News Release Archive

Prologis, Inc. Announces Second Quarter 2011 Earnings Results

- Integration Plan on Track -
- Enhanced Platform Delivers Strong Operating Results -
- Company Confirms Second Half Guidance, With a Bias to Higher End of Range -

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SAN FRANCISCO

SAN FRANCISCO, July 28, 2011 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the leading global owner, operator and developer of industrial real estate, today reported results for the second quarter of 2011.

On June 3, 2011, AMB Property Corporation and ProLogis completed their merger and became Prologis, Inc. Under the structure of the merger, AMB Property Corporation was the legal acquirer and ProLogis was the accounting acquirer. Therefore financial results for the second quarter reflect two months of stand-alone legacy ProLogis and approximately one month of results of the combined company. These quarterly results also reflect the consolidation, of approximately one month, of ProLogis European Properties (Euronext/Amsterdam: PEPR, hereafter "PEPR") due to the acquisition of a controlling interest by the company. All prior periods financial comparisons reflect legacy ProLogis results. The operating metric and capital deployment comparisons for 2011 have been generally conformed to legacy ProLogis definitions and represent the combined company.

Core funds from operations ("Core FFO") per fully diluted share amounted to $0.35 for the second quarter of 2011, compared to $0.28 for legacy ProLogis for the same quarter in 2010. Funds from operations, as defined by Prologis ("FFO") per fully diluted share was $0.03 for the second quarter of 2011, compared to $0.32 for legacy ProLogis, for the same period in 2010. The differential between Core FFO and FFO in the second quarter of 2011 relates to impairment charges of $0.34 per share and merger costs of $0.33 per share, offset by net gains on acquisitions and dispositions of real estate of $0.34 per share.

Net loss per share for the second quarter of 2011 was $(0.49), compared to a loss of $(0.11) for the same quarter in 2010. The year-over-year change primarily relates to the impairment charges and merger costs, again offset by net gains on acquisitions and dispositions of real estate.

"Our global footprint and access to capital provide us with the ability to seize opportunities around the world as the economic recovery continues," said Hamid R. Moghadam, chairman and co-chief executive officer. "Operating performance was strong, demonstrated by significant improvements in same-store net operating income, occupancy and rent change on rollover. We believe our company's positive performance in the second quarter is indicative of a trend that will continue through the rest of 2011 and into 2012."

Operating Portfolio Metrics

Prologis' operating portfolio was 90.7 percent occupied at the end of the second quarter, up more than 80 basis points from 89.9 percent occupied at March 31, 2011. Same-store net operating income increased by 3.1 percent for the second quarter, compared to a 0.7 percent increase in the first quarter of this year. Rental rates on leases signed in the same-store pool decreased (6.1) percent for the second quarter, a significant improvement over the (8.9) percent decline in the first quarter.

Leasing Activity

During the second quarter, the company leased a total of 33.5 million square feet (3.1 million square meters) in its operating portfolio and 1.4 million square feet (126,348 square meters) in its development portfolio. Year-to-date, Prologis has leased approximately 68 million square feet (6.3 million square meters) in its operating and development portfolios. The company also achieved a 76.7 percent tenant retention rate for the quarter, signing 22 million square feet (2 million square meters) of renewals.

Capital Markets Activity

During the second quarter, Prologis:

- Completed the issuance and sale of 34.5 million shares of its common stock in a public offering at a price of $33.50 per share, generating approximately $1.1 billion in net proceeds. The follow-on offering is part of the company's strategic priority to further strengthen its balance sheet. Prologis utilized the proceeds from the equity offer to fully repay debt under the bridge facility used to fund the company's tender offer for PEPR. The remainder of the proceeds was used to reduce debt under the Prologis global senior credit facility and for general corporate purposes.
- Completed an exchange offer for $4.6 billion of legacy ProLogis senior unsecured notes and convertible

