February 9, 2009

ProLogis Reports Fourth Quarter and Full-Year 2008 Results

- FFO, Excluding Significant Non-cash Items, In line with Guidance -

- Closes Asia Transaction -

- First Quarter Dividend to be Paid in Cash -

- Company Outlines Expectations for 2009 Results -

DENVER, Feb. 9 /PRNewswire-FirstCall/ -- ProLogis (NYSE: PLD), a leading global provider of distribution facilities, today reported funds from operations as defined by ProLogis (FFO), excluding significant non-cash items, of $3.68 per diluted share for the year ended December 31, 2008, compared with $4.61 per share in 2007. FFO, including significant non-cash items, was $0.68 per share, compared with $4.61 in 2007. For 2008, the company reported a net loss of $1.65 per diluted share, compared with net earnings of $3.94 in 2007.

For the fourth quarter ended December 31, 2008, FFO, excluding significant non-cash items, was $0.61 per share, compared with $0.79 in 2007. FFO, including significant non-cash items, for the fourth quarter of 2008 was a net loss of $2.43 per diluted share, compared with a net gain of $0.79 in the fourth quarter of 2007. The company reported a net loss of $3.34 per diluted share for the fourth quarter of 2008, compared with net earnings of $0.43 per diluted share for the fourth quarter of 2007.

"After a thorough review of the assets on our balance sheet and in our unconsolidated investees, we recognized impairment charges where appropriate, given the current economic climate and our long-term intent for the properties," said Walter C. Rakowich, chief executive officer. "Excluding these adjustments, our results were in line with expectations, and these non-cash charges do not affect our liquidity or our conviction in the long-term value of our global portfolio."

Fundamentals Held Up in Fourth Quarter but Now Seeing Softening

"Our operating fundamentals held up reasonably well in the fourth quarter, with essentially flat same-store net operating income, stable levels of leasing activity and above-average customer retention, despite a decrease in activity levels toward the end of the year," Rakowich added.

"Companies are dealing with capital limitations and the uncertainties of the current economic environment and are therefore hesitant to incur the cost to relocate their facilities. As a result, our customer retention is healthy, but lease-up of newly developed inventory space is tepid. Fortunately, most markets are not significantly oversupplied, and new development deliveries in 2009 are expected to be at the lowest level in decades. We continue to closely monitor market conditions and believe that the quality of our people and strength of our customer relationships will help us maintain better leasing levels than overall market averages during these difficult times."

Disposition and Contribution Activity Supports De-leveraging Goal

In November 2008, ProLogis outlined a series of actions to achieve a reduction of roughly $2 billion in direct debt during 2009. The plan includes reducing the company's development pipeline through fund contributions, asset sales and a halt in all but previously committed development starts.

During the fourth quarter, ProLogis completed total dispositions with aggregate proceeds of $1.33 billion, including contributions to ProLogis property funds of $1.25 billion. Ted R. Antenucci, chief investment officer, said, "We pulled several development projects in the fourth quarter that were previously included in our year-to-date new construction starts, resulting in a reduction of over $345 million. For the full year, new development starts were just $2.1 billion in 2008, down by more than half from our initial expectation of $4.4 to $4.8 billion, in light of the rapidly deteriorating economic environment in the fourth quarter of 2008.

"While we have an additional $885 million of costs associated with completing and leasing our development pipeline, we do not anticipate significant commitments beyond that level because we intend to pursue development management opportunities and projects funded by venture partners that enable us to leverage our development infrastructure and monetize land. Between the reduction in new development spending, the sale of our China operations and 2008 disposition activity, we have reduced our development pipeline to just over $5 billion, from nearly $8 billion at the end of the third quarter."

Summary of Impairments and Non-cash Adjustments

In total, the company recorded impairments and non-cash adjustments of approximately $811 million.

Components of the non-cash charges recognized in the fourth quarter are as follows:

- Impairment of goodwill and other assets of $320.6 million;
- Impairment of land and operating properties of $274.7 million;
- Impairment related to assets held for sale - China operations of $198.2 million;
- ProLogis' share of losses and impairments in property funds of $108.2 million; and
- Gain on early extinguishment of debt of $90.7 million.

The company also recognized a charge of $26.4 million, or $0.10 per diluted share, in the fourth quarter related to its reduction in workforce. This amount is reflected in FFO, excluding significant non-cash items.

Asia Transaction Closed

Additionally, the company said that it has closed the previously announced sale of its operations in China and property fund interests in Japan to affiliates of GIC Real Estate (GIC RE), the real estate investment arm of the Government of Singapore Investment Corporation. Total cash consideration for the transaction is $1.3 billion, which will be used to reduce debt and for general corporate purposes. The funding will occur in two phases; $500 million was received by ProLogis upon closing and the remaining $800 million will be funded upon completion of year-end audits of certain entities, which the company expects to provide as soon as possible, but no later than early in the second quarter.

