

October 15, 2021



Prologis Reports Third Quarter 2021 Earnings Results

SAN FRANCISCO, Oct. 15, 2021 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, today reported results for the third quarter of 2021.

Net earnings per diluted share was \$0.97 for the quarter compared with \$0.40 for the third quarter of 2020. Core funds from operations (Core FFO)* per diluted share was \$1.04 for the quarter compared with \$0.90 for the same period in 2020.

"Our third quarter results were underpinned by record increases in market rents and valuations," said Hamid R. Moghadam, chairman and CEO, Prologis. "Operating conditions are being shaped by the structural forces driving demand. With vacancies at unprecedented lows, space in our markets is effectively sold out."

OPERATING PERFORMANCE

Owned & Managed	3Q21	Notes
Average Occupancy	96.6%	Up 60bps from Q2 2021, 98.0% leased as of September 30, 2021
Leases Commenced	49.5MSF	42.1MSF operating portfolio and 7.4MSF development portfolio
Retention	79.3%	

Prologis Share	3Q21	Notes
Net Effective Rent Change	27.9%	
Cash Rent Change	12.9%	
Cash Same Store NOI*	6.7%	US at 6.9%; Intl. at 5.9%

DEPLOYMENT ACTIVITY

Prologis Share	3Q21
Building Acquisitions	\$373M
Weighted avg stabilized cap rate	5.0%
Development Stabilizations	\$368M
Estimated weighted avg yield	5.9%
Estimated weighted avg margin	47.2%
Estimated value creation	\$173M
% Build-to-suit	54.8%
Development Starts	\$1,449M
Estimated weighted avg yield	5.8%
Estimated weighted avg margin	36.1%
Estimated value creation	\$523M
% Build-to-suit	60.3%
Total Dispositions and Contributions	\$732M
Weighted avg stabilized cap rate (excluding land and other real estate)	4.1%

BALANCE SHEET & LIQUIDITY

During the third quarter, Prologis and its co-investment ventures issued \$1.3 billion of debt at a weighted average interest rate of 2.1 percent. This activity includes \$169 million in green

bond raises. The company has maintained its leading liquidity position with approximately \$5.5 billion in cash and availability on its credit facilities.

As of September 30, 2021, debt as a percentage of total market capitalization was 16.7 percent, and the company's weighted average interest rate on its share of total debt was 1.8 percent with a weighted average term of 10.4 years. The combined investment capacity of Prologis and its open-ended ventures, at levels in line with their current ratings, is approximately \$15 billion.

2021 GUIDANCE

"Our earnings potential is unrivaled," said Thomas S. Olinger, chief financial officer, Prologis. "Most of the benefit from the current environment will accrue to the future given our 22 percent in-place-to-market rent spread, the valuation impact on our promotes, our leverage capacity, the \$21 billion of development build-out and, most importantly, the vast opportunity set that our global footprint provides."

2021 GUIDANCE

Earnings (per diluted share)	Previous	Revised	Change at M.P.
Net Earnings	\$3.08 to \$3.14	\$3.64 to \$3.68	17.7%
Core FFO*	\$4.04 to \$4.08	\$4.11 to \$4.13	1.5%
Core FFO, excluding net promote income*	\$4.02 to \$4.06	\$4.06 to \$4.08	0.7%

Operations

Average occupancy	96.25% to 96.75%	96.25% to 96.75%	-
Cash Same Store NOI* - PLD share	5.25% to 5.75%	5.75% to 6.00%	38 bps

Strategic Capital (in millions)

Strategic capital revenue, excl promote revenue	\$465 to \$475	\$480 to \$485	2.7%
Net promote income	\$15	\$40	\$25

G&A (in millions)

General & administrative expenses	\$295 to \$305	\$295 to \$300	(0.8%)
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Capital Deployment – Prologis Share (in millions)

	Previous	Revised	Change at M.P.
Development stabilizations	\$2,200 to \$2,400	\$2,200 to \$2,400	-
Development starts	\$3,050 to \$3,350	\$3,500 to \$3,800	14.1%
Building acquisitions	\$700 to \$900	\$1,200 to \$1,400	62.5%
Building contributions	\$1,850 to \$2,150	\$1,850 to \$2,150	-
Building and land dispositions	\$2,050 to \$2,350	\$2,150 to \$2,450	4.5%
Net sources/(uses)	\$150 to \$250	(\$600) to (\$700)	(\$850)
Realized development gains	\$775 to \$825	\$775 to \$825	-

* This is a non-GAAP financial measure. See the Notes and Definitions in our supplemental information for further explanation and a reconciliation to the most directly comparable GAAP measure.

