February 11, 2010

ProLogis Reports Fourth Quarter/Year-end 2009 Results

- Full-year FFO per Share in Line with Previous Guidance -

- Property Market Fundamentals Showing Signs of Improvement -

- Company Establishes 2010 Guidance -

DENVER, Feb. 11 /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 $1.15 per diluted share in 2009, compared with $3.51 for 2008. (See Summary of Results table for details). These amounts reflect the add back of impairments on real estate properties, goodwill and other assets totaling $0.81 per diluted share in 2009 and $3.01 in 2008. ProLogis reported a net loss per diluted share of $0.01 for 2009, compared with a net loss of $1.82 for 2008.

For the fourth quarter, FFO, excluding significant non-cash items, was $0.13 per diluted share in 2009, compared with $0.56 in 2008. These amounts reflect the add back of impairments on real estate properties, goodwill and other assets totaling $0.78 per diluted share in the fourth quarter of 2009 and $3.04 in 2008. For the fourth quarter of 2009, the company reported a net loss per diluted share of $0.86, compared with a net loss of $3.39 in the same period of 2008.

Reconciliation to Previous Guidance

In addition to the non-cash impairment charges referred to above, the company experienced various non-recurring charges in the fourth quarter and earlier in 2009, as detailed below. FFO, excluding significant non-cash items and non-recurring charges, was $1.41 per diluted share for the full year, in line with the company's previous guidance of $1.39 to $1.43. For the fourth quarter, FFO, excluding significant non-cash items and non-recurring charges, was $0.23 per diluted share.

	Three Months Ended December 31, 2009	Twelve Months Ended December 31, 2009
FFO, excluding significant non-cash items	$0.13	$1.15
Add (deduct) non-recurring charges:		
Indemnifications related to contributed or sold properties	0.08	0.09
Realized losses on foreign currency		

transactions	-	0.05
Capital markets costs	0.03	0.04
ProLogis' share of losses on sale of fund assets	-	0.03
Reduction in workforce	-	0.03
Other	0.01	0.04
Adjustments to tax and compensation-related liabilities	(0.02)	(0.02)
Add summarized non-recurring charges	0.10	0.26
FFO, excluding significant non-cash items and non-recurring charges	$0.23	$1.41

Significant Accomplishments in 2009 Position Company for Future Opportunities

"We began 2009 with an action plan and aggressive goals related to asset dispositions, debt reduction and development portfolio leasing," said Walter C. Rakowich, chief executive officer. "Throughout the year, we made tough choices and remained highly focused on stabilizing the company. We are pleased to have accomplished our goals, putting the company on firm financial footing and positioning us to take advantage of opportunities as market conditions improve."

Among ProLogis' specific goals for 2009 were to: reduce debt by$2 billion, complete $1.5 to $1.7 billion of asset dispositions and contributions to property funds (exclusive of the sale of certain Asian operations) and achieve static development portfolio leasing of 60 to 70 percent. At year end 2009, the company had reduced debt by $2.7 billion, completed $1.53 billion of property dispositions and contributions and achieved static development portfolio leasing of 68.2 percent.

Continued Signs of Stabilization and Improvement in Property Markets

"While focusing on our action plan, we also worked diligently to maintain stable occupancies in our core portfolio," Rakowich added. "The bottoming of market occupancies and rents that we began to see in mid-2009 held up in the fourth quarter, with some markets showing improvement. For the top 31 North American markets we track, overall net demand turned positive in the fourth quarter, and we saw similar pockets of positive take-up in Europe. And, although we expect net effective rental rates on turnovers to be negative throughout 2010, we believe improving occupancies and the continued lack of new supply will pave the way for improving rental rates in 2011."

ProLogis' non-development portfolio was 92.4 percent leased at the end of the fourth quarter, down slightly compared with 92.7 percent leased at September 30. Same-store net operating income (SS NOI), as adjusted (excluding same-store assets associated with the company's development portfolio), decreased 4.2 percent, a slight improvement over the third quarter SS NOI decline. Net effective rental rates on turnover of 23.6 million square feet, or 6.0 percent of the adjusted same-store pool, were down 11.7 percent for the quarter, representing an improvement over the third quarter decline.

Build-to-Suit Development Demand Supports Reductions in Land Position

"While new speculative development has remained virtually non-existent, during the fourth quarter we continued to see demand for build-to-suit development from customers whose supply chain optimization requirements could not be met with the available supply of space," said Ted R. Antenucci, chief investment officer. ProLogis' fourth quarter starts consisted of a 667,000-square-foot facility for a major home improvement retailer in Southern California and a 504,000-square-foot facility for a leading UK retailer in Scotland. Including joint venture partner capital contributions, total expected investment for all build-to-suit developments started in the second half of 2009 is $336 million.

"Given the continued interest from customers in build-to-suits, we expect to start $700 to $800 million of new development in 2010, primarily in Europe and Asia. We also will continue to pursue land sales, which when combined with new development, will allow us to begin to monetize roughly $350 to $400 million of land in 2010," Antenucci added.