GIC RE has assumed all liabilities associated with the properties acquired. In addition, GIC RE will reimburse ProLogis approximately $45 million of development funding expended by the company in China since November 1, 2008.

While the impairment charge of $198 million associated with the sale of the company's China operations is included in the non-cash charges taken in 2008 outlined above, the gain of approximately $140 million associated with the sale of the company's property fund interests in Japan will be recognized in 2009. As a result of the Asia transaction, ProLogis' development pipeline is reduced by $1.0 billion, including over $200 million in costs to complete development of the assets previously owned directly and within ProLogis' development joint ventures in China.

First Quarter Dividend to be Paid in Cash

William E. Sullivan, chief financial officer, added, "With our recently closed sale of certain Asian operations for $1.3 billion and other initiatives, we are making significant progress toward our de-leveraging goal. Additionally, the ProLogis Board has declared the company's first quarter dividend of $0.25 per common share, which will be paid in cash."

The company noted that it is the ProLogis Board's intent to pay regular quarterly dividends in cash; however, it reserves the right to review this decision in light of overall credit availability and the company's liquidity position each quarter. The $0.25 per share first quarter common dividend will be payable on February 27, 2009, to shareholders of record on February 19, 2009.

Business Drivers Support 2009 Guidance

Additionally, the company provided revised 2009 guidance of $1.85 to $2.05 in FFO per share and $1.05 to $1.15 in earnings per share. "With economic weakness anticipated to persist through 2009, we are focused on our core industrial business in our existing markets. Our guidance reflects that focus; however, sizeable asset sales or other corporate actions could alter our expectations, which we will reflect in future guidance," Sullivan added. For details on the key business drivers and assumptions that support the company's 2009 guidance, please use this link: http://ir.prologis.com/investors/business_drivers.cfm or visit the company's website at http://ir.prologis.com.

Selected Financial and Operating Information

-- Same-store net operating income in the quarter was essentially flat. Average full-year, same-store net operating income grew by 1.62 percent with a 0.84 percent increase in same-store leasing and 2.81 percent same-store rent growth on turnovers.
-- Reported leasing of 94.7 percent in the direct owned, non-development portfolio, compared with 95.2 percent at December 31, 2007.
-- Recycled a total of $4.9 billion of capital through contributions and

dispositions during the year. Post-deferral, post-tax margins for all CDFS dispositions averaged 10.6 percent for the fourth quarter and 16.0 percent for full year 2008.

-- Grew income from ProLogis' Investment Management business by 20.7 percent, to $306.6 million for the year, before our share of losses in ProLogis European Properties, compared with $254.1 million in 2007.

-- Ended the year with total liquidity of $1.25 billion, including cash and availability under the company's global lines of credit.

Copies of ProLogis' fourth quarter/year-end 2008 supplemental information will be available from the company's website at http://ir.prologis.com. The supplemental information also is available on the SEC's website at http://www.sec.gov. The related conference call will be available via a live webcast on the company's website at http://ir.prologis.com at 10:00 a.m. Eastern Time on Tuesday, February 10, 2009. A replay of the webcast will be available on the company's website until February 24, 2009. Additionally, a podcast of the company's conference call will be available on the company's website as well as on the REITCafe website located at http://www.REITcafe.com.

About ProLogis

ProLogis is a leading global provider of distribution facilities, with more than 475 million square feet of industrial space (44 million square meters) in markets across North America, Europe and Asia. The company leases its industrial facilities to more than 4,000 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises with large-scale distribution needs. For additional information about the company, go to http://www.prologis.com.

The statements above 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, they 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, general conditions in the geographic areas where we operate 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, (v) maintenance of real estate investment trust ("REIT") status, (vi) availability of financing and capital, (vii) changes in demand for developed properties, and (viii) those additional factors discussed in "Item 1A. Risk Factors" of ProLogis' Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and in "Item 1A -Risk Factors" in ProLogis' Annual Report on Form 10-K for the year ended December 31, 2007. ProLogis undertakes no duty to update any forward-looking statements appearing in this press release.

