February 3, 2011

ProLogis Reports Fourth Quarter/Year-End 2010 Results

- Full-Year Core FFO Exceeds Previous Guidance -

- Strong Leasing Activity at Year End -

- Total Industrial Portfolio 91 Percent Leased -

- Company Provides 2011 Guidance -

DENVER, Feb. 3, 2011 /PRNewswire/ -- ProLogis (NYSE: PLD), the leading global provider of distribution facilities, today reported funds from operations as defined by ProLogis (FFO), excluding items that affect comparability, of $0.76 per diluted share in 2010, $0.57 of which was from core operations, which excludes gains on disposition of real estate, net of taxes. For 2009, the company reported FFO, excluding items that affect comparability, of $1.41 per diluted share, which included $0.85 from core operations. FFO, including significant non-cash items, was negative $2.24 for 2010, compared with $0.34 for 2009.

For the fourth quarter of 2010, FFO, excluding items that affect comparability, was $0.25 per diluted share, $0.18 of which was from core operations. For the fourth quarter of 2009, FFO, excluding items that affect comparability, was $0.23 per share, which included $0.16 from core operations.

The company reported a net loss of $2.64 per diluted share for the full year ended December 31, 2010, compared with a net loss of $0.01 per diluted share for the same period in 2009. For the fourth quarter of 2010, the company reported a net loss per diluted share of $2.17, compared with a net loss of $0.86 in the same period of 2009. The negative FFO, including significant non-cash items, and net loss for both the quarter and year were due principally to a write down of goodwill, as well as impairment charges and loss on early extinguishment of debt, which were in line with the expected amounts communicated in December 2010.

Industrial Fundamentals Continue to Improve

"During the fourth quarter, leasing velocity in our portfolio increased more than 25 percent over the third quarter, and the overall U.S. market experienced its third straight quarter of positive growth absorption – 17 million square feet. We continued to see good demand for build-to-suits and started $155 million of new development that was 95 percent preleased – demonstrating that many markets no longer have the high-quality space available that customers require," said Walter C. Rakowich, chief executive officer. For the full year, the company started 19 buildings, totaling over $656 million of expected investment, with 17 of those buildings build-to-suit or substantially pre-leased.

“This combination of demand for new space and good leasing activity gives us confidence that the industrial recovery is taking hold. While we believe the market has turned the corner, we also appreciate that challenges remain. We expect same store rental growth to continue to be negative in 2011 as the majority of the leases turning over will be rolling off of the high point of the cycle in 2006 and 2007. However, we remain optimistic that the recovery we began to see in the latter half of 2010 could intensify, if consumers remain confident and inventory rebuilding continues,” add Rakowich.

The company’s total industrial operating portfolio (including completed development and the investment management portfolio) was 91.0 percent leased at the end of the quarter, up more than 100 basis points from 89.9 percent at September 30, 2010. Total leasing activity in the fourth quarter was 34.5 million square feet, bringing the full year number to over 119 million square feet, close to the 2008 peak of 121 million square feet. Leasing in the company’s static completed development portfolio ended the year at 79.7 percent, up 560 basis points from September 30, 2010. Because this pool of properties is substantially leased, beginning in the fourth quarter, the completed development portfolio has been consolidated into the direct owned portfolio, as it is ProLogis’ intent to own the vast majority of these assets long term. Customer retention in both the direct owned and investment management portfolios during the quarter was more than 87 percent. In the company’s total same-store portfolio, rental rates on turnovers declined 10.5 percent, compared with an 8.5 percent decline in the third quarter of 2010. Same-store occupancy increased for the third straight quarter, up 2.1 percent, while same-store net operating income was down slightly, a negative 0.45 percent.

Completed $1.75 Billion in Dispositions and Contributions

In 2010, the company generated more than$1.75 billion in net proceeds through a combination of $1.25 billion of asset sales to third parties and$500 million of contributions to property funds and joint ventures. The third-party asset sales were consistent with the company’s stated goal to sell assets in non-strategic markets and redeploy the proceeds into new development in major global markets, thereby further diversifying and improving the quality of its direct owned portfolio. The majority of the assets sold to third parties were older and smaller than the characteristics of the company’s remaining direct owned portfolio. Additionally, in December, the company announced its intent to sell certain retail, mixed-use and ground lease assets to affiliates of TPG in the first quarter of 2011. Proceeds will be used to pay down the company’s line of credit and to fund new development.

“As market conditions have improved, we have continued to experience strong institutional demand for quality properties, allowing us to exceed our initial expectation of $1.3 to $1.5 billion of gross disposition proceeds,” said Michael S. Curless, managing director of global investments. “We believe we will have further opportunities to prune our portfolio as we focus on strengthening our position in major global logistics corridors, although we do not anticipate portfolio sales in 2011 of the same magnitude as those completed in 2010.”