Strategic Repositioning of Asset Base

"In 2009, we used the proceeds from nearly $2.9 billion of contributions and dispositions, including the sale of certain Asian operations, to reduce debt and fund our development portfolio," said Rakowich. "Having stabilized our balance sheet, we are now looking to fund new development activity in a slightly different, leverage-neutral manner. Due to improving property values and growing institutional demand for quality properties, in 2010 we plan to generate $1.3 to $1.5 billion of proceeds from sales of existing assets and contributions to funds, primarily in the United States, and use the proceeds to fund the remaining costs associated with our existing development portfolio as well as 2010 development starts. This approach will allow us to retain more of our non-US development on our balance sheet, thereby improving the geographic diversification of our direct owned assets."

Continued Financing Progress for ProLogis and Property Funds

"We continued to focus on further extending and smoothing the debt maturities both on ProLogis' balance sheet and in our property funds," said William E. Sullivan, chief financial officer. "In the fourth quarter, we issued $600 million of 10-year, ProLogis senior notes and closed on a $108 million secured financing in Japan on our balance sheet. Since the beginning of the fourth quarter, we closed on euro 886 million of financings in our European funds, effectively reducing 2010 maturities within those funds to approximately euro 327 million. This is significant progress from the over euro 1.8 billion of 2010 fund debt maturities we were faced with at the beginning of 2009."

Guidance for 2010

ProLogis established full-year 2010 FFO guidance, excluding significant non-cash items, of $0.74 to $0.78 per share, of which approximately $0.10 relates to expected gains on dispositions of development and land. Net earnings are expected to be between $0.25 and $0.29 per diluted share. A summary of the business drivers supporting ProLogis' 2010 guidance is available at http://ir.prologis.com/2010BusinessDrivers.cfm.

Copies of ProLogis' fourth quarter 2009 supplemental information will be available from the company's website at http://ir.prologis.com in the "Annual & Supplemental Reports" section before open of market on Thursday, February 11, 2010. The company will host a webcast/conference call on Thursday, February 11, 2010, at 10:00 a.m. Eastern Time. The live webcast and the replay will be available on the company's website at http://ir.prologis.com. Additionally, a podcast of the company's conference call will be available on the company's website.

About ProLogis

ProLogis is a leading global provider of distribution facilities, with more than 475 million square feet of industrial space owned and managed (44 million square meters) in markets across North America, Europe and Asia. The company leases its industrial facilities to more than 4,400 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 www.prologis.com.

Follow ProLogis on Twitter: http://twitter.com/ProLogis

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 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 press release.

Overview

(in thousands, except per share amounts)

Summary of Results

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008 (1)	Twelve Months Ended December 31, 2009	Twelve Months Ended December 31, 2008 (1)
Revenues (9)	$ 260,318	$1,468,335	$1,223,082	$5,565,983
Net loss (a)	$(408,459)	$ (901,232)	$ (2,650)	$ (479,226)
Net loss per share - Diluted (a)	$ (0.86)	$ (3.39)	$ (0.01)	$(1.82)
FFO, including significant non-cash items (a)	$(305,761)	$ (660,096)	$ 138,885	$ 133,840
Add (deduct) significant non-cash items:				
Impairment of real estate properties	207,668	274,705	331,592	274,705
Impairment of goodwill and other assets	157,076	320,636	163,644	320,636
Impairment (net gain) related to disposed assets - China operations	-	198,236	(3,315)	198,236
Loss (gains) on early extinguishment of debt	960	(90,719)	(172,258)	(90,719)
Our share of the loss/impairment recorded by PEPR related to PEPF II	-	108,195	-	108,195
Our share of similar (gains) losses recognized by the property funds, net	2,882	-	9,240	-
Total adjustments for significant non-cash items	368,586	811,053	328,903	811,053
FFO, excluding significant non-cash items (a)	$ 62,825	$ 150,957	$ 467,788	$ 944,893
FFO per share - Diluted, including significant non-cash items (a)	$ (0.65)	$ (2.48)	$ 0.34	$ 0.50
Add (deduct) - summarized significant non-cash adjustments - per share	0.78	3.04	0.81	3.01
FFO per share -				

Diluted, excluding significant non-cash items (a)	$ 0.13	$ 0.56	$ 1.15	$ 3.51

(a) These amounts are attributable to common shares.

Footnotes follow Financial Statements

Consolidated Balance Sheets

(in thousands, except per share data)

	December 31, 2009	December 31, 2008 (1)
Assets:		
Investments in real estate assets (1):		
Industrial properties:		
Core	$ 7,436,539	$ 7,924,507
Completed development	4,108,962	3,031,449
Properties under development	191,127	1,181,344
Land held for development	2,569,343	2,482,582
Retail and mixed use properties	291,038	358,992
Land subject to ground leases and other	385,222	425,001
Other investments	233,665	321,397
	15,215,896	15,725,272
Less accumulated depreciation	1,671,100	1,583,299
Net investments in real estate assets	13,544,796	14,141,973
Investments in and advances to unconsolidated investees:		
Property funds (2)	1,876,650	1,957,977
Other unconsolidated investees	275,073	312,016
Total investments in and advances to unconsolidated investees	2,151,723	2,269,993
Cash and cash equivalents	34,362	174,636
Accounts and notes receivable	136,754	244,778
Other assets (1)	1,017,780	1,126,993
Discontinued operations - assets held for sale (2)	-	1,310,754
Total assets	$16,885,415	$19,269,127
Liabilities and Equity:		
Liabilities:		
Debt (1)(2)(3)(4)(5)	$ 7,977,778	$10,711,368
Accounts payable and accrued expenses	455,919	658,868
Other liabilities	444,432	751,238

