October 25, 2010

ProLogis Reports Third Quarter Results

- New Date and Time for Conference Call -

- Key Industrial Indicators Showing Improvement -

- Dispositions Ahead of Plan; Support Enhanced Portfolio Quality and Concentration in Major Logistics Corridors -

- Company Provides Dividend and 2011 FFO Outlook -

DENVER, Oct. 25 /PRNewswire-FirstCall/ -- ProLogis (NYSE: PLD), the leading global provider of distribution facilities, today reported third quarter 2010 funds from operations as defined by ProLogis (FFO), excluding significant non-cash items, of $0.22 per diluted share. Of this amount, approximately $0.07 related to gains from disposition activity and $0.15 per diluted share was from core operations. FFO, including significant non-cash items of $0.01, was $0.21 per diluted share.

For the nine months ended September 30, 2010, FFO, excluding significant non-cash items and year-to-date non-recurring charges, was $0.50 per diluted share, relative to the company's full-year 2010 guidance of $0.70 to $0.78 per diluted share. Core FFO for the nine months was $0.38 per diluted share relative to the company's full-year guidance of $0.53 to $0.56 per diluted share.

The company reported a net loss of $0.03 per diluted share for the third quarter of 2010 and a net loss of $0.27 per diluted share for the nine months ended September 30, 2010.

"During the quarter, we made significant progress on our objective of disposing of non-strategic, direct-owned properties in order to reduce debt and create value through accretive development," said Walter C. Rakowich, chief executive officer. "Our third-quarter dispositions and those we plan to complete in the fourth quarter or in early 2011 support our efforts to shift investment into new development, increase our direct owned portfolio outside the United States and enhance the quality and concentration of our properties within major logistics corridors."

Industrial Fundamentals Showing Improvement

"Industrial operating performance metrics are turning around, although the pace of improvement is more moderate than we have experienced in past recoveries," Rakowich said. "There is a continued lack of new development in our global markets, and the availability of large, modern distribution centers is shrinking. We believe we are nearing a tipping point where even a modest improvement in demand could facilitate a rapid recovery in the industrial market. Among the favorable signs are: positive net absorption in the top 31 North American industrial markets for the second consecutive quarter, stable-to-improving occupancies and rental rate growth in select, supply constrained markets. Overall, fundamentals are headed in the right direction."

The company's total industrial operating portfolio (including completed development and the investment management portfolio) was 89.90 percent leased at the end of the quarter, up 24 basis points from 89.66 percent at June 30, 2010. Leasing in the company's completed development portfolio increased by 122 basis points, or 217 basis points excluding the contribution and sale of fully leased properties during the quarter. Total leasing activity in the third quarter was 27.0 million square feet, in line with historical average quarterly leasing activity.

Customer retention during the quarter remained strong at 70.5 percent within the company's direct owned portfolio and 79.1 percent within its investment management business. In the company's total same-store portfolio, rental rates on turnovers declined 8.5 percent in the third quarter, compared with a rental rate decline of 15.7 percent in the second quarter of 2010. Occupancy increased by 2.1 percent, and net operating income increased 0.27 percent.

Year-to-date and Planned Dispositions to Significantly Exceed Goal

Through the end of the third quarter, the company had completed over $595 million of property dispositions and contributions to funds. In addition, the company recently entered into a definitive agreement with affiliates of Blackstone Real Estate Advisors ("Blackstone") to sell a North American industrial portfolio, its minority interest in a hotel property and ProLogis' interests in three of its property funds for a total purchase price of $1.02 billion. Total gross proceeds from this transaction, year-to-date dispositions and anticipated fourth quarter sales are expected to be approximately $1.65 to $1.7 billion – above the company's initial 2010 gross disposition target of $1.3 to $1.5 billion. Net proceeds from the Blackstone transaction are expected to be approximately $830 million and will be used principally for the repayment of debt and to fund development activity.

In addition, ProLogis is actively pursuing the disposition of certain retail, mixed-use and ground lease assets. The company expects to consummate the disposition of all, or a portion of, these assets in early 2011 and to generate $350 to $550 million in proceeds.