“During 2010, we took great strides toward the goal of enhancing our direct owned portfolio by retaining new development on our balance sheet and disposing of non-strategic and non-core assets. These actions, coupled with the strengthening of our balance sheet, will allow us to focus our efforts on our core strengths – managing and developing industrial assets in the major logistics corridors around the world,” Rakowich concluded.

Strategic Financial Initiatives Achieved

"As we ended the year, we were pleased with the improved financial and operating positions we achieved in 2010," stated William E. Sullivan, chief financial officer. "Through debt offerings early in the year, as well as asset sales and our equity raise later in the year, we were able to successfully tender for, or buy back in the open market, $3.0 billion of original principal amount of debt, to end the year with direct debt of $6.5 billion – down from $8.0 billion at the end of 2009. We have less than $200 million in direct debt maturities in 2011, and we intend to extend our global line of credit into 2014. Our improved financial position, coupled with the strength we saw in operating fundamentals as the year drew to a close, allowed us to exceed the top end of our expected core FFO guidance range."

For the fourth quarter, total charges of $1.42 billion added back to arrive at core FFO included $368 million of non-cash goodwill impairments, as a result of the company's year-end review. The remaining $1.06 billion is consistent with the range of $995 million to $1.06 billion that the company pre-announced in December 2010. The $1.06 billion includes $157 million of cash charges and $893 million non-cash charges.

Guidance for 2011

ProLogis established full-year 2011 core FFO guidance of $0.62 to $0.66 per diluted share, and $0.64 to $0.70 per diluted share including gains on dispositions. Net loss for 2011 is expected to be $0.15 to $0.20 per diluted share, primarily due to depreciation and amortization.

For 2011, the primary drivers supporting this guidance include:

-- A 150 - 200 basis point increase in total operating portfolio leasing, compared with year-end 2010;
-- Same-store net operating income growth of 1 – 3 percent;
-- Development starts of $800 million - $1 billion;
-- Land monetization of $400 - $450 million, with approximately $200 million related to third-party sales, and $200 - $250 million monetized through development activity;
-- Building dispositions and contributions of $650 - $750 million, including the planned sale of Catellus retail and mixed-use assets for $505 million, third-party sales and fund/JV contributions;
-- Share of FFO from property funds and other unconsolidated investees of $170 - $180 million;
-- Management fees from property funds of $110 - $120 million; and
-- A 4 percent reduction in gross G&A expense. Amounts reported as rental and Investment Management expenses are expected to be in line with 2010 levels, while capitalized G&A is expected to increase by 15 percent due to greater development activity.

Webcast and Conference Call Information

The company will host a webcast/conference call to discuss quarterly results, current market conditions and future outlook on Thursday, February 3, 2011, at 9:00 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 Thursday, February 17, 2011, and can be accessed by dialing (800) 642-1687 domestically or (706) 645-9291 internationally and entering passcode 39854407. 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 435 million square feet of industrial space owned and managed (40 million square meters) in markets across North America, Europe and Asia. The company leases its industrial facilities to more than 3,800 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 December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Revenues	$ 242,717	$ 219,185	$ 909,155	$ 1,054,635
Net loss attributable to common shares	$ (1,166,589)	$ (408,459)	$ (1,295,920)	$ (2,650)
FFO, including significant non-cash items	$ (1,280,195)	$ (305,761)	$ (1,101,184)	$ 138,885
Adjustments	1,263,221	368,586	1,286,995	328,903
FFO, excluding significant non-cash items	(16,974)	62,825	185,811	467,788
Adjustments	157,207	46,707	195,578	102,620
FFO, excluding items that affect comparability including gains net of taxes	140,233	109,532	381,389	570,408
Gains net of taxes	(40,853)	(35,515)	(100,003)	(225,358)
Core FFO	$ 99,380	$ 74,017	$ 281,386	$ 345,050
Per share - Diluted:				
Net loss attributable to common shares	$ (2.17)	$ (0.86)	$ (2.64)	$ (0.01)
FFO, including significant non-cash items	$ (2.38)	$ (0.65)	$ (2.24)	$ 0.34
FFO, excluding significant non-cash				

items	$ (0.03)	$ 0.13	$ 0.37	$ 1.15
FFO, excluding items that affect comparability, including gains net of taxes	$ 0.25	$ 0.23	$ 0.76	$ 1.41
Core FFO	$ 0.18	$ 0.16	$ 0.57	$ 0.85

Footnotes follow Financial Statements

Consolidated Balance Sheets

(in thousands, except per share data)