Overview

(in thousands, except per share amounts)

Summary of Results

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Twelve Months Ended December 31, 2008	Twelve Months Ended December 31, 2007
Revenues	$1,492,246	$794,803	$5,654,826	$6,188,672
Net earnings (loss) (a)	$(887,065)	$113,278	$(432,196)	$1,048,917
Net earnings (loss) per share - Diluted (a)	$(3.34)	$0.43	$(1.65)	$3.94
FFO, including significant non-cash items (a)	$(645,929)	$211,235	$180,870	$1,227,008
Add (deduct) significant non-cash items:				
Impairment of goodwill and other assets	320,636	-	320,636	-
Impairment related to assets held for sale - China operations	198,236	-	198,236	-
Impairment of real estate properties	274,705	-	274,705	-
Our share of the loss/impairment recorded by PEPR	108,195	-	108,195	-
Gain on early extinguishment of debt	(90,719)	-	(90,719)	-
Total adjustments for significant non-cash items	811,053	-	811,053	-
FFO, excluding significant non-cash items (a)	$165,124	$211,235	$991,923	$1,227,008
FFO per share - Diluted, including significant non-cash items (a)	$(2.43)	$0.79	$0.68	$4.61
Add back - summarized significant non-cash adjustments - per share	3.04	-	3.00	-
FFO per share - Diluted, excluding significant non-cash items (a)	$0.61	$0.79	$3.68	$4.61
Distributions per common share (b)	$0.5175	$0.45	$2.07	$1.80

(a) These amounts are attributable to common shares.
(b) The annual distribution rate for 2008 was $2.07 per common share. In

November 2008, the Board of Trustees set the distribution for 2009 at $1.00 per common share, subject to market conditions and Real Estate Investment Trust ("REIT") distribution requirements. The payment of common share distributions and its composition between cash and stock is dependent upon our financial condition and operating results and may be adjusted at the discretion of the Board of Trustees during the year.

Consolidated Balance Sheets

(in thousands, except per share data)

	December 31, 2008 (1)	December 31, 2007
Assets:		
Investments in real estate assets:		
Industrial properties:		
Core	$7,925,019	$8,149,392
Completed development	3,031,449	2,850,687
Properties under development	1,163,610	1,986,285
Land held for development	2,481,216	2,152,960
Retail and mixed use properties	358,992	336,279
Land subject to ground leases and other	424,489	450,923
Other investments	321,397	652,319
	15,706,172	16,578,845
Less accumulated depreciation	1,583,299	1,368,458
Net investments in real estate assets	14,122,873	15,210,387
Investments in and advances to unconsolidated investees:		
Property funds	1,957,977	1,755,113
Other investees	312,016	590,164
Total investments in and advances to unconsolidated investees	2,269,993	2,345,277
Cash and cash equivalents	174,636	399,910
Accounts and notes receivable	244,778	340,039
Other assets	1,129,182	1,408,814
Discontinued operations - assets held for sale (1)	1,310,754	19,607
Total assets	$19,252,216	$19,724,034
Liabilities and Shareholders' Equity:		
Liabilities:		
Debt	$11,007,636	$10,506,068
Accounts payable and accrued expenses	658,868	933,075
Other liabilities	751,238	769,408
Discontinued operations - assets held for sale (1)	389,884	424
Total liabilities	12,807,626	12,208,975
Minority interest	19,878	78,661
Shareholders' equity:		
Series C preferred shares at stated liquidation preference		

of $50 per share	100,000	100,000
Series F preferred shares at stated liquidation preference of $25 per share	125,000	125,000
Series G preferred shares at stated liquidation preference of $25 per share	125,000	125,000
Common shares at $.01 par value per share	2,670	2,577
Additional paid-in capital	6,688,615	6,412,473
Accumulated other comprehensive (loss) income	(29,374)	275,322
(Distributions in excess of net earnings) retained earnings	(587,199)	396,026
Total shareholders' equity	6,424,712	7,436,398
Total liabilities and shareholders' equity	$19,252,216	$19,724,034

Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Revenues:				
Rental income (2)	$239,107	$253,798	$1,002,493	$1,052,219
CDFS disposition proceeds:				
Developed and repositioned properties	1,192,935	438,296	4,206,446	2,530,377
Acquired property portfolios	18,781	68,240	289,019	2,475,035
Property management and other fees and incentives	33,815	32,040	131,011	104,719
Development management and other income	7,608	2,429	25,857	26,322
Total revenues	1,492,246	794,803	5,654,826	6,188,672
Expenses:				
Rental expenses	73,236	69,070	325,049	284,421
Cost of CDFS dispositions:				
Developed and repositioned properties	1,083,272	346,931	3,547,500	1,835,274
Acquired property portfolios	18,781	68,240	289,019	2,406,426
General and administrative (3)	43,592	53,602	204,300	193,204
Reduction in workforce (3)	23,131	-	23,131	-
Impairment of real estate properties (4)	274,705	-	274,705	12,600
Depreciation and amortization (5)	103,290	81,835	339,491	302,413
Other expenses	17,446	3,479	28,104	12,363
Total expenses	1,637,453	623,157	5,031,299	5,046,701
Operating income (loss)	(145,207)	171,646	623,527	1,141,971
Other income (expense):				