Discontinued operations - assets held for sale (2)	-	389,884
Total liabilities	8,878,129	12,511,358
Equity (6):		
ProLogis 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	4,742	2,670
Additional paid-in capital (1)	8,524,867	7,070,108
Accumulated other comprehensive income (loss)	42,298	(29,374)
Distributions in excess of net earnings (1)	(934,583)	(655,513)
Total ProLogis shareholders' equity	7,987,324	6,737,891
Noncontrolling interests (7)	19,962	19,878
Total equity	8,007,286	6,757,769
Total liabilities and equity	$16,885,415	$19,269,127

Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008 (1)	2009	2008 (1)
Revenues:				
Rental income (8)	$ 227,362	$ 215,196	$ 891,095	$ 913,650
Property management and other fees and incentives (2)	31,563	33,815	142,763	131,011
CDFS disposition proceeds (9):				
Developed and repositioned properties (2)	-	1,192,935	180,237	4,206,446
Acquired property portfolios	-	18,781	-	289,019
Development management and other income	1,393	7,608	8,987	25,857

Total revenues	260,318	1,468,335	1,223,082	5,565,983
Expenses:				
Rental expenses (10)	65,595	60,324	269,956	277,320
Investment management expenses (10)	11,835	12,344	43,416	50,761
Cost of CDFS dispositions (1)(9):				
Developed and repositioned properties	-	1,086,150	-	3,551,700
Acquired property portfolios	-	18,781	-	289,019
General and administrative (4)(10)(11)	52,161	36,987	180,486	177,350
Reduction in workforce (11)	-	23,131	11,745	23,131
Impairment of real estate properties (12)	207,668	274,705	331,592	274,705
Depreciation and amortization	84,153	97,435	315,807	317,315
Other expenses	4,617	17,446	24,025	28,104
Total expenses	426,029	1,627,303	1,177,027	4,989,405
Operating income (loss)	(165,711)	(158,968)	46,055	576,578
Other income (expense):				
Earnings (loss) from unconsolidated property funds, net (13)	(6,227)	(105,024)	24,908	(69,116)
Earnings from other unconsolidated investees, net	301	914	3,151	13,342
Interest expense (1)(14)	(107,486)	(100,314)	(373,305)	(385,065)
Impairment of goodwill and other assets (12)	(157,076)	(320,636)	(163,644)	(320,636)
Other income (expense), net	(33,503)	2,526	(39,349)	16,522
Net gains on dispositions of real estate properties (9)	12,843	5,853	35,262	11,668
Foreign currency exchange gains (losses), net (15)	728	(115,303)	35,626	(148,281)
Gains (loss) on early extinguishment of debt (3)	(960)	90,719	172,258	90,719
Total other income (expense)	(291,380)	(541,265)	(305,093)	(790,847)
Loss before income taxes	(457,091)	(700,233)	(259,038)	(214,269)
Current income tax expense (benefit) (2)	(878)	15,726	29,262	63,441
Deferred income tax expense (benefit)	(2,600)	(14,834)	(23,287)	4,570
Total income taxes	(3,478)	892	5,975	68,011
Loss from continuing operations	(453,613)	(701,125)	(265,013)	(282,280)

Discontinued operations (16):				
Income (loss) attributable to disposed properties	1,490	(4,455)	24,163	11,049
Net gain (impairment) related to disposed assets - China operations (2)	-	(198,236)	3,315	(198,236)
Net gains on dispositions:				
Non-development properties	21,024	1,557	220,815	9,718
Development properties and land subject to ground leases (2)	29,146	7,551	40,649	9,783
Total discontinued operations	51,660	(193,583)	288,942	(167,686)
Consolidated net earnings (loss)	(401,953)	(894,708)	23,929	(449,966)
Net earnings attributable to noncontrolling interests (7)	(190)	(172)	(1,156)	(3,837)
Net earnings (loss) attributable to controlling interests (1)	(402,143)	(894,880)	22,773	(453,803)
Less preferred share dividends	6,316	6,352	25,423	25,423
Net loss attributable to common shares	$(408,459)	$(901,232)	$ (2,650)	$(479,226)
Weighted average common shares outstanding -Basic (6)	473,561	265,898	403,149	262,729
Weighted average common shares outstanding - Diluted (6)	473,561	265,898	403,149	262,729
Net earnings (loss) per share attributable to common shares - Basic:				
Continuing operations	$ (0.97)	$ (2.66)	$ (0.73)	$ (1.18)
Discontinued operations	0.11	(0.73)	0.72	(0.64)
Net earnings (loss) per share attributable to common shares - Basic	$ (0.86)	$ (3.39)	$ (0.01)	$ (1.82)
Net earnings (loss) per share attributable to common shares -Diluted:				
Continuing operations	$ (0.97)	$ (2.66)	$ (0.73)	$ (1.18)
Discontinued operations	0.11	(0.73)	0.72	(0.64)
Net earnings (loss) per share attributable to				

common shares -Diluted	$ (0.86)	$ (3.39)	$ (0.01)	$ (1.82)