	December 31, 2010	September 30, 2010	December 31, 2009
Assets:			
Investments in real estate assets:			
Industrial properties:			
Core (1)	$ 10,714,799	$ 11,631,894	$ 11,547,934
Properties under development	365,362	276,397	191,127
Land (2)(3)	1,533,611	2,385,076	2,573,506
Retail and mixed use properties (2)	-	272,885	271,607
Other real estate investments (2)	265,869	566,571	594,995
	12,879,641	15,132,823	15,179,169
Less accumulated depreciation	1,595,678	1,883,405	1,671,100
Net investments in properties	11,283,963	13,249,418	13,508,069
Investments in and advances to unconsolidated investees (1)(2)(3)	2,024,661	2,238,835	2,106,723
Notes receivable backed by real estate (1)	302,144	123,839	55,544
Assets held for sale (2)(3)(4)	574,791	-	-
Net investments in real estate	14,185,559	15,612,092	15,670,336

Cash and cash equivalents	37,634	17,799	34,362
Restricted cash	27,081	30,263	23,893
Accounts receivable	58,979	72,352	42,117
Other assets (3)	593,414	1,037,413	1,026,187
Total assets	$ 14,902,667	$ 16,769,919	$ 16,796,895
Liabilities and Equity:			
Liabilities:			
Debt (5)	$ 6,506,029	$ 8,170,032	$ 7,977,778
Accounts payable and accrued expenses	388,536	397,281	367,399
Other liabilities	467,998	519,524	444,432
Liabilities related to assets held for sale (2)(4)	19,749	-	-
Total liabilities	7,382,312	9,086,837	8,789,609
Equity:			
ProLogis shareholders' equity:			
Preferred shares	350,000	350,000	350,000
Common shares (6)	5,701	4,770	4,742
Additional paid-in capital (6)	9,668,404	8,573,066	8,524,867
Accumulated other comprehensive income (loss)	(3,160)	17,392	42,298
Distributions in excess of net earnings	(2,515,722)	(1,279,837)	(934,583)
Total ProLogis shareholders' equity	7,505,223	7,665,391	7,987,324
Noncontrolling interests	15,132	17,691	19,962
Total equity	7,520,355	7,683,082	8,007,286
Total liabilities and equity	$ 14,902,667	$ 16,769,919	$ 16,796,895

Footnotes follow Financial Statements

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Revenues:				
Rental income (7)	$ 199,595	$ 186,229	$ 771,308	$ 722,648
Property management and other fees and incentives (8)	34,095	31,563	120,326	142,763
CDFS disposition proceeds (8)	-	-	-	180,237
Development management and other income	9,027	1,393	17,521	8,987
Total revenues	242,717	219,185	909,155	1,054,635
Expenses:				
Rental expenses	55,076	55,136	223,924	223,692
Investment management expenses	10,580	11,835	40,659	43,416
General and administrative (9)	50,095	52,161	165,981	180,486
Reduction in workforce (9)	-	-	-	11,745
Impairment of real estate properties (2)(3)	733,316	207,668	736,612	331,592
Depreciation and amortization	83,214	73,712	319,602	274,522
Other expenses	2,030	4,617	16,355	24,025
Total expenses	934,311	405,129	1,503,133	1,089,478
Operating loss	(691,594)	(185,944)	(593,978)	(34,843)
Other income (expense):				
Earnings (loss) from unconsolidated investees, net	3,176	(5,926)	23,678	28,059

Interest income	2,008	370	5,022	2,702
Interest expense (10)	(112,034)	(107,486)	(461,166)	(373,305)
Impairment of goodwill and other assets (2)(3)	(412,745)	(157,076)	(412,745)	(163,644)
Other income (expense), net	8,006	(33,873)	10,825	(42,051)
Net gains (losses) on dispositions of investments in real estate (1)(11)	(30,200)	12,843	28,488	35,262
Foreign currency exchange gains (losses), net (12)	(13,707)	728	(11,081)	35,626
Gain (loss) on early extinguishment of debt, net (5)	(153,037)	(960)	(201,486)	172,258
Total other income (expense)	(708,533)	(291,380)	(1,018,465)	(305,093)
Loss before income taxes	(1,400,127)	(477,324)	(1,612,443)	(339,936)
Current income tax expense (benefit) (8)	5,874	(878)	21,724	29,262
Deferred income tax benefit	(11,781)	(2,600)	(52,223)	(23,287)
Total income taxes	(5,907)	(3,478)	(30,499)	5,975
Loss from continuing operations	(1,394,220)	(473,846)	(1,581,944)	(345,911)
Discontinued operations (4):				
Income attributable to disposed properties and assets held for sale	15,936	21,723	76,917	105,061
Net gain related to disposed assets - China operations (8)	-	-	-	3,315
Net gains on dispositions/impairment of properties:				
Non-development properties, net of taxes (1)(2)(3)	203,836	21,024	213,565	220,815
Development properties and land subject to ground leases	13,585	29,146	21,009	40,649