Earnings (loss) from unconsolidated property funds, net (6)	(105,024)	12,997	(69,116)	94,453
Earnings (loss) from other unconsolidated investees, net	914	(1,424)	13,342	4,573
Interest expense (7)	(88,737)	(81,087)	(341,305)	(368,512)
Impairment of goodwill and other assets (4)	(320,636)	-	(320,636)	-
Gain on early extinguishment of debt (8)	90,719	-	90,719	-
Interest and other income, net	2,526	331	16,522	32,129
Total other income (expense)	(420,238)	(69,183)	(610,474)	(237,357)
Earnings (loss) before minority interest	(565,445)	102,463	13,053	904,614
Minority interest share in income	(172)	(1,403)	(3,837)	(4,814)
Earnings (loss) before certain net gains	(565,617)	101,060	9,216	899,800
Gains recognized on dispositions of certain non-CDFS business assets (9)	5,853	1,293	11,668	146,667
Foreign currency exchange gains (losses), net (10)	(115,303)	(3,141)	(148,281)	8,132
Earnings (loss) before income taxes	(675,067)	99,212	(127,397)	1,054,599
Income taxes:				
Current income tax expense	15,726	8,768	63,441	66,339
Deferred income tax expense (benefit)	(14,834)	(5,090)	4,570	516
Total income taxes	892	3,678	68,011	66,855
Earnings (loss) from continuing operations	(675,959)	95,534	(195,408)	987,744
Discontinued operations:				
Income (loss) attributable to assets held for sale and disposed properties (1)(11)	(15,626)	3,874	(32,630)	5,099
Impairment related to assets held for sale - China operations (1)	(198,236)	-	(198,236)	-
Gains recognized on dispositions:				
Non-CDFS business assets	1,557	14,044	9,718	52,776
CDFS business assets	7,551	6,184	9,783	28,721
Total discontinued operations	(204,754)	24,102	(211,365)	86,596
Net earnings (loss)	(880,713)	119,636	(406,773)	1,074,340
Less preferred share dividends	6,352	6,358	25,423	25,423
Net earnings (loss) attributable to common shares	$(887,065)	$113,278	$(432,196)	$1,048,917
Weighted average common shares outstanding - Basic	265,898	258,110	262,729	256,873
Weighted average common shares outstanding -				

Diluted	265,898	268,293	262,729	267,226
Net earnings (loss) per share attributable to common shares - Basic:				
Continuing operations	$(2.57)	$0.35	$(0.85)	$3.74
Discontinued operations	(0.77)	0.09	(0.80)	0.34
Net earnings (loss) per share attributable to common shares - Basic	$(3.34)	$0.44	$(1.65)	$4.08
Net earnings (loss) per share attributable to common shares - Diluted:				
Continuing operations	$(2.57)	$0.34	$(0.85)	$3.62
Discontinued operations	(0.77)	0.09	(0.80)	0.32
Net earnings (loss) per share attributable to common shares - Diluted	$(3.34)	$0.43	$(1.65)	$3.94

Footnotes follow Financial Statements

Consolidated Statements of Funds From Operations (FFO)

(in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Revenues:				
Rental income	$249,778	$259,781	$1,035,335	$1,079,960
CDFS disposition proceeds:				
Developed and repositioned properties	1,239,378	470,772	4,271,786	2,736,151
Acquired property portfolios	18,781	68,240	372,667	2,475,035
Property management and other fees and incentives	34,466	32,040	132,038	104,719
Development management and other income	7,822	2,734	26,344	26,670
Total revenues	1,550,225	833,567	5,838,170	6,422,535
Expenses:				
Rental expenses	79,488	70,432	343,192	292,064
Cost of CDFS dispositions:				
Developed and repositioned properties	1,123,320	375,836	3,605,923	2,018,523
Acquired property portfolios	18,781	68,240	372,667	2,406,426
General and administrative (3)	52,498	57,585	226,021	204,558
Reduction in workforce (3)	26,431	-	26,431	-
Impairment of real estate properties (4)	274,705	-	274,705	12,600
Depreciation of corporate assets	4,177	2,885	16,332	10,882
Other expenses	21,400	3,479	33,192	12,363
Total expenses	1,600,800	578,457	4,898,463	4,957,416