debt, with approximately $4.4 billion, or 95 percent, of the aggregate principal amount of legacy ProLogis notes having been validly tendered for exchange. The legacy ProLogis notes were exchanged for notes issued by Prologis, Inc.'s operating partnership, Prologis, L.P. and guaranteed by Prologis, Inc.
- Entered into a new $1.75 billion global senior credit agreement with a syndicate of 20 banks. The pricing on the new facility represents a reduction of 180 basis points from the pricing of the legacy ProLogis global credit facility, which was terminated at the closing of the merger.
- Amended a JPY 36.5 billion ($456 million) revolving credit agreement with a syndicate of eight banks. The revised pricing on this facility represents a reduction of 70 basis points from the yen revolver pricing in place immediately prior to the amendment of the agreement.

As of June 30, 2011, Prologis' liquidity exceeded $1.5 billion, consisting of $1.3 billion of availability on its lines of credit and $261 million in unrestricted cash and cash equivalents.

Private Capital Activity

Year-to-date through June 30, 2011, Prologis raised $1.3 billion of new third-party equity in its Private Capital business, with $207 million of that amount raised in the second quarter.

As previously announced, the company completed a mandatory tender offer for PEPR, a Luxembourg closed-ended investment fund. As of June 30, 2011 Prologis owned approximately 92.4 percent of the outstanding units of PEPR.

Also as previously announced, Prologis acquired its partner's 50 percent interest in its AMB-SGP joint venture during the second quarter.

Capital Deployment Activity

Year-to-date through June 30, 2011, the combined company deployed $796 million, $368 million of which was deployed in the second quarter. Activity in the second quarter included:

- $317 million of new development starts in seven countries. Nine of the 13 projects are build-to-suit.
- $50 million in acquisitions comprising 4 properties totaling approximately 910,000 square feet (85,000 square meters).

Also during the quarter, in partnership with Bank of America Merrill Lynch and NRG Energy, Prologis announced an offer of a conditional commitment from the U.S. Department of Energy's Loan Programs Office to help finance a 733-megawatt distributed rooftop solar power generation project, the largest of its kind in the world. The government loan guarantee supporting $1.4 billion of debt facilitates a total project size of about $2.6 billion, which is being financed primarily by the private sector over the next four years. Prologis will lease its rooftops and will also act as developer, construction manager and program sponsor, in addition to making a modest equity investment.

During the second quarter, the combined company completed $258 million in asset dispositions, primarily consisting of $115 million related to the closing of the remaining Catellus assets and $144 million of industrial land building sales.

Common Stock Dividend Update

Subject to approval from its board of directors, Prologis expects to declare its third-quarter dividend in September, payable in October 2011.

Integration Update

The company has identified more than $90 million of merger cost synergies including gross G&A savings, reduced facility fees on its global line of credit and lower amortization of non real estate assets. Since closing the merger, Prologis has already realized approximately 60 percent of these merger synergies and expects to realize the total amount on a run rate basis by year-end 2012.

"Our overall progress on the integration is on target and in many areas is ahead of plan," said Walter C. Rakowich co-chief executive officer. "When we put the companies together, we gained an unparalleled platform of distribution facilities throughout the world. We are able to serve customers in ways few other companies can, and we can accomplish this at an overall lower cost of capital. The organization is already beginning to benefit from combining the two businesses and, importantly, our customers are benefiting as well. The merger has

primed Prologis for success globally."

Guidance for the Remainder of 2011

The company expects to achieve its previously provided Core FFO guidance of $0.78 to $0.82 per share for the second half 2011, with an expectation in the higher end of the range. The company also expects to recognize a net loss of $0.15-$0.18 per share for the second half of 2011. In reconciling from net earnings (loss) to Core FFO, Prologis adds back real estate depreciation, amortization expense and merger costs estimated at $0.93 to $1.02 per share. Net income guidance excludes any potential gains (losses) recognized from property dispositions due to the variability of timing, composition of properties and estimate of proceeds.