The earnings guidance described above includes potential gains recognized from real estate transactions but excludes any future or potential foreign currency or derivative gains or losses as our guidance assumes constant foreign currency rates. In reconciling from net earnings to Core FFO*, Prologis makes certain adjustments, including but not limited to real estate depreciation and amortization expense, gains (losses) recognized from real estate transactions and early extinguishment of debt, impairment charges, deferred taxes and unrealized gains or losses on foreign currency or derivative activity. The difference between the company's Core FFO* and net earnings guidance for 2021 relates predominantly to these items. Please refer to our third quarter Supplemental Information, which is available on our Investor Relations website at <https://ir.prologis.com> and on the SEC's website at www.sec.gov for a definition of Core FFO* and other non-GAAP measures used by Prologis, along with reconciliations of these items to the closest GAAP measure for our results and

guidance.

October 15, 2021, CALL DETAILS

The call will take place on Friday, October 15, 2021, at 9:00 a.m. PT/12:00 p.m. ET. To access a live broadcast of the call, please dial +1 (833) 968-2252 (toll-free from the United States and Canada) or +1 (778) 560-2807 (from all other countries) and enter conference code 1931016. A live webcast can be accessed from the Investor Relations section of www.prologis.com.

A telephonic replay will be available October 15–29 at +1 (800) 585-8367 (from the United States and Canada) or +1 (416) 621-4642 (from all other countries) using conference code 1931016. The webcast replay will be posted in the Investor Relations section of www.prologis.com under "Events & Presentations".

ABOUT PROLOGIS

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of September 30, 2021, the company owned or had investments in, on a wholly owned basis or through co-investment ventures, properties and development projects expected to total approximately 994 million square feet (92 million square meters) in 19 countries. Prologis leases modern logistics facilities to a diverse base of approximately 5,500 customers principally across two major categories: business-to-business and retail/online fulfillment.

FORWARD-LOOKING STATEMENTS

The statements in this document 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 we operate as well as management's beliefs and assumptions. Such statements involve uncertainties that could significantly impact our financial results. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," and "estimates," including 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, contribution and disposition activity, general conditions in the geographic areas where we operate, our debt, capital structure and financial position, our ability to form new co-investment ventures and the availability of capital in existing or new co-investment ventures — are forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and, therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Some of the factors that may affect outcomes and results include, but are not limited to: (i) national, international, regional and local economic and political climates; (ii) changes in global financial markets, interest rates and foreign currency exchange rates; (iii) increased or unanticipated competition for our properties; (iv) risks associated with acquisitions, dispositions and development of properties; (v) maintenance of real estate investment trust

status, tax structuring and changes in income tax laws and rates; (vi) availability of financing and capital, the levels of debt that we maintain and our credit ratings; (vii) risks related to our investments in our co-investment ventures, including our ability to establish new co-investment ventures; (viii) risks of doing business internationally, including currency risks; (ix) environmental uncertainties, including risks of natural disasters; (x) risks related to the current coronavirus pandemic; and (xi) those additional factors discussed in reports filed with the Securities and Exchange Commission by us under the heading "Risk Factors." We undertake no duty to update any forward-looking statements appearing in this document except as may be required by law.

	Three Months ended		Nine Months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
dollars in millions, except per share/unit data				
Rental and other revenues	\$1,042	\$ 984	\$3,091	\$ 2,811
Strategic capital revenues	141	99	391	516
Total revenues	1,183	1,083	3,482	3,327
Net earnings attributable to common stockholders	722	299	1,686	1,193
Core FFO attributable to common stockholders/unitholders*	795	689	2,312	2,141
AFFO attributable to common stockholders/unitholders*	751	702	2,367	2,257
Adjusted EBITDA attributable to common stockholders/unitholders*	1,096	980	3,280	3,103
Estimated value creation from development stabilizations - Prologis Share	173	260	610	642
Common stock dividends and common limited partnership unit distributions	482	444	1,447	1,332
Per common share - diluted:				
Net earnings attributable to common stockholders	\$ 0.97	\$0.40	\$ 2.27	\$1.63
Core FFO attributable to common stockholders/unitholders*	1.04	0.90	3.02	2.85
Business line reporting:				
Real estate operations*	0.94	0.85	2.76	2.43
Strategic capital*	0.10	0.05	0.26	0.42
Core FFO attributable to common stockholders/unitholders*	1.04	0.90	3.02	2.85
Realized development gains, net of taxes*	0.18	0.18	0.62	0.48
Dividends and distributions per common share/unit	0.63	0.58	1.89	1.74