	(50,575)	255,110	939,707	1,465,119
Other income (expense):				
FFO from unconsolidated property funds (6)	(62,039)	45,600	66,415	149,400
FFO from other unconsolidated investees	858	6,307	6,162	18,991
Interest expense	(89,109)	(80,810)	(341,696)	(368,065)
Impairment related to assets held for sale - China operations (1)	(198,236)	-	(198,236)	-
Impairment of goodwill and other assets (4)	(320,636)	-	(320,636)	-
Gain on early extinguishment of debt (8)	90,719	-	90,719	-
Interest and other income, net	3,724	1,479	20,806	34,001
Foreign currency exchange gains (losses), net	723	2,559	(7,009)	24,299
Current income tax expense (12)	(16,727)	(9,400)	(56,170)	(65,311)
Total other income (expense)	(590,723)	(34,265)	(739,645)	(206,685)
FFO, including significant non-cash items	(641,298)	220,845	200,062	1,258,434
Less preferred share dividends	6,352	6,358	25,423	25,423
Less minority interest share in income (loss)	(1,721)	3,252	(6,231)	6,003
FFO attributable to common shares, including significant non-cash items	$(645,929)	$211,235	$180,870	$1,227,008
Adjustments for significant non-cash items	811,053	-	811,053	-
FFO attributable to common shares, excluding significant non-cash items	$165,124	$211,235	$991,923	$1,227,008
Weighted average common shares outstanding - Basic	265,898	258,110	262,729	256,873
FFO per share attributable to common shares, including significant non-cash items:				
Basic	$(2.43)	$0.82	$0.69	$4.78
Diluted	$(2.43)	$0.79	$0.68	$4.61
FFO per share attributable to common shares, excluding significant non-cash items:				
Basic	$0.62	$0.82	$3.78	$4.78
Diluted	$0.61	$0.79	$3.68	$4.61

Footnotes follow Financial Statements

Reconciliations of Net Earnings (Loss) to FFO and EBITDA

(in thousands)

Reconciliation of net earnings (loss) to FFO, including significant non-cash items

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Net earnings (loss) (a)	$(887,065)	$113,278	$(432,196)	$1,048,917
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	99,113	78,950	323,159	291,531
Adjustments to gains on CDFS dispositions for depreciation	(1,156)	(2,613)	(2,866)	(6,196)
Gains recognized on dispositions of certain non-CDFS business assets	(5,806)	(1,293)	(11,620)	(146,667)
Reconciling items attributable to discontinued operations (11):				
Gains recognized on dispositions of non-CDFS business assets	(1,557)	(14,044)	(9,718)	(52,776)
Real estate related depreciation and amortization	3,157	2,586	11,485	9,454
Total discontinued operations	1,600	(11,458)	1,767	(43,322)
Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	51,159	35,357	155,067	99,026
Gains on dispositions of non-CDFS business assets	(329)	(1,181)	(492)	(35,672)
Other amortization items	(3,337)	(2,355)	(15,840)	(8,731)
Total unconsolidated investees	47,493	31,821	138,735	54,623
Total NAREIT defined adjustments	141,244	95,407	449,175	149,969
Subtotal-NAREIT defined FFO	(745,821)	208,685	16,979	1,198,886
Add (deduct) our defined adjustments:				
Foreign currency exchange losses, net	117,145	4,789	144,364	16,384
Current income tax expense (12)	-	-	9,656	3,038
Deferred income tax expense (benefit)	(15,406)	(5,160)	4,073	550

Our share of reconciling items from unconsolidated investees:				
Foreign currency exchange losses (gains), net	(82)	(4,005)	2,331	1,823
Unrealized losses on derivative contracts, net	18,007	-	23,005	-
Deferred income tax expense (benefit)	(19,772)	6,926	(19,538)	6,327
Total unconsolidated investees	(1,847)	2,921	5,798	8,150
Total our defined adjustments	99,892	2,550	163,891	28,122
FFO, including significant non-cash items (a)	$(645,929)	$211,235	$180,870	$1,227,008

Reconciliation of FFO, including significant non-cash items, to FFO, excluding significant non-cash items

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
FFO, including significant non-cash items (a)	$(645,929)	$211,235	$180,870	$1,227,008
Add (deduct) significant non-cash items:				
Impairment of goodwill and other assets (4)	320,636	-	320,636	-
Impairment related to assets held for sale - China operations (1)	198,236	-	198,236	-
Impairment of real estate properties (4)	274,705	-	274,705	-
Our share of the loss/impairment recorded by PEPR (6)	108,195	-	108,195	-
Gain on early extinguishment of debt (8)	(90,719)	-	(90,719)	-
Total adjustments for significant non-cash items	811,053	-	811,053	-
FFO, excluding significant non-cash items (a)	$165,124	$211,235	$991,923	$1,227,008

Reconciliation of FFO, excluding significant non-cash items, to EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
FFO, excluding significant non-cash items (a)	$165,124	$211,235	$991,923	$1,227,008
Interest expense	89,109	80,810	341,696	368,065
Depreciation of corporate assets	4,177	2,885	16,332	10,882
Current income tax expense included in FFO	16,727	9,400	56,170	65,311
Adjustments to CDFS gains on dispositions for interest capitalized	12,637	11,036	57,632	43,669
Preferred share dividends	6,352	6,358	25,423	25,423
Reconciling items attributable to discontinued operations	372	(277)	391	(447)
Impairment charges	-	659	-	13,259
Share of reconciling items from unconsolidated investees	33,812	43,393	173,900	127,558
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$328,310	$365,499	$1,663,467	$1,880,728

See Consolidated Statements of Operations and Consolidated Statements of FFO.
Footnotes follow Financial Statements

(a) Attributable to common shares.