Steady Demand for New Development

In the first three quarters, the company began more than $500 million of new development. Since the end of the quarter, ProLogis has signed three new build-to-suit agreements totaling $62 million of total expected investment, including two in the United States and one in the UK. "We continue to have a robust pipeline of development proposals and expect actual starts this year of $600 to $700 million, with another $48 million of signed development agreements that will begin construction in 2011," said Ted R. Antenucci, president and chief investment officer. "We plan to expand our development business to $800 million to $1 billion of annual starts in 2011. While we anticipate the vast majority will be build-to-suit, we believe improving fundamentals in major logistics corridors will support speculative development in a handful of space-constrained markets. Expanding our development program is an important element of our long-term growth plan and is accretive to net asset value."

Strategic Positioning in Focus for Fourth Quarter

"We are highly focused on implementing a number of strategic initiatives in the fourth quarter, which we believe will position us well for 2011 and beyond," said William E. Sullivan, chief financial officer. The spectrum of initiatives includes, but is not limited to:

- A strategic decision to more aggressively pursue land sales, wherein we are undertaking a rigorous evaluation of all land positions and may take further impairments of our current book basis, which we expect to be in line with discount ranges presented in our recent investor presentations, which could be material;
- A plan to tender for between $1 billion and $2 billion of our public debt, with the principal intent of further smoothing our annual maturities, as well as deploying the proceeds from our asset sales activity into the most accretive debt reduction opportunities;
- An intent to evaluate the effectiveness of various derivative positions, in light of the current and anticipated interest rate environment, which may result in the recording of one-time charges or adjustments;
- A focus on creating incremental cost savings from structural and platform efficiencies, and
- A review of the company's investment in certain non-industrial assets, which may result in impairments.

"Our 2010 per diluted share guidance for core FFO of$0.53 to $0.56; FFO, excluding significant non-cash items and non-recurring charges, of $0.70 to $0.78; and net earnings of $0.09 to $0.13, remains unchanged. However, we anticipate a variety of one-time charges, some cash and some non-cash, from the fourth quarter strategic positioning activities, which are not included in our guidance."

While the Blackstone transaction will generate sizeable taxable gains, the company expects these gains to be partially offset by losses associated with the intended debt repurchase and other anticipated fourth quarter charges. As a result, the company intends to reduce its fourth quarter dividend to $0.1125 per share, consistent with anticipated taxable income for 2010. "It is our Board's current intent to maintain this level of cash dividend throughout 2011, more in line with our taxable income, and position ourselves to grow the dividend over time as our adjusted FFO grows," said Sullivan.

Expectations for 2011

The company also established an expectation for growth in core FFO per share of 15 percent or more for 2011 and will provide a specific range and business drivers to support that guidance early in the year. "Our growth rate in 2011 will be affected by the dilutive impact of the Blackstone transaction and additional anticipated 2010 and 2011 asset sales, the proceeds of which will initially be used to reduce debt. However, we expect growth from the impact of continued development portfolio leasing, new build-to-suit developments coming on line and higher average occupancies," said Sullivan. "In addition, while we expect FFO gains from development in 2011, we will focus our guidance in 2011 primarily on core FFO."

The company's expected net earnings per share of$0.09 to $0.13 for 2010 would have been a net loss of $0.50 to $0.55 per share prior to anticipated disposition gains. For 2011, the loss per share is expected to decline by roughly 25 percent, prior to any dispositions, acquisitions or other transactions. The primary differences between FFO and earnings per share relates to depreciation and gains and losses on transactions.

Webcast and Conference Call Information

The company will host a webcast/conference call to discuss quarterly results, current market conditions and future outlook on Tuesday, October 26, 2010, at 8:30 a.m. Eastern Time. Interested parties are encouraged to access the live webcast by clicking the microphone icon located near the top of the opening page at http://ir.prologis.com. Interested parties also can participate via conference call by dialing (866) 305-2304 domestically or (660) 422-4873 internationally.