* This is a non-GAAP financial measure. Please see our Notes and Definitions for further explanation.

in thousands	September 30, 2021	June 30, 2021	December 31, 2020
Assets:			
Investments in real estate properties:			
Operating properties	\$ 44,209,514	\$ 43,998,614	\$ 43,507,619
Development portfolio	2,810,489	2,174,088	1,882,611
Land	2,039,754	1,960,962	1,606,358
Other real estate investments	3,398,937	3,388,899	3,387,740
	<u>52,458,694</u>	<u>51,522,563</u>	<u>50,384,328</u>
Less accumulated depreciation	7,404,304	7,108,954	6,539,156
Net investments in real estate properties	<u>45,054,390</u>	<u>44,413,609</u>	<u>43,845,172</u>
Investments in and advances to unconsolidated entities	7,652,323	7,811,448	7,602,014
Assets held for sale or contribution	<u>571,671</u>	<u>692,072</u>	<u>1,070,724</u>
Net investments in real estate	<u>53,278,384</u>	<u>52,917,129</u>	<u>52,517,910</u>
Cash and cash equivalents	585,071	601,446	598,086
Other assets	3,153,215	2,922,810	2,949,009
Total assets	\$ 57,016,670	\$ 56,441,385	\$ 56,065,005
Liabilities and Equity:			
Liabilities:			
Debt	\$ 17,135,668	\$ 16,985,305	\$ 16,849,076
Accounts payable, accrued expenses and other liabilities	<u>3,123,528</u>	<u>2,975,276</u>	<u>2,891,349</u>
Total liabilities	<u>20,259,196</u>	<u>19,960,581</u>	<u>19,740,425</u>
Equity:			
Stockholders' equity	32,506,117	32,105,713	31,971,547
Noncontrolling interests	3,335,787	3,497,798	3,483,526
Noncontrolling interests - limited partnership unitholders	<u>915,570</u>	<u>877,293</u>	<u>869,507</u>
Total equity	<u>36,757,474</u>	<u>36,480,804</u>	<u>36,324,580</u>
Total liabilities and equity	\$ 57,016,670	\$ 56,441,385	\$ 56,065,005

in thousands, except per share amounts	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues:				
	\$	\$	\$	\$
Rental	1,037,281	980,148	3,073,700	2,803,321
Strategic capital	141,448	98,993	390,796	516,242
Development management and other	4,320	3,632	17,711	7,575
Total revenues	1,183,049	1,082,773	3,482,207	3,327,138
Expenses:				
Rental	256,607	245,490	779,624	705,217
Strategic capital	52,389	45,791	146,938	173,910
General and administrative	66,970	74,348	219,344	208,701
Depreciation and amortization	390,806	400,738	1,181,117	1,144,903
Other	4,413	3,020	15,051	25,573
Total expenses	771,185	769,387	2,342,074	2,258,304
Operating income before gains on real estate transactions, net	411,864	313,386	1,140,133	1,068,834
Gains on dispositions of development properties and land, net	139,406	134,207	500,410	383,373
Gains on other dispositions of investments in real estate, net (excluding development properties and land)	214,390	108,927	358,180	184,357
Operating income	765,660	556,520	1,998,723	1,636,564
Other income (expense):				
Earnings from unconsolidated co-investment ventures, net	84,020	66,557	200,027	161,115
Earnings from other unconsolidated ventures, net	7,798	7,415	31,259	55,729
Interest expense	(63,638)	(80,711)	(203,331)	(237,651)
Foreign currency and derivative gains (losses) and interest and other income, net	63,326	(106,840)	142,859	(52,950)
Losses on early extinguishment of debt, net	-	(98,266)	(187,453)	(164,606)
Total other income (expense)	91,506	(211,845)	(16,639)	(238,363)
Earnings before income taxes	857,166	344,675	1,982,084	1,398,201
Current income tax expense	(63,244)	(19,549)	(124,298)	(96,142)
Deferred income tax benefit (expense)	3,809	7,395	(10,049)	6,564
Consolidated net earnings	797,731	332,521	1,847,737	1,308,623
Net earnings attributable to noncontrolling interests	(54,406)	(21,453)	(109,768)	(74,709)
Net earnings attributable to noncontrolling interests - limited partnership units	(19,787)	(8,374)	(46,908)	(33,994)
Net earnings attributable to controlling interests	723,538	302,694	1,691,061	1,199,920
Preferred stock dividends	(1,531)	(1,652)	(4,614)	(4,921)
Loss on preferred stock repurchase	-	(2,347)	-	(2,347)
	\$	\$	\$	\$
Net earnings attributable to common stockholders	722,007	298,695	1,686,447	1,192,652
Weighted average common shares outstanding - Diluted	764,945	764,619	764,644	750,971
	\$	\$	\$	\$
Net earnings per share attributable to common stockholders - Diluted	0.97	0.40	2.27	1.63