Calculation of Per Share Amounts

(in thousands, except per share amounts)

Net Earnings (Loss) Per Share

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Net earnings (loss) - Basic (a)	$(887,065)	$113,278	$(432,196)	$1,048,917
Minority interest attributable to convertible limited partnership units (b)	-	1,404	-	4,813
Adjusted net earnings (loss) - Diluted (a)	$(887,065)	$114,682	$(432,196)	$1,053,730
Weighted average common shares outstanding - Basic	265,898	258,110	262,729	256,873
Incremental weighted average effect of conversion of limited partnership units (b)	-	5,053	-	5,078

Incremental weighted average effect of stock awards (b)	-	5,130	-	5,275
Weighted average common shares outstanding - Diluted	265,898	268,293	262,729	267,226
Net earnings (loss) per share - Diluted (a)	$(3.34)	$0.43	$(1.65)	$3.94

FFO Per Share, including significant non-cash items

	Three Months Ended December 31, 2008	2007	Twelve Months Ended December 31, 2008	2007
FFO - Basic, including significant non-cash items (a)	$(645,929)	$211,235	$180,870	$1,227,008
Minority interest attributable to convertible limited partnership units (b)	-	1,404	-	4,813
FFO - Diluted, including significant non-cash items (a)	$(645,929)	$212,639	$180,870	$1,231,821
Weighted average common shares outstanding - Basic	265,898	258,110	262,729	256,873
Incremental weighted average effect of conversion of limited partnership units (b)	-	5,053	-	5,078
Incremental weighted average effect of stock awards (b)	-	5,130	3,372	5,275
Weighted average common shares outstanding - Diluted	265,898	268,293	266,101	267,226
FFO per share - Diluted, including significant non-cash items (a)	$(2.43)	$0.79	$0.68	$4.61

FFO Per Share, excluding significant non-cash items

	Three Months Ended December 31, 2008	2007	Twelve Months Ended December 31, 2008	2007
FFO - Basic, including significant non-cash items (a)	$(645,929)	$211,235	$180,870	$1,227,008
Adjustments for significant non-cash items	811,053	-	811,053	-
Minority interest attributable to convertible limited partnership units	172	1,404	3,837	4,813

FFO - Diluted, excluding significant non-cash items (a)	$165,296	$212,639	$995,760	$1,231,821
Weighted average common shares outstanding - Basic	265,898	258,110	262,729	256,873
Incremental weighted average effect of conversion of limited partnership units	2,551	5,053	4,447	5,078
Incremental weighted average effect of stock awards	1,527	5,130	3,372	5,275
Weighted average common shares outstanding - Diluted	269,976	268,293	270,548	267,226
FFO per share - Diluted, excluding significant non-cash items (a)	$0.61	$0.79	$3.68	$4.61

(a) Attributable to common shares.
(b) During a loss period, the impact from convertible partnership units and stock awards are not included as the impact is anti-dilutive.

Notes to Financial Statements

Please also refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q for further information about us and our business. Certain 2007 amounts in our financial statements have been reclassified to conform to the 2008 presentation.

Due to recent economic conditions and the resulting changes in our near- term business strategy, we have reorganized our business segments. As a result, as of December 31, 2008, we have two operating segments- Direct Owned and Investment Management, and we no longer include any assets in the CDFS Business segment. We have continued to present the results of operations of our CDFS Business segment separately.

Our direct owned segment represents the direct, long-term ownership of industrial distribution properties. Our investment strategy in this segment focuses primarily on the ownership and leasing of industrial distribution properties in key distribution markets. We consider these properties to be our Core Portfolio. Also included in this segment are operating properties we developed with the intent to contribute the properties to an unconsolidated property fund that we previously referred to as our "CDFS Pipeline", and we now refer to as our Completed Development Portfolio. Due to the current economic conditions, there is uncertainty regarding future contributions to the property funds. We may contribute either Core or Development properties to the property funds or sell them to third parties. If we contribute or sell Development properties in the future, we expect to recognize FFO to the extent the proceeds received exceed our original investment (i.e. prior to depreciation). In addition, we have industrial distribution properties that are currently under development (also included in our Development Portfolio) and land available for development that is part of this segment as well. The investment management segment represents the investment management of unconsolidated property funds and joint ventures and the properties they own.

(1) On December 23, 2008, we announced the signing of a binding agreement to sell our operations in China and our property fund interests in Japan, to affiliates of GIC Real Estate (GIC RE), the real estate investment company of the Government of Singapore Investment Corporation, for total cash consideration of $1.3 billion.