Total discontinued operations	233,357	71,893	311,491	369,840
Consolidated net earnings (loss)	(1,160,863)	(401,953)	(1,270,453)	23,929
Net loss (earnings) attributable to noncontrolling interests	591	(190)	(43)	(1,156)
Net earnings (loss) attributable to controlling interests	(1,160,272)	(402,143)	(1,270,496)	22,773
Less preferred share dividends	6,317	6,316	25,424	25,423
Net loss attributable to common shares	$ (1,166,589)	$ (408,459)	$ (1,295,920)	$ (2,650)
Weighted average common shares outstanding - Basic (6)	537,438	473,561	491,744	403,149
Weighted average common shares outstanding - Diluted	537,438	473,561	491,744	403,149
Net earnings (loss) per share attributable to common shares - Basic:				
Continuing operations	$ (2.60)	$ (1.01)	$ (3.27)	$ (0.93)
Discontinued operations	0.43	0.15	0.63	0.92
Net loss per share attributable to common shares - Basic	$ (2.17)	$ (0.86)	$ (2.64)	$ (0.01)
Net earnings (loss) per share attributable to common shares - Diluted:				
Continuing operations	$ (2.60)	$ (1.01)	$ (3.27)	$ (0.93)
Discontinued operations	0.43	0.15	0.63	0.92
Net loss per share attributable to common shares - Diluted	$ (2.17)	$ (0.86)	$ (2.64)	$ (0.01)

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,	
	2010	2009	2010	2009
Revenues:				
Rental income	$ 227,750	$ 229,906	$ 925,169	$ 941,587
Property management and other fees and incentives	34,095	31,563	120,326	142,856
CDFS disposition proceeds (8)	-	-	-	180,237
Development management and other income	9,027	1,393	17,521	8,987
Total revenues	270,872	262,862	1,063,016	1,273,667
Expenses:				
Rental expense	61,169	66,162	263,776	284,390
Investment management expenses	10,580	11,835	40,659	43,416
General and administrative (9)	50,095	52,161	165,981	181,791
Reduction in workforce (9)	-	-	-	11,745
Impairment of real estate properties (2) (3)	821,018	207,668	824,314	331,592
Depreciation of corporate assets	4,116	3,828	13,886	15,897
Other expenses	2,030	4,617	16,355	24,031
Total expenses	949,008	346,271	1,324,971	892,862
Operating FFO	(678,136)	(83,409)	(261,955)	380,805
Other income (expense):				
FFO from unconsolidated investees	31,897	43,631	160,048	168,075
Interest income	2,008	370	5,022	2,702

Interest expense	(112,034)	(107,486)	(461,166)	(373,135)
Impairment of goodwill and other assets (2)(3)	(412,745)	(157,076)	(412,745)	(163,644)
Other income (expense), net	8,006	(33,873)	10,825	(41,979)
Net gains on dispositions of investments in real estate (11)	48,785	35,515	110,786	65,587
Foreign currency exchange gains (losses), net	389	(503)	406	(22,571)
Gain (loss) on early extinguishment of debt, net (5)	(153,037)	(960)	(201,486)	172,258
Current income tax benefit (expense) (8):				
Income tax expense on dispositions (1)(2)	(7,932)	-	(10,783)	(20,466)
Income tax benefit (expense) - other	(1,670)	4,536	(14,669)	(5,339)
Net gain related to disposed assets - China operations (8)	-	-	-	3,315
Total other income (expense)	(596,333)	(215,846)	(813,762)	(215,197)
FFO	(1,274,469)	(299,255)	(1,075,717)	165,608
Less preferred share dividends	6,317	6,316	25,424	25,423
Less net earnings (loss) attributable to noncontrolling interests	(591)	190	43	1,300
FFO attributable to common shares, including significant non-cash items	$ (1,280,195)	$ (305,761)	$ (1,101,184)	$ 138,885
Adjustments	1,263,221	368,586	1,286,995	328,903
FFO attributable to common shares, excluding significant non-cash items	$ (16,974)	$ 62,825	$ 185,811	$ 467,788

Footnotes follow

Financial Statements

Reconciliations of Net Loss to FFO

(in thousands)

Reconciliations to FFO

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Net loss attributable to common shares	$ (1,166,589)	$ (408,459)	$ (1,295,920)	$ (2,650)
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	79,098	69,884	305,716	258,625
Adjustments to gains on dispositions for depreciation	-	(3,183)	(4,208)	(5,387)
Adjustments to (gains on) dispositions of non-development properties	839	(3,291)	936	(4,937)
Net gain on disposition of assets in Blackstone transaction (1)	(205,613)	-	(205,613)	-
Reconciling items attributable to discontinued operations: (4)				
Gains on dispositions of non-development properties	(25,092)	(21,024)	(34,821)	(220,815)
Real estate related depreciation and amortization	6,126	10,928	37,092	52,604

