by GAAP do not reflect the underlying economic realities. We exclude depreciation from our unconsolidated entities and the third parties' share of our consolidated ventures.
- (ii) REITs were created in order to encourage public ownership of real estate as an asset class through investment in firms that were in the business of long-term ownership and management of real estate. The exclusion, in NAREIT's definition of FFO, of gains and losses from the sales, along with impairment charges, of previously depreciated operating real estate assets allows investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists in comparing those operating results between periods. We include the gains and losses (including impairment charges) from dispositions of land and development properties, as well as our proportionate share of the gains and losses (including impairment charges) from dispositions of development properties recognized by our unconsolidated and consolidated entities, in our definition of FFO. We exclude the gain on revaluation of equity investments upon acquisition of a controlling interest from our definition of FFO.

## Our FFO Measures

At the same time that NAREIT created and defined its FFO measure for the REIT industry, it also recognized that "management of each of its member companies has the responsibility and authority to publish financial information that it regards as useful to the financial community." We believe stockholders, potential investors and financial analysts who review our operating results are best served by a 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 calculate our FFO measures, as defined below, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our FFO measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our FFO measures to remove the third party ownership share of the applicable reconciling items based on average ownership percentage for the applicable periods.

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

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

## FFO, as defined by Prologis

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

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

# Notes and Definitions

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 in *FFO*, as defined by *Prologis*:

- (i) gains or losses from contribution or sale of land or development properties;
- (ii) income tax expense related to the sale of investments in real estate and third-party acquisition costs related to the acquisition of real estate;
- (iii) impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
- (iv) gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock;
- (v) merger, acquisition and other integration expenses; and
- (vi) expenses related to natural disasters.

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

We analyze our operating performance primarily by the rental income of our real estate and the revenue driven by our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities. Although these items discussed above have had a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term.

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

## AFFO

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

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

## Limitations on Use of our FFO Measures

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

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

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



# Notes and Definitions

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

**General and Administrative Expenses ("G&A")** were as follows *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gross overhead .....	\$ 110,300	\$ 117,935	\$ 219,005	\$ 235,184
Allocated to rental expenses .....	(8,081)	(7,497)	(16,065)	(15,620)
Allocated to strategic capital expenses .....	(20,115)	(27,837)	(40,476)	(52,000)
Capitalized amounts .....	(25,077)	(22,226)	(49,149)	(43,986)
<b>G&amp;A expenses</b>	<b>\$ 57,027</b>	<b>\$ 60,375</b>	<b>\$ 113,315</b>	<b>\$ 123,578</b>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Development activities.....	\$ 18,749	\$ 17,403	\$ 36,671	\$ 34,264
Leasing activities .....	5,241	4,404	10,289	9,122
Costs related to internally developed software .....	1,087	419	2,189	600
<b>Total capitalized G&amp;A</b>	<b>\$ 25,077</b>	<b>\$ 22,226</b>	<b>\$ 49,149</b>	<b>\$ 43,986</b>

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

Net G&A - midpoint of 2015 guidance range (a) .....	\$ 240,000
Add: estimated 2015 strategic capital expenses .....	87,000
Less: estimated 2015 strategic capital property management expenses .....	(39,000)
<b>Adjusted G&amp;A, using 2015 guidance amounts</b> .....	<b>\$ 288,000</b>

Gross book value at period end (b):

Operating properties .....	\$ 46,402,142
Development portfolio - TEI .....	3,718,311
Land portfolio .....	1,793,089
Other real estate investments, assets held for sale and note receivable backed by real estate .....	1,001,547
<b>Total Gross Book Value of Assets Under Management</b> .....	<b>\$ 52,915,089</b>

**G&A as % of Assets Under Management** **0.54%**

(a) This amount represents the 2015 guidance provided in this Supplemental Package.

(b) This amount does not represent enterprise value.

**Interest Expense** consisted of the following *(in thousands)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gross interest expense.....	\$ 93,357	\$ 96,876	\$ 184,821	\$ 199,339
Amortization of discount (premium), net.....	(10,829)	(4,113)	(20,667)	(9,947)
Amortization of deferred loan costs .....	2,862	3,152	6,281	6,619
Interest expense before capitalization .....	85,390	95,915	170,435	196,011
Capitalized amounts .....	(16,488)	(15,731)	(32,772)	(30,304)
<b>Interest expense</b>	<b>\$ 68,902</b>	<b>\$ 80,184</b>	<b>\$ 137,663</b>	<b>\$ 165,707</b>

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

## Market Classification

- **Global Markets** feature large population centers with high per-capita consumption and are located near major seaports, airports, and ground transportation systems.
- **Regional Markets** benefit from large population centers but typically are not as tied to the global supply chain, but rather serve local consumption and are often less supply constrained. Markets included as regional markets include: Austin, Charlotte, Cincinnati, Columbus, Denver, Hungary, Indianapolis, Juarez, Las Vegas, Louisville, Memphis, Nashville, Orlando, Phoenix, Portland, Reno, Reynosa, San Antonio, Slovakia, Sweden and Tijuana.
- **Other Markets** represent a small portion of our portfolio that is located outside global and regional markets. These markets include: Austria, Boston, Jacksonville, Kansas City, Norfolk, Salt Lake City, Savannah and Tampa.