Of the total cash consideration, $800 million was related to the China operations. The sale of operations in China includes all our assets and liabilities, including real estate, investments in joint ventures and a property fund, as well as the assumption of all liabilities. The total consideration will be adjusted for development funding we made for the China operations after November 1, 2008 and through the date of closing. In accordance with Statement of Financial Accounting Standards (''SFAS'') 144, ''Accounting for the Impairment or Disposal of Long-Lived Assets" (''SFAS 144''), we have classified all of the assets and liabilities associated with our China operations as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008. Based on the carrying values of these assets and liabilities, as compared with the estimated sales proceeds less costs to sell, we recognized an impairment of $198.2 million that is included in Discontinued Operations in the fourth quarter of 2008. In addition, the results of our China operations are presented as discontinued operations in our accompanying Consolidated Statements of Operations for all periods. As we include discontinued operations in our calculations of FFO, the results of our China operations are included in the appropriate line items for our Consolidated Statements of FFO. The 2008 operating information presented throughout this report does not include China.

The sale closed on February 9, 2009 and the funding will occur in two phases; we received $500 million upon closing and the remaining $800 million will be funded upon completion of year-end audits of certain entities, which the company expects to provide as soon as possible, but no later than early in the second quarter. While the impairment charge of $198.2 million associated with the sale of our China operations is included in 2008, the gain of approximately $140 million associated with the sale of our property fund interests in Japan will be recognized in 2009.

In addition, we have entered into an agreement to sell one property in Japan to GIC RE. This property has been classified as Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008, and its operations have been included in Discontinued Operations for all periods presented in our accompanying Consolidated Statements of Operations. See note 11 for more information on this and other properties classified as discontinued operations.

(2) In our Consolidated Statements of Operations, rental income includes the following (in thousands):

	Three Months Ended December 31,	Twelve Months Ended December 31,

	2008	2007	2008	2007
Rental income	$175,644	$188,663	$736,765	$791,100
Rental expense recoveries	53,923	54,799	231,809	217,022
Straight-lined rents	9,540	10,336	33,919	44,097
	$239,107	$253,798	$1,002,493	$1,052,219

(3) As we have previously announced in the fourth quarter of 2008, in response to the difficult economic climate, we initiated G&A expense reductions with a near-term target of a 20 to 25 % reduction. These initiatives include a Reduction in Workforce ("RIF") and reductions to other expenses. In December, we implemented a RIF program with a total cost of the program of $26.4 million, included in our Statements of FFO, which includes $3.3 million for China that is presented as discontinued operations in our Statements of Operations. In addition, we have implemented various cost savings measures in an effort to reduce G&A. We may incur RIF charges in 2009 for additional employees identified due to our change in business strategy.

(4) The global financial markets have undergone pervasive and fundamental disruptions. The credit crisis, and the impact to us, worsened during the fourth quarter of 2008. As a result of these significant adverse changes in market conditions, we reviewed our assets for potential impairment under the appropriate accounting literature and considering current market conditions, as well as our intent with regard to owning or disposing of the asset. In connection with that review, in the fourth quarter of 2008, we recorded the following impairment charges (in millions):

Included in "Impairment of Real Estate Properties":		
Land Held for Development		$194.2
Completed Development Properties		34.8
Other Real Estate Investments		45.7
Total Impairment of Real Estate Properties		274.7
Total Impairment of Goodwill and Other Assets	320.6	
Total direct owned impairment charges included in continuing operations		$595.3

(5) As of September 30, 2008, we had classified a group of properties that we had developed or acquired with the intent to contribute to a property fund or sell to a third party as our "CDFS Pipeline". Our policy is to not depreciate these properties during the period from completion until their contribution provided they meet certain criteria. With the reorganization of our business segments and the uncertainty as to when, or if, these properties will be contributed, in the fourth quarter we recorded an adjustment of $30.9 million to depreciate these buildings from the date of stabilization through December 31, 2008.

(6) In December 2008, we purchased units in ProLogis European Properties Fund II ("PEPF II") from ProLogis European Properties ("PEPR") that represented an approximate 20% interest in PEPF II for €43 million

($61.1 million). The units were purchased at a discount to net asset value due to PEPR's current financial situation. As a result of this transaction and contributions made in December, as of December 31, 2008, we own a 34.3% direct interest in PEPF II and have assumed €348 million of PEPR's future equity commitments related to these units. PEPR owns a 10.4% interest in PEPF II and as a result of our ownership in PEPR, we own an additional 2.6% of PEPF II indirectly (combined direct and indirect ownership in PEPF II at December 31, 2008 was 36.9%).

In January 2009, PEPR received offers for their remaining 10.4% interest in PEPF II for €10.5 million. As a result of the sale of its PEPF II units to us and the impairment of their remaining ownership (based on offers received), PEPR recognized a total loss of €310.9 million in the fourth quarter of 2008. Our share of this loss, reflected as FFO/Earnings (Loss) from Unconsolidated Property Funds in our consolidated financial statements, was $108.2 million.