Our share of reconciling items from unconsolidated investees:				
Real estate related depreciation and amortization	39,587	40,361	155,730	154,315
Adjustment to gains/losses on dispositions for depreciation	-	(1,681)	-	(9,569)
Other amortization items	(3,696)	(3,954)	(14,009)	(11,775)
Subtotal-NAREIT defined FFO	(1,275,340)	(320,419)	(1,055,097)	210,411
Add (deduct) our defined adjustments:				
Foreign currency exchange losses (gains), net (12)	14,096	(1,231)	11,487	(58,128)
Current income tax expense	-	3,658	-	3,658
Deferred income tax benefit	(11,781)	(2,600)	(52,223)	(23,299)
Our share of reconciling items from unconsolidated investees:				
Foreign currency exchange gains, net (12)	(2,633)	(947)	(339)	(1,737)
Unrealized gains on derivative contracts, net	(8,842)	(1,394)	(8,967)	(7,561)
Deferred income tax expense	4,305	17,172	3,955	15,541
FFO, including significant non-cash items	(1,280,195)	(305,761)	(1,101,184)	138,885
Adjustments:				
Impairment of real estate properties (3)	821,018	207,668	824,314	331,592
Impairment of goodwill and other assets (3)	412,745	157,076	412,745	163,644
Net gain related to				

disposed assets - China operations (8)	-	-	-	(3,315)
Losses (gains) on early extinguishment of debt (5)	14,674	960	30,723	(172,258)
Write-off deferred financing fees associated with Global Line (10)	6,826	-	7,680	-
Our share of certain net losses recognized by the property funds	7,958	2,882	11,533	9,240
FFO, excluding significant non-cash items	(16,974)	62,825	185,811	467,788
Adjustments:				
Our share of derivative losses recognized by the property funds	18,844	-	24,815	-
Cash losses on early extinguishment of debt	138,363	-	170,763	-
Adjustments made in 2009, not applicable in 2010	-	46,707	-	102,620
FFO, excluding items that affect comparability including gains net of taxes	140,233	109,532	381,389	570,408
Adjustments:				
CDFS proceeds	-	-	-	(180,237)
Net gains on dispositions of real estate properties	(48,785)	(35,515)	(110,786)	(65,587)
Income tax expense related to dispositions	7,932	-	10,783	20,466
Core FFO	$ 99,380	$ 74,017	$ 281,386	$ 345,050
Per diluted share:				
FFO, including significant non-cash items	$ (2.38)	$ (0.65)	$ (2.24)	$ 0.34
FFO, excluding significant non-cash items	$ (0.03)	$ 0.13	$ 0.37	$ 1.15
FFO, excluding items that affect comparability				

including gains net of taxes	$ 0.25	$ 0.23	$ 0.76	$ 1.41
Core FFO	$ 0.18	$ 0.16	$ 0.57	$ 0.85

See Consolidated Statements of Operations and Consolidated Statements of FFO

Footnotes follow Financial Statements

Other Financial Metrics

(in thousands)

Reconciliation of Consolidated Net Earnings (Loss) to Core EBITDA, as adjusted

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Consolidated net earnings (loss)	$ (1,160,863)	$ (401,953)	$ (1,270,453)	$ 23,929
Gains from dispositions of investments in real estate, net	(187,221)	(63,013)	(263,062)	(296,726)
Depreciation and amortization	83,214	73,712	319,602	274,522
Interest expense	112,034	107,486	461,166	373,305
Impairment charges	1,146,061	364,744	1,149,357	495,236
Loss (gain) on early extinguishment of debt	153,037	960	201,486	(172,258)
Current and deferred income tax expense (benefit)	(5,907)	(3,478)	(30,499)	5,975
Adjustments made in 2009, not applicable in 2010	-	46,707	-	102,620