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,	
	2009	2008 (1)	2009	2008 (1)
Revenues:				
Rental income	$ 229,906	$ 249,778	$ 941,587	$1,035,335
Property management and other fees and incentives (2)	31,563	34,466	142,856	132,038
CDFS disposition proceeds (9):				
Developed and repositioned properties (2)	-	1,239,378	180,237	4,271,786
Acquired property portfolios	-	18,781	-	372,667
Development management and other income	1,393	7,822	8,987	26,344
Total revenues	262,862	1,550,225	1,273,667	5,838,170
Expenses:				
Rental expenses (10)	66,162	73,746	284,390	319,378
Investment management expenses (10)	11,835	12,344	43,416	50,761
Cost of CDFS dispositions (1)(9):				
Developed and repositioned properties	-	1,126,198	-	3,610,123
Acquired property portfolios	-	18,781	-	372,667
General and administrative (10)(11)	52,161	45,896	181,791	199,074
Reduction in workforce (11)	-	26,431	11,745	26,431
Impairment of real estate properties (12)	207,668	274,705	331,592	274,705
Depreciation of corporate assets	3,828	4,177	15,897	16,332
Other expenses	4,617	21,400	24,031	33,192
Total expenses	346,271	1,603,678	892,862	4,902,663
Operating FFO	(83,409)	(53,453)	380,805	935,507

Other income (expense):				
FFO from unconsolidated property funds (13)	41,679	(62,039)	157,197	66,415
FFO from other unconsolidated investees	1,952	858	10,878	6,162
Interest expense (1)	(107,486)	(100,398)	(373,135)	(384,526)
Net gain (impairment) related to assets held for sale - China operations (2)	-	(198,236)	3,315	(198,236)
Impairment of goodwill and other assets (12)	(157,076)	(320,636)	(163,644)	(320,636)
Other income (expense), net	(33,503)	3,724	(39,277)	20,806
Net gains on dispositions of real estate properties (9)	35,515	-	65,587	-
Foreign currency exchange gains (losses), net	(503)	723	(22,571)	(7,009)
Gains (loss) on early extinguishment of debt (3)	(960)	90,719	172,258	90,719
Current income tax benefit (expense) (2)(17)	4,536	(16,727)	(25,805)	(56,170)
Total other income (expense)	(215,846)	(602,012)	(215,197)	(782,475)
FFO	(299,255)	(655,465)	165,608	153,032
Less preferred share dividends	6,316	6,352	25,423	25,423
Less net earnings (loss) attributable to noncontrolling interests (7)	190	(1,721)	1,300	(6,231)
FFO attributable to common shares, including significant non-cash items	$(305,761)	$(660,096)	$ 138,885	$ 133,840
Adjustments for significant non-cash items	368,586	811,053	328,903	811,053
FFO attributable to common shares, excluding significant non-cash items	$ 62,825	$ 150,957	$ 467,788	$ 944,893

Weighted average common shares outstanding - Basic (6)	473,561	265,898	403,149	262,729
FFO per share attributable to common shares, including significant non-cash items:				
Basic	$ (0.65)	$ (2.48)	$ 0.34	$ 0.51
Diluted	$ (0.65)	$ (2.48)	$ 0.34	$ 0.50
FFO per share attributable to common shares, excluding significant non-cash items:				
Basic	$ 0.13	$ 0.57	$ 1.16	$ 3.60
Diluted	$ 0.13	$ 0.56	$ 1.15	$ 3.51

Footnotes follow Financial Statements

Reconciliations of Net Loss to FFO and EBITDA

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008 (1)	2009	2008 (1)
Net loss (a)	$(408,459)	$(901,232)	$ (2,650)	$(479,226)
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	80,325	93,258	299,910	300,983
Adjustments to gains on dispositions for depreciation	(3,183)	(1,156)	(5,387)	(2,866)
Gains on dispositions of non-development/ non-CDFS properties	(3,291)	(5,806)	(4,937)	(11,620)
Reconciling items attributable to discontinued operations (16):				

Gains on dispositions of non-development/ non-CDFS properties	(21,024)	(1,557)	(220,815)	(9,718)
Real estate related depreciation and amortization	487	9,012	11,319	33,661
Total discontinued operations	(20,537)	7,455	(209,496)	23,943
Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	40,361	51,159	154,315	155,067
Adjustment to gains/losses on dispositions for depreciation	(1,681)	(329)	(9,569)	(492)
Other amortization items	(3,954)	(3,337)	(11,775)	(15,840)
Total unconsolidated investees	34,726	47,493	132,971	138,735
Total NAREIT defined adjustments	88,040	141,244	213,061	449,175
Subtotal-NAREIT defined FFO	(320,419)	(759,988)	210,411	(30,051)
Add (deduct) our defined adjustments:				
Foreign currency exchange losses (gains), net (15)	(1,231)	117,145	(58,128)	144,364
Current income tax expense (17)	3,658	-	3,658	9,656
Deferred income tax expense (benefit)	(2,600)	(15,406)	(23,299)	4,073
Our share of reconciling items from unconsolidated				

investees:				
Foreign currency exchange losses (gains), net (15)	(947)	(82)	(1,737)	2,331
Unrealized losses (gains) on derivative contracts, net	(1,394)	18,007	(7,561)	23,005
Deferred income tax expense (benefit)	17,172	(19,772)	15,541	(19,538)
Total unconsolidated investees	14,831	(1,847)	6,243	5,798
Total our defined adjustments	14,658	99,892	(71,526)	163,891
FFO, including significant non-cash items (a)	$(305,761)	$(660,096)	$138,885	$ 133,840