Replay Information

A replay of the conference call will be posted when available. The replay will be available until midnight Eastern Time on Tuesday, November 9, 2010, and can be accessed by dialing (800) 642-1687 domestically or (706) 645-9291 internationally and entering passcode 20289828. A transcript of the call and the webcast replay, including a podcast format, will be posted when available in the "Financial Information" section of the ProLogis Investor Relations website.

About ProLogis

ProLogis is the 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.

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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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$ 270,114	$ 269,291	$ 790,541	$ 960,283
Net earnings (loss) (a)	$ (15,052)	$ (11,788)	$ (129,331)	$ 405,809
Net earnings (loss) per share - Diluted (a)	$ (0.03)	$ (0.03)	$ (0.27)	$ 1.06
FFO, including significant non-cash items (a)	$ 104,050	$ 65,187	$ 179,011	$ 444,646
Add (deduct) significant non-cash items:				
Impairment of real estate properties and other assets	2,929	46,274	3,296	130,492
Net gain related to disposed assets - China operations	-	-	-	(3,315)
Losses (gains) on early extinguishment of debt	1,791	(12,010)	16,049	(173,218)
Write-off deferred extension fees associated				

with the Global Line	-	-	854	-
Our share of certain losses (gains) recognized by the property funds	-	(4,925)	3,575	6,358
Total adjustments for significant non-cash items	4,720	29,339	23,774	(39,683)
FFO, excluding significant non-cash items (a)	$ 108,770	$ 94,526	$ 202,785	$ 404,963
FFO per share - Diluted, including significant non-cash items (a)	$ 0.21	$ 0.14	$ 0.37	$ 1.16
Add (deduct) - summarized significant non-cash adjustments - per share	0.01	0.07	0.05	(0.10)
FFO per share - Diluted, excluding significant non-cash items (a)	$ 0.22	$ 0.21	$ 0.42	$ 1.06

(a) These amounts are attributable to common shares.

Footnotes follow Financial Statements

Consolidated Balance Sheets

(in thousands, except per share data)

	September 30, 2010	December 31, 2009
Assets:		
Investments in real estate assets:		
Industrial properties:		
Core (1)	$ 7,580,614	$ 7,436,539
Core - completed development	4,048,846	4,108,962
Properties under development	276,397	191,127

Land held for development	2,380,914	2,569,343
Retail and mixed use properties	304,358	302,838
Land subject to ground leases and other	372,823	373,422
Other investments	162,285	190,352
	15,126,237	15,172,583
Less accumulated depreciation	1,883,405	1,671,100
Net investments in real estate assets	13,242,832	13,501,483
Investments in and advances to unconsolidated investees:		
Property funds (1)	2,024,149	1,876,650
Other unconsolidated investees (1)	328,039	275,073
Total investments in and advances to unconsolidated investees	2,352,188	2,151,723
Cash and cash equivalents	17,799	34,362
Accounts and notes receivable	123,186	91,547
Other assets	1,033,914	1,017,780
Total assets	$ 16,769,919	$ 16,796,895
Liabilities and Equity:		
Liabilities:		
Debt (2)	$ 8,170,032	$ 7,977,778
Accounts payable and accrued expenses	397,281	367,399
Other liabilities	519,524	444,432
Total liabilities	9,086,837	8,789,609
Equity:		
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	4,770	4,742
Additional paid-in capital	8,573,066	8,524,867
Accumulated other comprehensive income	17,392	42,298
Distributions in excess of net earnings	(1,279,837)	(934,583)
Total ProLogis shareholders' equity	7,665,391	7,987,324
Noncontrolling interests	17,691	19,962
Total equity	7,683,082	8,007,286
Total liabilities and equity	$ 16,769,919	$ 16,796,895

Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Revenues:				
Rental income (3)	$ 236,068	$ 220,489	$ 695,816	$ 661,252
Property management and other fees and incentives	29,262	45,792	86,231	111,200
CDFS disposition proceeds (4)	-	-	-	180,237
Development management and other income	4,784	3,010	8,494	7,594
Total revenues	270,114	269,291	790,541	960,283
Expenses:				
Rental expenses	69,095	67,862	201,732	203,325