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

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

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

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

**Net Operating Income ("NOI")** represents rental income less rental expenses.



# Notes and Definitions

**Noncontrolling Interest.** The following table includes information for each entity we consolidate and in which we own less than 100% (*dollars in thousands*):

	Ownership Percentage	Noncontrolling Interest	Real Estate	Debt
Prologis U.S. Logistics Venture.....	55.0%	\$ 2,759,418	\$ 6,676,499	\$ 734,172
Prologis North American Industrial Fund.....	66.1%	539,279	2,753,882	1,121,355
Brazil Fund.....	50.0%	59,702	-	-
Other consolidated entities.....	various	103,051	1,009,113	16,356
Limited partners in the Operating Partnership .....		181,823	-	-
<b>Noncontrolling interests</b>		<b>\$ 3,643,273</b>	<b>\$ 10,439,494</b>	<b>\$ 1,871,883</b>

**Operating Portfolio** includes stabilized industrial properties in our owned and managed portfolio. A developed property moves into the Operating Portfolio when it meets Stabilization.

**Pro-Rata Balance Sheet and Operating Information.** The consolidated amounts shown are derived from and prepared on a consistent basis with our consolidated financial statements and are adjusted to remove the amounts attributable to non-controlling interests. The Prologis share of unconsolidated co-investment ventures column was derived on an entity-by-entity basis by applying our ownership percentage to each line item to calculate our share of that line item. For purposes of balance sheet data, we used our ownership percentage at the end of the period and for operating information, we used our average ownership percentage for the period, consistent with how we calculate our share of net earnings (loss) during the period. We used a similar calculation to derive the noncontrolling interests' share of each line item. In order to present the total owned and managed portfolio, we added our investors' share of each line item in the unconsolidated co-investment ventures and the noncontrolling interests share of each line item to the Prologis Total Share.

**Prologis Share** represents our proportionate economic ownership of each entity included in our total owned and managed portfolio.

**Rental Income** included the following (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Rental income.....	\$ 347,301	\$ 290,803	\$ 667,016	\$ 586,309
Amortization of lease intangibles.....	(3,276)	(7,280)	(9,129)	(14,974)
Rental expense recoveries.....	103,616	86,812	197,871	174,174
Straight-lined rents.....	13,803	10,938	24,488	24,004
	<b>\$ 461,444</b>	<b>\$ 381,273</b>	<b>\$ 880,246</b>	<b>\$ 769,513</b>

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

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

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

	Three Months Ended June 30,		
	2015	2014	Change (%)
<b>Rental Income:</b>			
Per the Consolidated Statements of Operations.....	\$ 461,444	\$ 381,273	
Properties not included and other adjustments (a) .....	(76,633)	(50,548)	
Unconsolidated Co-Investment Ventures.....	406,189	428,155	
<b>Same Store - Rental Income</b>	<b>\$ 791,000</b>	<b>\$ 758,880</b>	<b>4.2%</b>
<b>Rental Expense:</b>			
Per the Consolidated Statements of Operations.....	\$ 125,599	\$ 109,576	
Properties not included and other adjustments (b) .....	(12,343)	(12,098)	
Unconsolidated Co-Investment Ventures.....	92,909	101,955	
<b>Same Store - Rental Expense</b>	<b>\$ 206,165</b>	<b>\$ 199,433</b>	<b>3.4%</b>
<b>NOI-GAAP:</b>			
Per the Consolidated Statements of Operations.....	\$ 335,845	\$ 271,697	
Properties not included and other adjustments .....	(64,290)	(38,450)	
Unconsolidated Co-Investment Ventures.....	313,280	326,200	
<b>Same Store - NOI - GAAP</b>	<b>\$ 584,835</b>	<b>\$ 559,447</b>	<b>4.5%</b>
<b>Same Store - NOI - GAAP - Prologis Share (c)</b>	<b>\$ 349,401</b>	<b>\$ 329,981</b>	<b>5.9%</b>
<b>NOI-Adjusted Cash:</b>			
Same store- NOI - GAAP .....	\$ 584,835	\$ 559,447	
Adjustments (d).....	(7,186)	(4,656)	
<b>Same Store - NOI- Adjusted Cash</b>	<b>\$ 577,649</b>	<b>\$ 554,791</b>	<b>4.1%</b>
<b>Same Store - NOI- Adjusted Cash - Prologis Share (c)</b>	<b>\$ 345,507</b>	<b>\$ 328,574</b>	<b>5.2%</b>

- (a) To calculate Same Store rental income, we exclude the net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance.
- (b) To calculate Same Store rental expense, we include an allocation of the property management expenses for our consolidated properties based on the property management fee that is provided for in the individual management agreements under which our wholly owned management companies provide property management services (generally the fee is based on a percentage of revenue). On consolidation, the management fee income and expenses are eliminated and the actual cost of providing property management services is recognized.

# Notes and Definitions

- (a) *Prologis share of Same Store is calculated using the underlying building information from the Same Store NOI GAAP and Adjusted Cash calculations and applying our ownership percentage as of June 30, 2015 to the NOI of each building for both periods.*
- (b) *In order to derive Same Store- NOI - Adjusted Cash, we adjust Same Store- NOI- GAAP to exclude non-cash items included in our rental income in our GAAP financial statements, including straight line rent adjustments and adjustments related to purchase accounts to reflect leases at fair value at the time of acquisition.*

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

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

**Strategic Capital NOI** represents strategic capital income less strategic capital expenses.

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

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

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

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

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

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

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

# 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 properties, disposition activity, general conditions in the geographic areas where we operate, our debt and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust ("REIT") status and tax structuring, (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings, (vii) risks related to our investments in our co-investment ventures and funds, including our ability to establish new co-investment ventures and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) those additional factors discussed in reports filed with the Securities and Exchange Commission by Prologis under the heading "Risk Factors." Prologis undertakes no duty to update any forward-looking statements appearing in this presentation.