Income on properties sold during the quarter included in discontinued operations	(7,022)	-	(7,022)	-
Other non-cash charges	21,976	(1,231)	36,625	(40,886)
Core EBITDA, as adjusted, prior to our share of unconsolidated investees	155,309	123,934	597,200	765,717
Our share of reconciling items from unconsolidated investees:				
Depreciation and amortization	35,891	34,726	141,721	132,971
Other non-cash charges	788	17,713	6,182	15,483
Realized losses on derivative activity	18,844	-	24,815	-
Core EBITDA, as adjusted	$ 210,832	$ 176,373	$ 769,918	$ 914,171
ProLogis Debt to Core EBITDA:				
Core EBITDA, as adjusted - annualized	$ 843,328	$ 705,492		
ProLogis Debt as of December 31	$ 6,506,029	$ 7,977,778		
ProLogis Debt to Core EBITDA ratio	7.71 x	11.31 x		
Debt to Core EBITDA, including our share of unconsolidated investees:				
Core EBITDA, as adjusted - annualized	$ 843,328	$ 705,492		
Our share of interest and income taxes from				

unconsolidated investees	175,092	165,136
Core EBITDA, as adjusted	$ 1,018,420	$ 870,628
ProLogis Debt as of December 31	$ 6,506,029	$ 7,977,778
Our share of debt of unconsolidated investees	2,330,947	2,591,241
Debt	$ 8,836,976	$ 10,569,079
Debt to Core EBITDA ratio	8.68 x	12.14 x

Calculation of Per Share Amounts

(in thousands, except per share amounts)

Net Loss Per Share

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2010 (a)	2009 (a)	2010 (a)	2009 (a)
Net loss (b)	$ (1,166,589)	$ (408,459)	$ (1,295,920)	$ (2,650)
Noncontrolling interest attributable to convertible limited partnership units (c)	-	-	-	-
Adjusted net loss - Diluted (b)	$ (1,166,589)	$ (408,459)	$ (1,295,920)	$ (2,650)
Weighted average common shares outstanding - Basic	537,438	473,561	491,744	403,149
Incremental weighted average effect of conversion of limited partnership units (c)	-	-	-	-

Incremental weighted average effect of stock awards	-	-	-	-
Weighted average common shares outstanding - Diluted	537,438	473,561	491,744	403,149
Net loss per share - Diluted (b)	$ (2.17)	$ (0.86)	$ (2.64)	$ (0.01)

FFO Per Share, including significant non-cash items

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2010 (a)	2009 (a)	2010 (a)	2009
FFO, including significant non-cash items	$ (1,280,195)	$ (305,761)	$ (1,101,184)	$ 138,885
Noncontrolling interest attributable to convertible limited partnership units (c)	-	-	-	-
FFO - Diluted, including significant non-cash items (b)	$ (1,280,195)	$ (305,761)	$ (1,101,184)	$ 138,885
Weighted average common shares outstanding - Basic	537,438	473,561	491,744	403,149
Incremental weighted average effect of conversion of limited partnership units (c)	-	-	-	-
Incremental weighted average effect of stock awards	-	-	-	2,474
Weighted average common shares outstanding - Diluted	537,438	473,561	491,744	405,623
FFO per share - Diluted, including significant non-cash items (b)	$ (2.38)	$ (0.65)	$ (2.24)	$ 0.34

Core FFO Per Share

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

	2010	2009	2010	2009
Core FFO	$ 99,380	$ 74,017	$ 281,386	$ 345,050
Noncontrolling interest attributable to convertible limited partnership units (c)	(588)	-	(64)	-
Interest expense for convertible debt to common shares (c)	4,218	-	-	-
Core FFO	$ 103,010	$ 74,017	$ 281,322	$ 345,050
Weighted average common shares outstanding - Basic	537,438	473,561	491,744	403,149
Incremental weighted average effect of conversion of limited partnership units (c)	760	-	774	-
Incremental weighted average effect of conversion of certain convertible debt (c)	26,611	-	-	-
Incremental weighted average effect of stock awards	3,688	3,159	3,350	2,474
Weighted average common shares outstanding - Diluted	568,497	476,720	495,868	405,623
Core FFO per share - Diluted (b)	$ 0.18	$ 0.16	$ 0.57	$ 0.85

(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 or convertible debt is anti-dilutive, the income impact and shares are not included in the diluted per share calculation.

Notes to Section II - 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 the Supplemental Information 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. Our intent is to hold and use the Core properties; however, depending on market and other conditions, we may contribute these properties to property funds or sell to third parties. When we contribute or sell properties we have developed, 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. As noted below in note 4, we have identified the land we expect to develop and land targeted for disposition. We may develop the land or sell to third parties, depending on market conditions, customer demand and other factors. The investment management segment represents primarily the investment management of unconsolidated property funds and joint ventures and the properties they own.