Investment management expenses	9,829	10,186	30,079	31,581
General and administrative (5)	34,959	38,632	115,886	128,325
Reduction in workforce (5)	-	415	-	11,745
Impairment of real estate properties and other assets	2,929	46,274	3,296	130,492
Depreciation and amortization	93,469	79,643	267,018	230,952
Other expenses	5,409	8,405	14,325	19,408
Total expenses	215,690	251,417	632,336	755,828
Operating income	54,424	17,874	158,205	204,455
Other income (expense):				
Earnings from unconsolidated property funds, net	7,455	11,639	13,305	31,135
Earnings (loss) from other unconsolidated investees, net	1,770	(693)	7,197	2,850
Interest expense (6)	(120,233)	(89,838)	(349,132)	(265,819)
Other income (expense), net	7,375	(10,021)	5,833	(5,846)
Net gains on dispositions of real estate properties (7)	35,922	13,627	58,688	22,419
Foreign currency exchange gains, net (8)	6,144	13,386	2,626	34,898
Gain (loss) on early extinguishment of debt, net (2)	(1,791)	12,010	(48,449)	173,218
Total other income (expense)	(63,358)	(49,890)	(309,932)	(7,145)
Earnings (loss) before income taxes	(8,934)	(32,016)	(151,727)	197,310
Current income tax expense (benefit) (4)	5,499	(4,626)	15,850	30,140
Deferred income tax expense (benefit)	1,956	(5,088)	(40,442)	(20,687)
Total income taxes	7,455	(9,714)	(24,592)	9,453
Earnings (loss) from continuing operations	(16,389)	(22,302)	(127,135)	187,857
Discontinued operations (9):				

Income (loss) attributable to disposed properties	(130)	2,775	392	23,416
Net gain related to disposed assets - China operations (4)	-	-	-	3,315
Net gains on dispositions:				
Non-development properties	667	14,270	9,729	199,791
Development properties and land subject to ground leases	7,359	-	7,424	11,503
Total discontinued operations	7,896	17,045	17,545	238,025
Consolidated net earnings (loss)	(8,493)	(5,257)	(109,590)	425,882
Net earnings attributable to noncontrolling interests	(190)	(162)	(634)	(966)
Net earnings (loss) attributable to controlling interests	(8,683)	(5,419)	(110,224)	424,916
Less preferred share dividends	6,369	6,369	19,107	19,107
Net earnings (loss) attributable to common shares	$ (15,052)	$ (11,788)	$ (129,331)	$ 405,809
Weighted average common shares outstanding - Basic	477,028	452,683	476,280	379,421
Weighted average common shares outstanding - Diluted	477,028	452,683	476,280	382,623
Net earnings (loss) per share attributable to common shares - Basic:				
Continuing operations	$ (0.05)	$ (0.07)	$ (0.31)	$ 0.44
Discontinued operations	0.02	0.04	0.04	0.63
Net earnings (loss) per share attributable to common shares - Basic	$ (0.03)	$ (0.03)	$ (0.27)	$ 1.07
Net earnings (loss) per share attributable to common shares - Diluted:				
Continuing operations	$ (0.05)	$ (0.07)	$ (0.31)	$ 0.44
Discontinued operations	0.02	0.04	0.04	0.62
Net earnings (loss) per share attributable to common				

shares - Diluted	$ (0.03)	$ (0.03)	$ (0.27)	$ 1.06

Footnotes follow Financial Statements

Consolidated Statements of Funds From Operations (FFO)