in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net earnings attributable to common stockholders	722,007	298,695	1,686,447	1,192,652
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	379,646	391,181	1,149,199	1,116,185
Gains on other dispositions of investments in real estate, net of taxes (excluding development properties and land)	(187,754)	(108,927)	(331,544)	(184,357)
Reconciling items related to noncontrolling interests	19,408	(20,495)	260	(35,286)
Our share of reconciling items related to unconsolidated co-investment ventures	51,702	55,769	200,483	186,746
Our share of reconciling items related to other unconsolidated ventures	7,429	7,190	22,053	18,036
NAREIT defined FFO attributable to common stockholders/unitholders*	\$ 992,438	\$ 623,413	\$ 2,726,898	\$ 2,293,976
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative losses (gains), net	(66,739)	101,349	(150,057)	58,593
Deferred income tax expense (benefit)	(3,809)	(7,395)	10,049	(6,564)
Current income tax expense on dispositions related to acquired tax liabilities	-	4,059	2,992	4,059
Reconciling items related to noncontrolling interests	1,336	(301)	915	(720)
Our share of reconciling items related to unconsolidated co-investment ventures	(256)	(780)	(2,276)	2,535
FFO, as modified by Prologis attributable to common stockholders/unitholders*	\$ 922,970	\$ 720,345	\$ 2,588,521	\$ 2,351,879
Adjustments to arrive at Core FFO attributable to common stockholders/unitholders*:				
Gains on dispositions of development properties and land, net	(139,406)	(134,207)	(500,410)	(383,373)
Current income tax expense on dispositions	4,584	49	29,148	29,767
Losses on early extinguishment of debt and other, preferred stock repurchase and other, net	-	100,613	187,453	174,953
Reconciling items related to noncontrolling interests	6,630	-	6,606	(2,597)
Our share of reconciling items related to unconsolidated co-investment ventures	360	1,936	2,947	4,607
Our share of reconciling items related to other unconsolidated ventures	(230)	-	(2,284)	(33,830)
Core FFO attributable to common stockholders/unitholders*	\$ 794,908	\$ 688,736	\$ 2,311,981	\$ 2,141,406
Adjustments to arrive at Adjusted FFO ("AFFO") attributable to common stockholders/unitholders*, including our share of unconsolidated ventures less noncontrolling interest:				
Gains on dispositions of development properties and land, net	139,406	134,207	500,410	383,373
Current income tax expense on dispositions	(4,584)	(49)	(29,148)	(29,767)
Straight-lined rents and amortization of lease intangibles	(37,473)	(37,460)	(113,279)	(94,192)
Property improvements	(57,745)	(39,899)	(98,874)	(91,355)
Turnover costs	(85,816)	(57,284)	(233,853)	(142,168)
Amortization of debt premium, financing costs and management contracts, net	2,923	2,514	8,001	6,708
Stock compensation amortization expense	25,895	26,554	84,416	86,360
Reconciling items related to noncontrolling interests	5,137	11,074	20,296	25,423
Our share of reconciling items related to unconsolidated ventures	(31,970)	(26,837)	(82,701)	(28,971)
AFFO attributable to common stockholders/unitholders*	\$ 750,681	\$ 701,556	\$ 2,367,249	\$ 2,256,817

* This is a non-GAAP financial measure. See the Notes and Definitions for further explanation.

in thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$		\$	\$
Net earnings attributable to common stockholders	722,007	\$298,695	1,686,447	1,192,652
Gains on other dispositions of investments in real estate, net (excluding development properties and land)	(214,390)	(108,927)	(358,180)	(184,357)
Depreciation and amortization expense	390,806	400,738	1,181,117	1,144,903
Interest expense	63,638	80,711	203,331	237,651
Current and deferred income tax expense, net	59,435	12,154	134,347	89,578
Net earnings attributable to noncontrolling interests - limited partnership units	19,787	8,374	46,908	33,994
Pro forma adjustments	(1,473)	(1,809)	(5,105)	51,793
Preferred stock dividends	1,531	1,652	4,614	4,921
Unrealized foreign currency and derivative losses (gains), net	(66,739)	101,349	(150,057)	58,593
Stock compensation amortization expense	25,895	26,554	84,416	86,360
Losses on early extinguishment of debt and other, preferred stock repurchase and other, net	-	100,613	187,453	174,953
Adjusted EBITDA, consolidated*	\$1,000,497	\$920,104	\$3,015,291	\$2,891,041
Reconciling items related to noncontrolling interests	1,828	(29,257)	(44,851)	(73,260)
Our share of reconciling items related to unconsolidated ventures	93,980	88,676	309,416	285,151
Adjusted EBITDA attributable to common stockholders/unitholders*	\$1,096,305	\$979,523	\$3,279,856	\$3,102,932

* This is a non-GAAP financial measure. See the Notes and Definitions for further explanation.

Adjusted EBITDA. We use Adjusted EBITDA attributable to common stockholders/unitholders ("Adjusted EBITDA"), a non-GAAP financial measure, as a measure of our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net earnings.

We calculate Adjusted EBITDA by beginning with consolidated net earnings attributable to common stockholders and removing the effect of: interest expense, income taxes, depreciation and amortization, impairment charges, gains or losses from the disposition of investments in real estate (excluding development properties and land), gains from the revaluation of equity investments upon acquisition of a controlling interest, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our FFO measures (see definition below), and other items, such as, amortization of stock based compensation and unrealized gains or losses on foreign currency and derivatives. We also include a pro forma adjustment to reflect a full period of NOI on the operating properties we acquire or stabilize during the quarter and to remove NOI on properties we dispose of during the quarter, assuming all transactions occurred at the beginning of the quarter. The pro forma adjustment also includes economic ownership changes in our ventures to reflect the full quarter at the new ownership percentage.

We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view our operating performance, analyze our ability to meet interest payment obligations and make quarterly preferred stock dividends on an unleveraged basis before the effects of income tax, depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. While all items are not infrequent or unusual in nature, these items may result from market fluctuations that can have inconsistent effects on our results of operations. The economics underlying these items reflect market and financing conditions in the short-term but can obscure our performance and the value of our long-term investment decisions and strategies.

We calculate our Adjusted EBITDA, based on our proportionate ownership share of both our

unconsolidated and consolidated ventures. We reflect our share of our Adjusted EBITDA measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our Adjusted EBITDA measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

While we believe Adjusted EBITDA is an important measure, it should not be used alone because it excludes significant components of net earnings, such as our historical cash expenditures or future cash requirements for working capital, capital expenditures, distribution requirements, contractual commitments or interest and principal payments on our outstanding debt and is therefore limited as an analytical tool.

Our computation of Adjusted EBITDA may not be comparable to EBITDA reported by other companies in both the real estate industry and other industries. We compensate for the limitations of Adjusted EBITDA by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Adjusted EBITDA and a reconciliation to Adjusted EBITDA from consolidated net earnings attributable to common stockholders.

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

Calculation of Per Share Amounts

in thousands, except per share amount	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
Net earnings				
Net earnings attributable to common stockholders	\$ 722,007	\$ 298,695	\$ 1,686,447	\$ 1,192,652
Noncontrolling interest attributable to exchangeable limited partnership units	19,890	8,440	47,131	34,252
Adjusted net earnings attributable to common stockholders - Diluted	\$ 741,897	\$ 307,135	\$ 1,733,578	\$ 1,226,904
Weighted average common shares outstanding - Basic	739,439	738,194	739,217	724,876
Incremental weighted average effect on exchange of limited partnership units	20,421	21,110	20,860	20,960
Incremental weighted average effect of equity awards	5,085	5,315	4,567	5,135
Weighted average common shares outstanding - Diluted	764,945	764,619	764,644	750,971
Net earnings per share - Basic	\$ 0.98	\$ 0.40	\$ 2.28	\$ 1.65
Net earnings per share - Diluted	\$ 0.97	\$ 0.40	\$ 2.27	\$ 1.63
Core FFO				
Core FFO attributable to common stockholders/unitholders	\$ 794,908	\$ 688,736	\$ 2,311,981	\$ 2,141,406
Noncontrolling interest attributable to exchangeable limited partnership units	\$ 147	138	\$ 409	468
Core FFO attributable to common stockholders/unitholders - Diluted	\$ 795,055	\$ 688,874	\$ 2,312,390	\$ 2,141,874
Weighted average common shares outstanding - Basic	739,439	738,194	739,217	724,876
Incremental weighted average effect on exchange of limited partnership units	20,421	21,110	20,860	20,960
Incremental weighted average effect of equity awards	5,085	5,315	4,567	5,135
Weighted average common shares outstanding - Diluted	764,945	764,619	764,644	750,971
Core FFO per share - Diluted	\$ 1.04	\$ 0.90	\$ 3.02	\$ 2.85