(1) During the fourth quarter of 2010, we sold a portfolio of industrial properties and several equity method investments to Blackstone Real Estate Advisors ("Blackstone") for approximately $1.02 billion resulting in a net gain for US GAAP earnings purposes based on the assets sold of $203.1 million ($66.1 million loss in continuing operations and $269.2 million gain in discontinued operations). The net gain includes current tax expense of $2.5 million ($1.6 million in continuing operations and $0.9 million in discontinued operations). The industrial portfolio included 182 properties with 23 million square feet and the equity method investments included 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. Net proceeds were used to repay debt (as discussed below). We retained a preferred equity interest in Blackstone of approximately $188 million, which is reflected as *Notes Receivable Backed by Real Estate* in our accompanying Consolidated Balance Sheet at December 31, 2010. Also included in *Notes Receivable Backed by Real Estate* are receivables from certain unconsolidated investees that were funded under a separate note agreement and not considered our share of a partner loan. We will earn a preferred return at an annual rate of 7 percent for the first three years, 8 percent for the fourth year and 10 percent thereafter until redeemed. Partial or full redemption can occur at any time at Blackstone's discretion or after the five-year anniversary at our discretion. We are continuing to provide property management services for these properties and the management fees are included as *Property Management and Other Fees and Incentives* in our Consolidated Statements of Operations and FFO for the three and twelve months ended December 31, 2010.

(2) On December 21, 2010, we announced we entered into a definitive agreement with affiliates of TPG Capital (TPG) to sell a portfolio of U.S. retail, mixed-use and other non-core assets for approximately $505 million.

The properties, owned directly or through equity interests, to be sold in the transaction include: four shopping centers, two office buildings, 11 mixed-use projects with related land and development agreements, two residential development joint ventures, Los Angeles Union Station and certain ground leases. The transaction is expected to be substantially completed in the first quarter of 2011, subject to customary closing conditions.

We have classified all of the assets and liabilities associated with this transaction as *Assets and Liabilities Held for Sale* in our accompanying Consolidated Balance Sheet as of December 31, 2010. 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 charge of $168.8 million ($91.4 million in continuing operations of which $47.1 million relates to land and is recorded in *Impairment of Real Estate Properties*, and $44.3 million relates to the joint ventures and other assets and is recorded in *Impairment of Goodwill and Other Assets*; and $77.4 million is recorded in discontinued operations as it is associated with the operating properties). See note 4 for a summary of items classified as *Assets Held for Sale* and *Discontinued Operations*. We still own an office property and some land subject to ground leases, and we have reclassified these amounts to *Other Real Estate Investments* in our Consolidated Balance Sheets for all periods presented.

(3) During 2010 and 2009, we recorded impairment charges of certain of our real estate properties and other assets as outlined below (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Included in "Impairment of Real Estate Properties":				
Land	$ 732,321	$ 135,835	$ 734,668	$ 136,996
Operating properties	400	49,579	1,349	172,342
Operating properties and land subject to ground leases (included in discontinued operations)	87,702	-	87,702	-
Other real estate	595	22,254	595	22,254
Total impairment of real estate properties	$ 821,018	$ 207,668	$ 824,314	$ 331,592
Included in "Impairment of Goodwill and Other Assets":				
Goodwill	$ 368,451	$ -	$ 368,451	$ -
Unconsolidated investees and other assets	44,294	157,076	44,294	163,644
Total impairment of goodwill and other assets	$ 412,745	$ 157,076	$ 412,745	$ 163,644

Total impairment charges	$ 1,233,763	$ 364,744	$ 1,237,059	$ 495,236

The impairment charges that we recognized in 2010 and 2009 were primarily due to our change of intent to no longer hold these assets for long-term investment. During the fourth quarter of 2010, we made a strategic decision to more aggressively pursue land sales. As a result this decision, we undertook a complete evaluation of all land positions and divided them between two categories: "land held for development" and "land targeted for disposition". As a result of our change in intent, we adjusted the carrying value of the land targeted for disposition to fair value, if the carrying value exceeded fair value, based on valuations and other relevant market data. In addition for certain assets held for sale, which include operating properties, investments in unconsolidated investees and other assets, we adjusted the carrying value of these assets to the estimated sales price less costs to sell. As a result of these changes and in connection with our annual review of goodwill, we recognized an impairment charge of $368.5 million related to the goodwill allocated to our direct owned segments in the North America reporting unit and Europe reporting unit.

(4) As discussed in note 2 above, all of the assets and liabilities associated with the TPG transaction are held for sale as of December 31, 2010 and, therefore, the impairment charge of $77.4 million relating to the operating properties is included in discontinued operations. In addition, we have nine land parcels and six operating properties that met the criteria as Held for Sale. A summary of the amounts included in Assets Held for Sale as of December 31, 2010 is as follows:

	December 31, 2010
Assets held for sale:	
Investments in real estate	$ 487,397
Investments in and advances to unconsolidated investees	62,061
Accounts receivable	7,204
Notes receivable	6,573
Other assets	11,556
Total assets	$ 574,791
Liabilities related to assets held for sale:	
Assessment bonds payable	$ 3,884
Accounts payable and accrued expenses	877
Other liabilities	14,988
Total liabilities	$ 19,749