(in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Revenues:				
Rental income	$ 236,252	$ 225,226	$ 697,419	$ 711,681
Property management and other fees and incentives	29,262	45,792	86,231	111,293
CDFS disposition proceeds (4)	-	-	-	180,237
Development management and other income	4,784	3,010	8,494	7,594
Total revenues	270,298	274,028	792,144	1,010,805
Expenses:				
Rental expense	69,326	68,874	202,607	218,228
Investment management expenses	9,829	10,186	30,079	31,581
General and administrative (5)	34,959	38,632	115,886	129,630
Reduction in workforce (5)	-	415	-	11,745
Impairment of real estate properties and other assets	2,929	46,274	3,296	130,492
Depreciation of corporate				

assets	3,269	3,982	9,770	12,069
Other expenses	5,409	8,405	14,325	19,414
Total expenses	125,721	176,768	375,963	553,159
Operating FFO	144,577	97,260	416,181	457,646
Other income (expense):				
FFO from unconsolidated property funds	42,315	43,901	116,016	115,518
FFO from other unconsolidated investees	3,660	947	12,135	8,926
Interest expense	(120,233)	(89,838)	(349,132)	(265,649)
Other income (expense), net	7,375	(10,021)	5,833	(5,774)
Net gains on dispositions of real estate properties, net of related tax (7)(10)	38,899	12,515	59,150	30,072
Foreign currency exchange gains (losses), net	(694)	318	17	(22,068)
Gain (loss) on early extinguishment of debt, net (2)	(1,791)	12,010	(48,449)	173,218
Current income tax benefit (expense) (4)(10)	(3,499)	4,626	(12,999)	(30,341)
Net gain related to disposed assets - China operations (4)	-	-	-	3,315
Total other income (expense)	(33,968)	(25,542)	(217,429)	7,217
FFO	110,609	71,718	198,752	464,863
Less preferred share dividends	6,369	6,369	19,107	19,107
Less net earnings attributable to noncontrolling interests	190	162	634	1,110
FFO attributable to common shares, including significant non-cash items	$ 104,050	$ 65,187	$ 179,011	$ 444,646
Adjustments for significant non-cash items	4,720	29,339	23,774	(39,683)
FFO attributable to common shares, excluding significant non-cash items	$ 108,770	$ 94,526	$ 202,785	$ 404,963
Weighted average common shares outstanding - Basic	477,028	452,683	476,280	379,421

FFO per share attributable to common shares, including significant non-cash items:				
Basic	$ 0.22	$ 0.14	$ 0.38	$ 1.17
Diluted	$ 0.21	$ 0.14	$ 0.37	$ 1.16
FFO per share attributable to common shares, excluding significant non-cash items:				
Basic	$ 0.23	$ 0.21	$ 0.43	$ 1.07
Diluted	$ 0.22	$ 0.21	$ 0.42	$ 1.06

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		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Net earnings (loss) (a)	$ (15,052)	$ (11,788)	$ (129,331)	$ 405,809
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	90,200	75,661	257,248	218,883
Adjustments to gains on dispositions for depreciation	(2,376)	(1,001)	(4,208)	(2,204)
Adjustments to (gains on) dispositions of non-development properties	(6)	(111)	97	(1,646)
Reconciling items attributable to discontinued operations:				

(9)

Gains on dispositions of non-development properties	(667)	(14,270)	(9,729)	(199,791)
Real estate related depreciation and amortization	83	950	336	11,534
Total discontinued operations	(584)	(13,320)	(9,393)	(188,257)
Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	39,311	37,973	116,143	113,954
Adjustment to gains/losses on dispositions for depreciation	-	(1,310)	-	(7,888)
Other amortization items	(3,324)	(1,659)	(10,313)	(7,821)
Total unconsolidated investees	35,987	35,004	105,830	98,245
Total NAREIT defined adjustments	123,221	96,233	349,574	125,021
Subtotal-NAREIT defined FFO	108,169	84,445	220,243	530,830
Add (deduct) our defined adjustments:				
Foreign currency exchange gains, net (8)	(6,838)	(13,068)	(2,609)	(56,897)
Deferred income tax expense (benefit)	1,956	(5,088)	(40,442)	(20,699)
Our share of reconciling items from unconsolidated investees:				
Foreign currency exchange losses (gains), net (8)	350	(556)	2,294	(790)
Unrealized losses (gains) on derivative contracts, net	1,450	(208)	(125)	(6,167)
Deferred income tax benefit	(1,037)	(338)	(350)	(1,631)
Total unconsolidated investees	763	(1,102)	1,819	(8,588)
Total our defined adjustments	(4,119)	(19,258)	(41,232)	(86,184)
FFO, including significant non-cash items (a)	$ 104,050	$ 65,187	$ 179,011	$ 444,646