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,	
	2009	2008 (1)	2009	2008 (1)
FFO, including significant non-cash items (a)	$(305,761)	$(660,096)	$138,885	$133,840
Add (deduct) significant non-cash items:				
Impairment of real estate properties (12)	207,668	274,705	331,592	274,705
Impairment of goodwill and other assets (12)	157,076	320,636	163,644	320,636
Impairment (net gain) related to disposed assets - China operations (2)	-	198,236	(3,315)	198,236
Loss (gains) on early extinguishment of debt (3)	960	(90,719)	(172,258)	(90,719)
Our share of the loss/ impairment recorded by PEPR	-	108,195	-	108,195

Our share of certain (gains) losses recognized by the property funds	2,882	-	9,240	-
Total adjustments for significant non-cash items	368,586	811,053	328,903	811,053
FFO, excluding significant non-cash items (a)	$ 62,825	$ 150,957	$467,788	$944,893

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008 (1)	2009	2008 (1)
FFO, excluding significant non-cash items (a)	$ 62,825	$150,957	$ 467,788	$ 944,893
Interest expense	107,486	100,398	373,135	384,526
Depreciation of corporate assets	3,828	4,177	15,897	16,332
Current income tax expense (benefit) included in FFO	(4,536)	16,727	25,805	56,170
Adjustments to gains on dispositions for interest capitalized	5,251	12,637	16,795	57,632
Preferred share dividends	6,316	6,352	25,423	25,423
Share of reconciling items from unconsolidated investees	41,284	33,812	173,682	173,900
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$222,454	$325,060	$1,098,525	$1,658,876

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 Loss Per Share

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009 (a)	2008 (a)	2009 (a)	2008 (a)
Net loss - Basic (b)	$(408,459)	$(901,232)	$ (2,650)	$(479,226)
Noncontrolling interest attributable to convertible limited partnership units (c)	-	-	-	-
Adjusted loss - Diluted (b)	$(408,459)	$(901,232)	$ (2,650)	$(479,226)
Weighted average common shares outstanding - Basic	473,561	265,898	403,149	262,729
Incremental weighted average effect of conversion of limited partnership units (c)	-	-	-	-
Incremental weighted average effect of stock awards (d)	-	-	-	-
Weighted average common shares outstanding - Diluted	473,561	265,898	403,149	262,729
Net loss per share - Diluted (b)	$ (0.86)	$ (3.39)	$ (0.01)	$ (1.82)

FFO Per Share, including significant non-cash items

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009 (a)	2008 (a)	2009	2008
FFO - Basic, including significant non-cash items (b)	$(305,761)	$(660,096)	$138,885	$133,840
Noncontrolling interest attributable to convertible limited partnership units (c)	-	-	-	-
FFO - Diluted, including significant non-cash items (b)	$(305,761)	$(660,096)	$138,885	$133,840

Weighted average common shares outstanding - Basic	473,561	265,898	403,149	262,729
Incremental weighted average effect of conversion of limited partnership units (c)	-	-	-	-
Incremental weighted average effect of stock awards (d)	-	-	2,474	3,372
Weighted average common shares outstanding - Diluted	473,561	265,898	405,623	266,101
FFO per share - Diluted, including significant non-cash items (b)	$ (0.65)	$ (2.48)	$ 0.34	$ 0.50

FFO Per Share, excluding significant non-cash items

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
FFO - Basic, including significant non-cash items (b)	$(305,761)	$(660,096)	$138,885	$133,840
Adjustments for significant non-cash items	368,586	811,053	328,903	811,053
Noncontrolling interest attributable to convertible limited partnership units (c)	-	172	1,156	3,837
FFO - Diluted, excluding significant non-cash items (b)	$ 62,825	$ 151,129	$468,944	$948,730
Weighted average common shares outstanding - Basic	473,561	265,898	403,149	262,729
Incremental weighted average effect of conversion of limited partnership units (c)	-	2,551	1,100	4,447
Incremental weighted average effect of stock awards (d)	3,159	1,527	2,474	3,372
Weighted average common shares outstanding - Diluted	476,720	269,976	406,723	270,548
FFO per share - Diluted, excluding significant non-cash items (b)	$ 0.13	$ 0.56	$ 1.15	$ 3.51

(a) In periods with a net loss, the inclusion of any incremental shares is anti-dilutive, and, therefore, both basic and diluted shares are the same.
(b) Attributable to common shares.
(c) If the impact of the conversion of limited partnership units is anti-dilutive, the income and shares are not included in the diluted per share calculation.
(d) Total weighted average potentially dilutive awards outstanding were 10,949 and 10,833 for the three months ended December 31, 2009 and 2008, respectively, and 11,539 and 10,204 for the year-ended December 31, 2009 and 2008, respectively. Of the potentially dilutive instruments, 5,639 and 7,506, were anti-dilutive for the three months ended December 31, 2009 and 2008, respectively, and 6,781 and 6,647, were anti-dilutive for the year-ended December 31, 2009 and 2008. In a loss period, the effect of stock awards is 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 2008 amounts included in our financial statements have been reclassified to conform to the 2009 presentation.