During the year ended December 31, 2010, we disposed of 205 properties aggregating 25.4 million square feet to third parties, 2 of these properties 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 operations of the properties held for sale and properties that are disposed of to third parties during a period, including impairment charges discussed above and the aggregate net gains recognized upon their disposition, are presented as discontinued operations in our Consolidated Statements of Operations for all periods presented. The income attributable to these properties was as follows:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Rental income	$ 28,155	$ 43,677	$ 153,861	$ 218,939
Rental expenses	(6,093)	(11,026)	(39,852)	(60,698)
Depreciation and amortization	(6,126)	(10,928)	(37,092)	(52,604)
Other expenses, net	-	-	-	(576)
Income attributable to disposed properties and assets held for sale	$ 15,936	$ 21,723	$ 76,917	$ 105,061

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

(5) During the periods noted below, 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 ranging from 2012 to 2020, including a tender offer completed in the fourth quarter of 2010, primarily with proceeds from the issuance of equity (see note 6). 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 December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Convertible Senior Notes (a):				
Original principal amount	$ 303,000	$ 117,736	$ 1,145,642	$ 653,993
Cash purchase price	$ 300,983	$ 102,920	$ 1,092,586	$ 454,023
Senior Notes:				
Original principal amount	$ 1,268,931	$ 224,506	$ 1,724,946	$ 587,698
Cash purchase price	$ 1,392,345	$ 226,754	$ 1,874,829	$ 545,618
Secured Mortgage Debt:				
Original principal amount	$ -	$ -	$ 134,721	$ 227,017
Cash repayment price	$ -	$ -	$ 137,061	$ 227,017
Total:				
Original principal amount	$ 1,571,931	$ 342,242	$ 3,005,309	$ 1,468,708
Cash purchase / repayment price	$ 1,693,328	$ 329,674	$ 3,104,476	$ 1,226,658
Gain (loss) on early extinguishment of debt, net (b)	$ (153,037)	$ (960)	$ (201,486)	$ 172,258

(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 $14.7 million and $30.7 million for the three and twelve months ended December 31, 2010, respectively, are adjusted back to arrive at FFO, excluding significant non-cash items.

(6) On November 1, 2010, we closed on a public offering of 92 million common shares at a price of $12.30 per share and received net proceeds, after underwriters discount, of $1.1 billion. We used the proceeds to repay borrowings under our Global Line, repurchase portions of our senior notes and for general corporate purposes.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Rental income	$ 148,125	$ 137,935	$ 566,603	$ 531,816
Rental expense recoveries	41,443	37,786	166,695	156,802
Straight-lined rents	10,027	10,508	38,010	34,030
	$ 199,595	$ 186,229	$ 771,308	$ 722,648

(8) On February 9, 2009, we sold our operations in China and our property fund interests in Japan, 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 Disposition 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.

(9) During 2009, 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 December 31,		Twelve Months Ended December 31,	
	2010	2009	2010	2009
Gross G&A expense	$ 76,404	$ 80,187	$ 266,932	$ 292,408

Reported as rental expense	(4,888)	(4,786)	(19,709)	(19,446)
Reported as investment management expenses	(10,580)	(11,835)	(40,659)	(43,416)
Capitalized amounts	(10,841)	(11,405)	(40,583)	(49,060)
Net G&A	$ 50,095	$ 52,161	$ 165,981	$ 180,486

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

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2010	2009	2010	2009
Gross interest expense	$ 102,764	$ 101,314	$ 435,289	$ 382,899
Amortization of discount, net	8,724	16,494	47,136	67,542
Amortization of deferred loan costs (a)	12,375	5,877	32,402	17,069
Interest expense before capitalization	123,863	123,685	514,827	467,510
Capitalized amounts	(11,829)	(16,199)	(53,661)	(94,205)
Net interest expense	$ 112,034	$ 107,486	$ 461,166	$ 373,305

(a) In 2010, we amended the Global Line and reduced the size of the aggregate commitments. As a result, we recognized $6.8 million and $7.7 million in interest expense related to the write-off of the associated deferred financing fees, in the three and twelve months ended December 31, 2010, respectively.

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

(11) Included in *Net Gains (Losses) on Dispositions of Investments in Real Estate* for the three months ended December 31, 2010 is a loss of $64.6 million related to the sale of certain unconsolidated joint ventures in the Blackstone transaction (see Note 1), partially offset by gains of $27.4 million related to additional proceeds from contributions we made to PEPF II in 2009 based on valuations received as of December 31, 2010 and our contribution agreement with the property fund.

(12) Included in *Foreign Currency Exchange Gains (Losses), Net*, for the year ended December 31, 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 December 31st of the applicable years. We do not include the gains and losses related to inter-company loans in our calculation of FFO.

SOURCE ProLogis