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
FFO, including significant non-cash items (a)	$ 104,050	$ 65,187	$ 179,011	$ 444,646
Add (deduct) significant non-cash items:				
Impairment of real estate properties and other assets	2,929	46,274	3,296	130,492
Net gain related to disposed assets - China operations (4)	-	-	-	(3,315)
Losses (gains) on early extinguishment of debt (2)	1,791	(12,010)	16,049	(173,218)
Write-off deferred extension fees associated with Global Line	-	-	854	-
Our share of certain net losses (gains) recognized by the property funds	-	(4,925)	3,575	6,358
Total adjustments for significant non-cash items	4,720	29,339	23,774	(39,683)
FFO, excluding significant non-cash items (a)	$ 108,770	$ 94,526	$ 202,785	$ 404,963

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
FFO, excluding significant non-cash items (a)	$ 108,770	$ 94,526	$ 202,785	$ 404,963
Interest expense	120,233	89,838	348,278	265,649

Depreciation of corporate assets	3,269	3,982	9,770	12,069
Current income tax expense (benefit) included in FFO (10)	5,499	(4,626)	15,850	30,341
Adjustments to gains on dispositions for interest capitalized	1,849	4,605	3,119	11,544
Preferred share dividends	6,369	6,369	19,107	19,107
Our share of reconciling items from unconsolidated investees	45,705	44,241	141,247	130,705
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	$ 291,694	$ 238,935	$ 740,156	$ 874,378

(a) Attributable to common shares.

See Consolidated Statements of Operations and Consolidated Statements of FFO

Footnotes follow Financial Statements

Calculation of Per Share Amounts

(in thousands, except per share amounts)

Net Earnings (Loss) Per Share

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010 (a)	2009 (a)	2010 (a)	2009
Net earnings (loss) - Basic (b)	$ (15,052)	$ (11,788)	$ (129,331)	$ 405,809
Noncontrolling interest attributable to convertible limited partnership units (c)	-	-	-	966
Adjusted net earnings (loss) - Diluted (b)	$ (15,052)	$ (11,788)	$ (129,331)	$ 406,775
Weighted average common shares outstanding - Basic	477,028	452,683	476,280	379,421

Incremental weighted average effect of conversion of limited partnership units (c)	-	-	-	1,192
Incremental weighted average effect of stock awards	-	-	-	2,010
Weighted average common shares outstanding - Diluted (d)	477,028	452,683	476,280	382,623
Net earnings (loss) per share - Diluted (b)	$ (0.03)	$ (0.03)	$ (0.27)	$ 1.06

FFOPer Share, including significant non-cash items

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
FFO - Basic, including significant non-cash items (b)	$ 104,050	$ 65,187	$ 179,011	$ 444,646
Interest expense for convertible debt to common shares (d)	4,216	-	-	-
Noncontrolling interest attributable to convertible limited partnership units (c)	157	-	-	966
FFO - Diluted, including significant non-cash items (b)	$ 108,423	$ 65,187	$ 179,011	$ 445,612
Weighted average common shares outstanding - Basic	477,028	452,683	476,280	379,421
Incremental weighted average effect of conversion of limited partnership units (c)	760	-	-	1,192
Incremental weighted average effect of conversion of certain convertible debt (d)	26,611	-	-	-
Incremental weighted average effect of stock awards	3,275	2,388	3,355	2,010
Weighted average common shares outstanding - Diluted	507,674	455,071	479,635	382,623

FFO per share - Diluted, including significant non-cash items (b)	$ 0.21	$ 0.14	$ 0.37	$ 1.16