(1) In May 2008, the Financial Accounting Standards Board ("FASB") issued a new standard that requires separate accounting for the debt and equity components of certain convertible debt. The value assigned to the debt component is the estimated fair value of a similar bond without the conversion feature at the time of issuance, which would result in the debt being recorded at a discount. The resulting debt discount is amortized through the first redeemable option date as additional non-cash interest expense. We adopted this standard on January 1, 2009, as required, on a retroactive basis for the convertible notes we issued in 2007 and 2008. As a result, we restated our 2008 results to reflect the additional interest expense and the additional capitalized interest related to our development activities for both properties we currently own, as well as properties that were contributed during the applicable periods. This restatement impacted earnings and FFO.

The following tables illustrate the impact of the restatement on our Consolidated Balance Sheets and Consolidated Statements of Operations and FFO for these periods (in thousands):

	As of December 31, 2008		
	As Reported	Adjustments	As Restated
Consolidated Balance Sheet:			
Net investments in real estate assets	$15,706,172	$ 19,100	$15,725,272
Other assets	$ 1,129,182	$ (2,189)	$ 1,126,993
Debt	$11,007,636	$(296,268)	$10,711,368

Additional paid in capital	$ 6,688,615	$ 381,493	$ 7,070,108
Distributions in excess of net earnings	$ (587,199)	$ (68,314)	$ (655,513)

	For the Three Months Ended, December 31, 2008		
	As Reported	Adjustments(a)	As Restated (before 2009 discontinued operations adjustment)
Consolidated Statements of Operations:			
Cost of CDFS dispositions	$1,102,053	$ 2,878	$1,104,931
Interest expense, net of capitalization	$ 88,737	$ 11,289	$ 100,026
Net loss attributable to controlling interests	$ (880,713)	$(14,167)	$ (894,880)

	For the Twelve Months Ended, December 31, 2008		
	As Reported	Adjustments (a)	As Restated (before 2009 discontinued operations adjustment)
Consolidated Statements of Operations:			
Cost of CDFS dispositions	$3,836,519	$ 4,200	$3,840,719
Interest expense, net of capitalization	$ 341,305	$ 42,830	$ 384,135
Net loss attributable to controlling interests	$ (406,773)	$(47,030)	$ (453,803)

(a) The adjustments are the same in our Consolidated Statements of FFO.

(2) On February 9, 2009, we sold our operations in China and our property fund interests in Japan to affiliates of GIC Real Estate, the real estate investment company of the Government of Singapore Investment Corporation ("GIC RE"), for total cash consideration of $1.3 billion ($845 million related to China and $500 million related to the Japan

investments). We used the proceeds primarily to pay down borrowings on our credit facilities.

All of the assets and liabilities associated with our China operations were classified as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008. In the fourth quarter of 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. In connection with the sale in the first quarter of 2009, we recognized a $3.3 million gain on sale. In addition, the results of our China operations are presented as discontinued operations in our accompanying Consolidated Statements of Operations for all periods. All operating information presented throughout this report excludes China operations.

In connection with the sale of our investments in the Japan property funds, we recognized a gain of $180.2 million. The gain is reflected as CDFS Proceeds in our Consolidated Statements of Operations and FFO, as it represents previously deferred gains on the contribution of properties to the property funds based on our ownership interest in the property funds at the time of original contribution of properties. We also recognized $20.5 million in current income tax expense related to the Japan portion of the transaction. In April 2009, we sold one property in Japan to GIC RE for $128.1 million, resulting in a gain on sale of $13.1 million that is reflected as Discontinued Operations – Net Gains on Dispositions of Development Properties and Land Subject to Ground Leases and as Net Gains on Dispositions of Real Estate Properties in our Consolidated Statements of Operations and FFO, respectively. The building and related borrowings were classified as held for sale at December 31, 2008.

We continued to manage the Japan properties until July 2009. In connection with the termination of the management agreement, we earned a termination fee of $16.3 million that is included in Property Management and Other Fees and Incentives in our Consolidated Statements of Operations and FFO.

(3) During the three and twelve months ended December 31, 2009 in connection with our announced initiatives to reduce debt, we repurchased portions of several series of notes outstanding, the majority of which were at a discount, and extinguished some secured mortgage debt prior to maturity. These transactions resulted in the recognition of net gains or losses and are summarized, as follows (in thousands):

	For the Three Months Ended December 31, 2009	For the Twelve Months Ended December 31, 2009	For the Three and Twelve Months Ended December 31, 2008
Convertible Senior Notes:			
Original principal amount	$117,736	$ 653,993	$ -
Cash purchase price	$102,920	$ 454,023	$ -
Senior Notes (a):			
Original principal amount	$224,506	$ 587,698	$309,722
Cash purchase price	$226,754	$ 545,618	$216,805

Secured Mortgage Debt:			
Original principal amount (b)	$ -	$ 227,017	$ -
Cash extinguishment price	$ -	$ 227,017	$ -
Total:			
Original principal amount	$342,242	$1,468,708	$309,722
Cash purchase/ extinguishment price	$329,674	$1,226,658	$216,805
Gain (loss) on early extinguishment of debt(c)	$ (960)	$ 172,258	$ 90,719

(a) Included in the twelve months ended December 31, 2009 is the repurchase of euro 248.7 million ($356.4 million) original principal amount of our Euro senior notes for euro 235.1 million ($338.7 million).
(b) In addition, there was an unamortized premium of $11.4 million (recorded at acquisition) that was included in the calculation of the gain on early extinguishment.
(c) Represents the difference between the recorded debt (net of the discount or premium) and the consideration we paid to retire the debt.