Estimated Value Creation represents the value that we expect to create through our development and leasing activities. We calculate Estimated Value Creation by estimating the Stabilized NOI that the property will generate and applying a stabilized capitalization rate applicable to that property. Estimated Value Creation is calculated as the amount by which the value exceeds our TEI and does not include any fees or promotes we may earn. Estimated Value Creation for our Value-Added Properties that are sold includes the realized economic gain.

Estimated Weighted Average Margin is calculated on development properties as Estimated Value Creation, less estimated closing costs and taxes, if any, on properties expected to be sold or contributed, divided by TEI.

Estimated Weighted Average Stabilized Yield is calculated on the properties in the Development Portfolio as Stabilized NOI divided by TEI. The yields on a Prologis Share basis were as follows:

	Pre-Stabilized Developments	2021 Expected Completion	2022 and Thereafter Expected Completion	Total Development Portfolio
U.S.	6.4 %	6.6 %	5.9 %	6.1 %
Other Americas	8.6 %	7.4 %	7.5 %	7.7 %
Europe	4.8 %	5.6 %	5.0 %	5.3 %
Asia	5.3 %	5.6 %	5.4 %	5.5 %
Total	5.6 %	6.2 %	5.8 %	5.9 %

FFO, as modified by Prologis attributable to common stockholders/unitholders ("FFO, as modified by Prologis"); Core FFO attributable to common stockholders/unitholders ("Core FFO"); AFFO attributable to common stockholders/unitholders ("AFFO"); (collectively referred to as "FFO"). FFO is a non-GAAP financial measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings.

The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as earnings computed under GAAP to exclude historical cost depreciation and gains and losses from sales net of any related tax, along with impairment charges, of previously depreciated properties. We also exclude the gains on revaluation of equity investments upon acquisition of a controlling interest and the gain recognized from a partial sale of our investment, as these are similar to gains from the sales of previously depreciated properties. We exclude similar adjustments from our unconsolidated entities and the third parties' share of our consolidated co-investment ventures.

Our FFO Measures

Our FFO measures begin with NAREIT's definition and we make certain adjustments to reflect our business and the way that management plans and executes our business strategy. While not infrequent or unusual, the additional items we adjust for in calculating *FFO, as modified by Prologis*, *Core FFO* and *AFFO*, as defined below, are subject to significant fluctuations from period to period. Although these items may have a material impact on our operations and are reflected in our financial statements, the removal of the effects of these items allows us to better understand the core operating performance of our properties over the long term. These items have both positive and negative short-term effects on our results of operations in inconsistent and unpredictable directions that are not relevant to our long-term outlook.

We calculate our FFO measures, as defined below, based on our proportionate ownership share of both our unconsolidated and consolidated ventures. We reflect our share of our FFO measures for unconsolidated ventures by applying our average ownership percentage for the period to the applicable reconciling items on an entity by entity basis. We reflect our share for consolidated ventures in which we do not own 100% of the equity by adjusting our FFO measures to remove the noncontrolling interests share of the applicable reconciling items based on our average ownership percentage for the applicable periods.

These FFO measures are used by management as supplemental financial measures of operating performance and we believe that it is important that stockholders, potential investors and financial analysts understand the measures management uses. We do not use our FFO measures as, nor should they be considered to be, alternatives to net earnings computed under GAAP, as indicators of our operating performance, as alternatives to cash from operating activities computed under GAAP or as indicators of our ability to fund our cash needs.

We analyze our operating performance principally by the rental revenues of our real estate and the revenues from our strategic capital business, net of operating, administrative and financing expenses. This income stream is not directly impacted by fluctuations in the market value of our investments in real estate or debt securities.

FFO, as modified by Prologis

To arrive at *FFO, as modified by Prologis*, we adjust the NAREIT defined FFO measure to exclude the impact of foreign currency related items and deferred tax, specifically:

- (i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries;
- (ii) current income tax expense related to acquired tax liabilities that were recorded as deferred tax liabilities in an acquisition, to the extent the expense is offset with a deferred income tax benefit in earnings that is excluded from our defined FFO measure;
- (iii) foreign currency exchange gains and losses resulting from (a) debt transactions between us and our foreign entities, (b) third-party debt that is used to hedge our investment in foreign entities, (c) derivative financial instruments related to any such debt transactions, and (d) mark-to-market adjustments associated with other derivative financial instruments.