FFO Per Share, excluding significant non-cash items

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
FFO - Basic, including significant non-cash items (b)	$ 104,050	$ 65,187	$ 179,011	$ 444,646
Adjustments for significant non-cash items	4,720	29,339	23,774	(39,683)
Interest expense for convertible debt to common shares (d)	4,216	-	-	-
Noncontrolling interest attributable to convertible limited partnership units (c)	157	162	-	966
FFO - Diluted, excluding significant non-cash items (b)	$ 113,143	$ 94,688	$ 202,785	$ 405,929
Weighted average common shares outstanding - Basic	477,028	452,683	476,280	379,421
Incremental weighted average effect of conversion of limited partnership units (c)	760	1,110	-	1,192
Incremental weighted average effect of conversion of certain convertible debt (d)	26,611	-	-	-
Incremental weighted average effect of stock awards	3,275	2,388	3,355	2,010
Weighted average common shares outstanding - Diluted	507,674	456,181	479,635	382,623
FFO per share - Diluted, excluding significant non-cash items (b)	$ 0.22	$ 0.21	$ 0.42	$ 1.06

(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 of the limited partnerships are not included in the diluted per share calculation.

(d) Relates to the convertible debt issued in March 2010. If the impact of the conversion of the convertible debt is anti-dilutive, the expense associated with the debt and the related shares are not included in the diluted per share calculation.

Notes of Financial Statements

Please 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 amounts from previous periods presented in this document have been reclassified to conform to the 2010 presentation.

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 that we refer to as Completed Development Properties. Our intent is to hold and use the Core and Development properties, however, depending on market and other conditions, we may contribute either Core or Development properties to the property funds or sell 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) and present the results as Net Gains on Dispositions. In addition, we have industrial properties that are currently under development and land available for development that are part of this segment as well. We may develop the land or sell to third parties, depending on market and other conditions. The investment management segment represents the investment management of unconsolidated property funds and joint ventures and the properties they own.

(1) On October 18, 2010, we announced that we had entered into a definitive agreement to sell a portfolio of industrial properties and several equity method investments to a single buyer for approximately $1.02 billion. The industrial portfolio includes approximately 180 properties with 23 million square feet that were 95.6% leased at September 30, 2010 and had net operating income of approximately $19.1 million for the three months ended September 30, 2010. The equity method investments include our 20% ownership interest in three property funds (ProLogis North American Properties Fund VI-VIII) and an investment in an unconsolidated joint venture that owns a hotel property and adjacent land. We expect the sale, which is subject to customary closing conditions, to close later in the fourth quarter and result in an approximate $200 million net gain for GAAP earnings purposes. We will continue to provide property management services for the industrial properties that were previously owned directly by us and by the property funds.

(2) During the three and nine months endedSeptember 30, 2010 and 2009, in connection with our announced initiatives to stagger and extend our debt maturities and reduce debt, we repurchased portions of several series of senior and convertible senior notes outstanding with maturities in 2012, 2013, 2015 and 2016. In addition, in the first and third quarters of 2010, we repaid certain secured mortgage debt in connection with the sale of two properties in Japan. The repurchase activity is summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Convertible Senior Notes (a):				
Original principal amount	$ 103,000	$ 15,000	$ 842,642	$ 536,257
Cash purchase price	$ 97,181	$ 13,028	$ 791,603	$ 351,106
Senior Notes:				
Original principal amount	$ 33,539	$ 20,000	$ 456,015	$ 363,192
Cash purchase price	$ 33,102	$ 19,925	$ 482,484	$ 322,015
Secured Mortgage Debt:				
Original principal amount	$ 89,581	$ 227,017	$ 134,721	$ 227,017
Cash repayment price	$ 90,402	$ 227,017	$ 137,061	$ 227,017
Total:				
Original principal amount	$ 226,120	$ 262,017	$ 1,433,378	$ 1,126,466
Cash purchase / repayment price	$ 220,685	$ 259,970	$ 1,411,148	$ 900,138
Gain (loss) on early extinguishment of debt, net (b)	$ (1,791)	$ 12,010	$ (48,449)	$ 173,218

(a) Although the cash purchase price is less than the principal amount outstanding, the repurchase of these notes resulted in a non-cash loss in 2010 due to the non-cash discount. Therefore, we adjusted for this non-cash loss to arrive at FFO, excluding significant non-cash items.