(4) On October 1, 2009, we completed a consent solicitation with regard to certain of our senior notes, and entered into a new supplemental indenture (the Ninth Supplemental Indenture) that amended certain indenture covenants, defined terms and thresholds for certain events of default.

We recognized $14.5 million in fees and expenses related to the consent solicitation that are included in General and Administrative Expenses ("G&A") in our Consolidated Statements of Operations and FFO.

(5) In August 2009, we amended the Global Line, extending the maturity to August 21, 2012 and reducing the size of our aggregate commitments to $2.25 billion (subject to currency fluctuations) after October 2010. The Global Line will continue to have lender commitments of $3.7 billion (subject to currency fluctuations) until October 2010, although our borrowing capacity may be less.

In August 2009, we issued $350 million of senior notes with a stated interest rate of 7.625% and a maturity of August 2014. On October 30, 2009, we issued $600 million of senior notes with a stated interest rate of 7.375% and a maturity of October 2019. We used the proceeds from both issuances primarily to repay borrowings under our Global Line and other debt.

(6) On April 14, 2009, we completed a public offering of 174.8 million common shares at a price of $6.60 per share and received net proceeds of $1.1 billion that were used to repay borrowings under our credit facilities. During the third quarter of 2009, we issued 29.8 million shares and received gross proceeds of $331.9 million and paid offering expenses of approximately $6.9 million under our at the market share issuance plan.

(7) On January 1, 2009, we adopted the provisions of a new accounting standard that requires noncontrolling interests (previously referred

to as minority interests) to be reported as a component of equity and changes the accounting for transactions with noncontrolling interest holders.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
Rental income	$169,188	$158,259	$658,462	$669,460
Rental expense recoveries	46,621	47,591	194,775	210,934
Straight-lined rents	11,553	9,346	37,858	33,256
	$227,362	$215,196	$891,095	$913,650

(9) In response to market conditions, during the fourth quarter of 2008 we modified our business strategy. As a result, as of December 31, 2008, we have two operating segments - Direct Owned and Investment Management, and we no longer have a CDFS Business segment. We presented the results of operations of our CDFS Business segment separately in 2008.

Our direct owned segment represents the direct, long-term ownership of industrial properties. Our investment strategy in this segment focuses primarily on the ownership and leasing of industrial 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, beginning December 31, 2008, we now refer to as our Completed Development Portfolio. Our intent is to hold the Core and Development properties, however, we may contribute either Core or Development properties to the property funds, to the extent there is fund capacity, or sell them to third parties. When we contribute or sell Development properties, we recognize FFO to the extent the proceeds received exceed our original investment (i.e. prior to depreciation). However, beginning January 1, 2009, we now present the results as Net Gains on Dispositions, rather than as CDFS Disposition Proceeds and Cost of CDFS Dispositions. In addition, we have industrial properties that are currently under development (also included in our Development Portfolio) and land available for development that are 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.

(10) Beginning in 2009, we are reporting the direct costs associated with our investment management segment for all periods presented as a separate line item "Investment Management Expenses" in our Consolidated Statements of Operations and FFO. These costs include the property management expenses associated with the property-level management of the properties owned by the property funds and joint ventures (previously included in Rental Expenses) and the investment management expenses associated with the asset management of the property funds and joint ventures (previously included in General and Administrative Expenses). In order to allocate the property

management expenses between the properties owned by us and the properties owned by the property funds and joint ventures, we use the square feet owned at the beginning of the period by the respective portfolios. See note 2 related to the Japan properties that we no longer manage.

(11) As we announced in the fourth quarter of 2008, in response to the difficult economic climate, we initiated G&A reductions with a near-term target of a 20 to 25% reduction in G&A prior to capitalization or allocation. These initiatives include a Reduction in Workforce ("RIF") and reductions to other expenses through various cost savings measures. Due to the changes in our business strategy in the fourth quarter of 2008, we halted the majority of our new development activities, which, along with lower gross G&A, has resulted in lower capitalized G&A. Our G&A included in our Statements of Operations consisted of the following (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
Gross G&A(a)	$80,187	$89,299	$294,598	$400,648
Reclassed to discontinued operations, net of capitalized amounts(b)	-	(8,906)	(1,305)	(21,721)
Capitalized amounts and amounts reported as rental and investment management expenses	(28,026)	(43,406)	(112,807)	(201,577)
Net G&A	$52,161	$36,987	$180,486	$177,350

(a) Included in G&A in the fourth quarter of 2009 is $14.5 million of fees and expenses associated with the consent solicitation discussed in Note 4.