We use FFO, as modified by Prologis, so that management, analysts and investors are able to evaluate our performance against other REITs that do not have similar operations or operations in jurisdictions outside the U.S.

Core FFO

In addition to *FFO, as modified by Prologis*, we also use Core FFO. To arrive at Core FFO, we adjust *FFO, as modified by Prologis*, to exclude the following recurring and nonrecurring items that we recognize directly in *FFO, as modified by Prologis*.

- (i) gains or losses from the disposition of land and development properties that were developed with the intent to contribute or sell;
- (ii) income tax expense related to the sale of investments in real estate;
- (iii) impairment charges recognized related to our investments in real estate generally as a result of our change in intent to contribute or sell these properties;
- (iv) gains or losses from the early extinguishment of debt and redemption and repurchase of preferred stock; and
- (v) expenses related to natural disasters.

We use Core FFO, including by segment and region, to: (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; (v) provide guidance to the financial markets to understand our expected operating performance; and (vi) evaluate how a specific potential investment will impact our future results.

AFFO

To arrive at AFFO, we adjust Core FFO to include realized gains from the disposition of land and development properties, net of current tax expense, and recurring capital expenditures and exclude the following items that we recognize directly in Core FFO:

- (i) straight-line rents;
- (ii) amortization of above- and below-market lease intangibles;
- (iii) amortization of management contracts;
- (iv) amortization of debt premiums and discounts and financing costs, net of amounts capitalized, and;
- (v) stock compensation amortization expense.

We use AFFO to (i) assess our operating performance as compared to other real estate companies; (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods; (iii) evaluate the performance of our management; (iv) budget and forecast future results to assist in the allocation of resources; and (v) evaluate how a specific potential investment will impact our future results.

Limitations on the use of our FFO measures

While we believe our modified FFO measures are important supplemental measures, neither NAREIT's nor our measures of FFO should be used alone because they exclude significant economic components of net earnings computed under GAAP and are, therefore, limited as

an analytical tool. Accordingly, these are only a few of the many measures we use when analyzing our business. Some of the limitations are:

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

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

Guidance. The following is a reconciliation of our annual guided Net Earnings per share to our guided Core FFO per share:

	Low	High
Net Earnings (a)	\$ 3.64	\$ 3.68
Our share of:		
Depreciation and amortization	2.26	2.28
Net gains on real estate transactions, net of taxes	(1.86)	(1.90)
Unrealized foreign currency losses, loss on early extinguishment of debt and other, net	0.07	0.07
Core FFO	\$ 4.11	\$ 4.13

(a) Earnings guidance includes potential future gains recognized from real estate transactions, but excludes future foreign currency or derivative gains or losses as these items are difficult to predict.

Owned and Managed represents the consolidated properties and properties owned by our unconsolidated co-investment ventures, which we manage.

Prologis Share represents our proportionate economic ownership of each entity included in our total Owned and Managed portfolio whether consolidated or unconsolidated.

Rent Change (Cash) represents the percentage change in starting rental rates per the lease agreement, on new and renewed leases, commenced during the period compared with the previous ending rental rates in that same space. This measure excludes any short-term leases of less than one-year, holdover payments, free rent periods and introductory (teaser rates) defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the percentage change in net effective rental rates (average rate over the lease term), on new and renewed leases, commenced during the period compared with the previous net effective rental rates in that same space. This measure excludes any short-term leases of less than one year and holdover payments.

Retention is the square footage of all leases commenced during the period that are rented by existing tenants divided by the square footage of all expiring and in-place leases during the reporting period. The square footage of tenants that default or buy-out prior to expiration of their lease and short-term leases of less than one year, are not included in the calculation.

Same Store. Our same store metrics are non-GAAP financial measures, which are commonly used in the real estate industry and expected from the financial community, on both a net effective and cash basis. We evaluate the performance of the operating properties we own and manage using a "same store" analysis because the population of properties in this analysis is consistent from period to period, which allows us and investors to analyze our ongoing business operations. We determine our same store metrics on property NOI, which is calculated as rental revenue less rental expense for the applicable properties in the same store population for both consolidated and unconsolidated properties based on our ownership interest, as further defined below.