(b) Represents the difference between the recorded debt (including unamortized related debt issuance costs, premiums and discounts) and the consideration we paid to retire the debt. Of the loss referred to above, the non-cash loss of $1.8 million and $16.0 million for the three and nine months ended September 30, 2010, respectively, are adjusted back to arrive at FFO, excluding significant non-cash items.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Rental income	$ 177,012	$ 165,385	$ 513,023	$ 487,443
Rental expense recoveries	50,169	47,278	152,418	147,522
Straight-lined rents	8,887	7,826	30,375	26,287
	$ 236,068	$ 220,489	$ 695,816	$ 661,252

(4) 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, for total cash consideration of $1.3 billion ($845 million related to China and $500 million related to the Japan investments).

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 development properties to the property funds based on our ownership interest in the property funds at the time of original contribution. We also recognized $20.5 million in current income tax expense related to the Japan portion of the transaction. We continued to manage the Japan properties until July 2009 at which time 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.

(5) In the fourth quarter of 2008, in response to the difficult economic climate, we initiated general and administrative expense ("G&A") reductions. These initiatives included a Reduction in Workforce ("RIF") program and reductions to other expenses through various cost savings measures. Lower gross G&A and less development activity 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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gross G&A expense	$ 59,795	$ 65,060	$ 190,529	$ 212,221
Reported as rental expense	(4,988)	(4,872)	(14,822)	(14,660)
Reported as investment management expenses	(9,829)	(10,186)	(30,079)	(31,581)
Capitalized amounts	(10,019)	(11,370)	(29,742)	(37,655)
Net G&A	$ 34,959	$ 38,632	$ 115,886	$ 128,325

(6) The following table presents the components of *Interest Expense* as reflected in our Consolidated Statements of Operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Gross interest expense	$ 114,291	$ 91,349	$ 332,525	$ 281,585
Amortization of discount, net	10,880	15,706	38,412	51,049
Amortization of deferred loan costs	6,110	4,941	20,027	11,191
Interest expense before capitalization	131,281	111,996	390,964	343,825
Capitalized amounts	(11,048)	(22,158)	(41,832)	(78,006)
Net interest expense	$ 120,233	$ 89,838	$ 349,132	$ 265,819

Gross interest expense increased in 2010 from 2009 due to increased borrowing rates. The decrease in capitalized amounts in 2010 from 2009 is due to less development activity.

(7) Included in *Net Gains on Dispositions of Real Estate Properties* for the three and nine months ended September 30, 2010 are gains of $6.5 million and $7.6 million, respectively, from the sale of real estate properties that were previously impaired.

(8) Included in *Foreign Currency Exchange Gains (Losses), Net*, for the nine months ended September 30, 2010 and 2009, are net foreign currency exchange gains or losses from 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 between January 1st and September 30th of the applicable years. We do not include the gains and losses related to inter-company loans in our calculation of FFO.

(9) The operations of the properties held for sale and properties that are disposed of to third parties during a period, including the aggregate net gains recognized upon their disposition, are presented as discontinued operations in our Consolidated Statements of Operations for all periods presented.

During the nine months ended September 30, 2010, we disposed of 13 properties to third parties aggregating 1.4 million square feet, 2 of which were development properties. During all of 2009, other than our China operations, we disposed of land subject to ground leases and 140 properties aggregating 14.8 million square feet to third parties, 3 of which were development properties.

The income attributable to these properties and our China operations was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Rental income	$ 184	$ 4,737	$ 1,603	$ 50,429
Rental expenses	(231)	(1,012)	(875)	(14,903)
Depreciation and amortization	(83)	(950)	(336)	(11,534)
Other expenses, net	-	-	-	(576)
Income (loss) attributable to disposed properties	$ (130)	$ 2,775	$ 392	$ 23,416

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 in the calculation of FFO, including those classified as discontinued operations.

(10) The net gains on dispositions of real estate properties presented in our Consolidated Statements of FFO are net of related taxes of $2.0 million and $2.9 million for the three and nine months ended September 30, 2010, respectively.

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