In connection with our purchase of PEPR's interest in PEPF II, PEPR has a 12-month option to repurchase the 20% interest from us at our cost per unit (including any capital contributions we have made related to these units).

(7) The following table presents the components of interest expense as reflected in our Consolidated Statements of Operations (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Gross interest expense	$117,114	$119,351	$477,933	$487,410
Amortization of discount (premium), net	891	(984)	(702)	(7,797)
Amortization of deferred loan costs	3,619	2,728	12,759	10,555
Interest expense before capitalization	121,624	121,095	489,990	490,168
Less: capitalized amounts	32,887	40,008	148,685	121,656
Net interest expense	$88,737	$81,087	$341,305	$368,512

In May 2008, the Financial Accounting Standards Board issued Staff Position No. APB 14-1 "Accounting for Convertible Debt Instruments that May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)" that requires separate accounting for the debt and equity components of convertible debt. The value assigned to the debt component is the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The resulting debt discount would be amortized over the expected period outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. The effective date of the change is January 1, 2009 with the application of the new accounting applied retrospectively to both new and existing convertible instruments, including the notes issued in 2007 and 2008. As a result of the new accounting, beginning in 2009, we will recognize additional non-cash interest expense of between $73 million and $83 million per annum, prior to the capitalization of interest due to our development activities. Prior periods will be restated for the partial year impact.

(8) During the fourth quarter of 2008, we began a tender offer to purchase certain of our unsecured senior notes. We completed the tender offer in December 2008 by purchasing $309.7 million principal amount of 5.25 percent unsecured notes due November 15, 2010 for $216.8 million. We utilized cash on hand and borrowings under our global lines of credit to fund the tender offer. This represents approximately 62 percent of the principal amount of this series of notes outstanding prior to the tender offer. In connection with this transaction, we recognized a gain of $90.7 million that is reported as "Gain on Early Extinguishment of Debt" in our Consolidated Statements of Operations and FFO.

(9) During 2008, we contributed one non-CDFS property to the ProLogis Mexico Industrial Fund and one non-CDFS property to the North American Industrial Fund. During 2007, we contributed 66 non-CDFS properties to ProLogis North American Industrial Fund and 11 non-CDFS properties to ProLogis Mexico Industrial Fund. The gains related to the dispositions of non-CDFS properties were included in earnings but not included in our calculation of FFO.

(10) During the fourth quarter of 2008, we recognized net foreign currency exchange losses related to the remeasurement of inter-company loans between the U.S. and our consolidated subsidiaries in Japan and Europe due to the fluctuations in the exchange rates of U.S. dollars to both the yen and the euro between September 30, 2008 and December 31, 2008. These losses are not included in our calculation of FFO.

(11) The operations of the properties held for sale or disposed of to third parties and the aggregate net gains recognized upon their disposition are presented as discontinued operations in our Consolidated Statements of Operations for all periods presented, unless the property was developed under a pre-sale agreement. During 2008, we disposed of 15 properties to third parties, six of which were CDFS properties, as well as land subject to a ground lease. During 2007, we disposed of 80 properties to third parties, five of which were CDFS properties, as well as land subject to ground leases.

We had two properties classified as held for sale on our Consolidated Balance Sheet, as of December 31, 2007, which were sold during the first quarter of 2008. See also note 1 above for a discussion of the China operations and one property in Japan that are classified as held for sale at December 31, 2008.

The income (loss) attributable to these properties (excluding the results of our China operations) are as follows (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007

Rental income	$997	$1,753	$2,330	$14,384
Rental expenses	124	(661)	(1,208)	(5,080)
Depreciation and amortization	(39)	(519)	(1,988)	(4,405)
Income (loss) attributable to disposed properties	$1,082	$573	$(866)	$4,899

For purposes of our Consolidated Statements of FFO, we do not segregate discontinued operations. In addition, we include the disposition proceeds and the cost of dispositions for all CDFS properties disposed of during the period in the calculation of FFO, including those classified as discontinued operations.

(12) In connection with purchase accounting, we record all of the acquired assets and liabilities at the estimated fair values at the date of acquisition. For our taxable subsidiaries, we generally recognize the deferred tax liabilities that represent the tax effect of the difference between the tax basis carried over and the fair values of these assets at the date of acquisition. As taxable income is generated in these subsidiaries, we recognize a deferred tax benefit in earnings as a result of the reversal of the deferred tax liability previously recorded at the acquisition date and we record current income tax expense representing the entire current income tax liability. In our calculation of FFO, we only include the current income tax expense to the extent the associated income is recognized for financial reporting purposes.

SOURCE ProLogis