We define our same store population for the three months ended September 30, 2021 as the properties in our Owned and Managed Operating Portfolio, including the property NOI for both consolidated properties and properties owned by the unconsolidated co-investment ventures at January 1, 2020 and owned throughout the same three-month period in both 2020 and 2021. We believe the drivers of property NOI for the consolidated portfolio are generally the same for the properties owned by the ventures in which we invest and therefore we evaluate the same store metrics of the Owned and Managed portfolio based on Prologis' ownership in the properties ("Prologis Share"). The same store population excludes properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period (January 1, 2020) and properties acquired or disposed of to third parties during the period. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the reported period-end exchange rate to translate from local currency into the U.S. dollar, for both periods.

As non-GAAP financial measures, the same store metrics have certain limitations as an analytical tool and may vary among real estate companies. As a result, we provide a reconciliation of Rental Revenues less Rental Expenses ("Property NOI") (from our Consolidated Financial Statements prepared in accordance with U.S. GAAP) to our Same Store Property NOI measures, as follows:


dollars in thousands	Three Months Ended		Sept. 30, Change (%)
	2021	2020	
Reconciliation of Consolidated Property NOI to Same Store Property NOI measures:			
Rental revenues	\$ 1,037,281	\$ 980,148	
Rental expenses	(256,607)	(245,490)	
Consolidated Property NOI	\$ 780,674	\$ 734,658	
Adjustments to derive same store results:			
Property NOI from consolidated properties not included in same store portfolio and other adjustments (a)	(243,093)	(224,096)	
Property NOI from unconsolidated co-investment ventures included in same store portfolio (a)(b)	568,081	538,574	
Third parties' share of Property NOI from properties included in same store portfolio (a)(b)	(457,799)	(439,160)	
Prologis Share of Same Store Property NOI – Net Effective (b)	\$ 647,863	\$ 609,976	6.2 %
Consolidated properties straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(11,030)	(13,643)	
Unconsolidated co-investment ventures straight-line rent and fair value lease adjustments included in the same store portfolio (c)	(9,147)	(14,702)	
Third parties' share of straight-line rent and fair value lease adjustments included in the same store portfolio (b)(c)	6,340	12,687	
Prologis Share of Same Store Property NOI – Cash (b)(c)	\$ 634,026	\$ 594,318	6.7 %

- (a) We exclude properties held for sale to third parties, along with development properties that were not stabilized at the beginning of the period and properties acquired or disposed of to third parties during the period. We also exclude net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental revenues without regard to one-time items that are not indicative of the property's recurring operating performance. Net termination and renegotiation fees represent the gross fee negotiated to allow a customer to terminate or renegotiate their lease, offset by the write-off of the asset recorded due to the adjustment to straight-line rents over the lease term. Same Store Property NOI is adjusted to include an allocation of property management expenses for our consolidated properties based on the property management services provided to each property (generally, based on a percentage of revenues). On consolidation, these amounts are eliminated and the actual costs of providing property management and leasing services are recognized as part of our consolidated rental expense.
- (b) We include the Property NOI for the same store portfolio for both consolidated properties and properties owned by the co-investment ventures based on our investment in the underlying properties. In order to calculate our share of Same Store Property NOI from the co-investment ventures in which we own less than 100%, we use the co-investment ventures' underlying Property NOI for the same store portfolio and apply our ownership percentage at September 30, 2021 to the Property NOI for both periods, including the properties contributed during the period. We adjust the total Property NOI from the same store portfolio of the co-investment ventures by subtracting the third parties' share of both consolidated and unconsolidated co-investment ventures. During the periods presented, certain wholly owned properties were contributed to a co-investment venture and are included in the same store portfolio. Neither our consolidated results nor those of the co-investment ventures, when viewed individually, would be comparable on a same store basis because of the changes in composition of the respective portfolios from period to period (e.g. the results of a contributed property are included in our consolidated results through the contribution date and in the results of the venture subsequent to the contribution date based on our ownership interest at the end of the period). As a result, only line items labeled "Prologis Share of Same Store Property NOI" are comparable period over period.
- (c) We further remove certain noncash items (straight-line rent and amortization of fair value lease adjustments) included in the financial statements prepared in accordance with U.S. GAAP to reflect a Same Store Property NOI – Cash measure. We manage our business and compensate our executives based on the same store results of our Owned and Managed portfolio at 100% as we manage our portfolio on an ownership blind basis. We calculate those results by including 100% of the properties included in our same store portfolio.

Weighted Average Interest Rate is based on the effective rate, which includes the amortization of related premiums and discounts and finance costs.

Weighted Average Stabilized Capitalization ("Cap") Rate is calculated as Stabilized NOI divided by the Acquisition Price.



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