(b) G&A costs included in discontinued operations is net of $2.3 million and $11.3 million of capitalized costs for the three and twelve months ended December 31, 2008, respectively.

(12) During 2009 and 2008, we recorded impairment charges of certain of our real estate properties and other assets as outlined below (in millions):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
Included in "Impairment of Real Estate Properties":				
Land held for development	$135.8	$194.2	$137.0	$194.2
Completed and under				

development properties	3.5	34.8	126.2	34.8
Retail and mixed use properties	46.2	-	46.2	-
Land subject to ground leases and other	17.6	-	17.6	-
Other real estate investments	4.6	45.7	4.6	45.7
Total impairment of real estate properties	$207.7	$274.7	$331.6	$274.7
Included in "Impairment of Goodwill and Other Assets":				
Goodwill	$ -	$175.4	$ -	$175.4
Other assets	157.1	145.2	163.6	145.2
Total impairment of goodwill and other assets	$157.1	$320.6	$163.6	$320.6
Total direct owned impairment charges included in continuing operations	$364.8	$595.3	$495.2	$595.3

The impairment charges of real estate properties that we recognized in 2008 and 2009 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. Included in the 2009 impairment charges is $9.2 million that should have been recorded in 2008. This amount, along with an additional $3.0 million of deferred tax expense, was recorded in 2009 and relates to a revision of our estimated deferred income tax liabilities associated with our international operations. In order to generate liquidity, we have contributed certain completed properties to property funds (primarily in Europe) and sold or intend to sell certain land parcels or properties to third parties. To the extent these properties are expected to be sold at a loss, we record an impairment charge when the loss is known. The impairment charges related to goodwill that we recognized in the fourth quarter of 2008 and related to other assets that we recognized in 2009 and 2008 were similarly caused by the decline in the real estate markets.

(13) The following table represents our share of income (loss) recognized by the property funds related to derivative activity and the sale of real estate properties (in thousands).

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
Included in Earnings from Unconsolidated Property Funds in our Consolidated				

Statements of Operations:				
Derivative gain (loss)	$1,394	$ (19,189)	$ (6,306)	$ (32,278)
Gain (loss) from the sale of properties and impairment charges, net	$ 946	$(107,887)	$ (4,831)	$(106,420)
Included in FFO from Unconsolidated Property Funds in our Consolidated Statements of FFO:				
Derivative loss	$ -	$ (1,182)	$(13,867)	$ (9,274)
Gain (loss) from the sale of properties and impairment charges, net	$ 683	$(108,218)	$(12,720)	$(106,914)

In the fourth quarter of 2008 we recognized a loss of $108.2 million representing our share of the loss recognized by PEPR from the sale of its 30% ownership interest in PEPF II. We acquired PEPR's 20% interest in PEPF II in December 2008, and PEPR sold its remaining ownership in PEPF II of approximately 10% to third parties in early 2009.

(14) 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,	
	2009	2008	2009	2008
Gross interest expense	$101,314	$117,113	$382,899	$477,933
Amortization of discount, net	16,494	18,451	67,542	63,676
Amortization of deferred loan costs	5,877	3,474	17,069	12,238
Interest expense before capitalization	123,685	139,038	467,510	553,847
Capitalized amounts	(16,199)	(38,724)	(94,205)	(168,782)
Net interest expense	$107,486	$100,314	$373,305	$385,065

Gross interest expense decreased in 2009 from 2008 due to significantly lower debt levels, offset by increases in borrowing rates. The decrease in capitalized amounts is due to less development activity.

(15) Included in Foreign Currency Exchange Gains (Losses), Net, for the twelve months ended December 31, 2009 and 2008, are net foreign currency exchange gains and losses, respectively, 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 the yen, the euro and pound sterling during the applicable periods. We do not include the gains and losses related to inter-company loans in our calculation of FFO.

(16) 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.

As discussed in Note 2 above, all of the assets and liabilities associated with our China operations were classified as Assets and Liabilities Held for Sale in our accompanying Consolidated Balance Sheet as of December 31, 2008, as well as one property in Japan that we sold in April 2009.

During 2009, other than our China operations, we disposed of land subject to ground leases and 140 properties (aggregating 14.8 million square feet, 3 of which were development properties) to third parties. This includes a portfolio of 90 properties aggregating 9.6 million square feet that were sold to a single venture during the third quarter in which we retained a 5% interest. We continue to manage these properties. During 2008, we disposed of land subject to ground leases and 15 properties to third parties, including 6 development properties.

The income (loss) attributable to these properties was as follows (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2009	2008	2009	2008
Rental income	$2,544	$34,582	$50,492	$121,685
Rental expenses	(567)	(13,422)	(14,434)	(42,058)
Depreciation and amortization	(487)	(9,012)	(11,319)	(33,661)
Other expenses, net	-	(16,603)	(576)	(34,917)
Income (loss) attributable to disposed properties	$1,490	$(4,455)	$24,163	$ 11,049

For purposes of our Consolidated Statements of FFO, we do not segregate discontinued operations. In addition, we include the gains from disposition of land parcels and Completed Development Properties (2009) and CDFS properties (2008) in the calculation of FFO, including those classified as discontinued operations.

(17) 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 recognize the deferred

tax liabilities that represent the tax effect of the difference between the tax basis carried over and the fair values 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