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, July 28, 2011, at 10:00 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 (877) 256-7020 domestically or (706) 643-7823 internationally with reservation code 83570494.

About Prologis

Prologis, Inc. is the leading owner, operator and developer of industrial real estate, focused on global and regional markets across the Americas, Europe and Asia. As of June 30 2011, Prologis owned or had investments in, on a consolidated basis or through unconsolidated joint ventures, properties and development projects expected to total approximately 600 million square feet (55.7 million square meters) in 22 countries. The company leases modern distribution facilities to more than 4,500 customers, including manufacturers, retailers, transportation companies, third-party logistics providers and other enterprises.

Some of the information included in this press release contains forward-looking statements which are made pursuant to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements, and you should not rely on the forward-looking statements as predictions of future events. The events or circumstances reflected in forward-looking statements might not occur. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak only as of the date of this report or the dates indicated in the statements. We assume no obligation to update or supplement forward-looking statements. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: changes in general economic conditions in California, the U.S. or globally (including financial market fluctuations), global trade or in the real estate sector (including risks relating to decreasing real estate valuations and impairment charges); risks associated with using debt to fund the company's business activities, including refinancing and interest rate risks; the company's failure to obtain, renew, or extend necessary financing or access the debt or equity markets; the company's failure to maintain its current credit agency ratings or comply with its debt covenants; risks related to the merger transaction with ProLogis, including litigation related to the merger, and the risk that the merger may not achieve its intended results; risks related to the company's obligations in the event of certain defaults under co-investment venture and other debt; defaults on or non-renewal of leases by customers, lease renewals at lower than expected rent or failure to lease properties at all or on favorable rents and terms; difficulties in identifying properties, portfolios of properties, or interests in real-estate related entities or platforms to acquire and in effecting acquisitions on advantageous terms and the failure of acquisitions to perform as the company expects; unknown liabilities acquired in connection with the acquired properties, portfolios of properties, or interests in real-estate related entities; the company's failure to successfully integrate acquired properties and operations; risks and uncertainties affecting property development, redevelopment and value-added conversion (including construction delays, cost overruns, the company's inability to obtain necessary permits and financing, the company's inability to lease properties at all or at favorable rents and terms, and public opposition to these activities); the company's failure to set up additional funds, attract additional investment in existing funds or to contribute properties to its co-investment ventures due to such factors as its inability to acquire, develop, or lease properties that meet the investment criteria of such ventures, or the co-investment ventures' inability to access debt and equity capital to pay for property contributions or their allocation of available capital to cover other capital requirements; risks and uncertainties relating to the disposition of properties to third parties and

the company's ability to effect such transactions on advantageous terms and to timely reinvest proceeds from any such dispositions; risks of doing business internationally and global expansion, including unfamiliarity with the new markets and currency risks; risks of changing personnel and roles; losses in excess of the company's insurance coverage; changes in local, state and federal regulatory requirements, including changes in real estate and zoning laws; increases in real property tax rates; risks associated with the company's tax structuring; increases in interest rates and operating costs or greater than expected capital expenditures; environmental uncertainties and risks related to natural disasters; and our failure to qualify and maintain our status as a real estate investment trust. Our success also depends upon economic trends generally, various market conditions and fluctuations and those other risk factors discussed under the heading "Risk Factors" and elsewhere in our most recent annual report on Form 10-K for the year ended December 31, 2010 and our other public reports.

COMPANY OVERVIEW

(in thousands, except per share amounts)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011	**2010 (A)**	**2011**	**2010 (A)**
Revenues	$ 335,901	$ 219,146	$ 574,808	$ 436,514
Net loss attributable to common shares	$ (151,471)	$ (23,150)	$ (198,087)	$ (114,279)
FFO, as defined by Prologis	$ 8,195	$ 67,844	$ 70,341	$ 74,961
Core FFO	$ 109,662	$ 60,334	$ 184,069	$ 112,671
Core EBITDA, as adjusted	$ 352,015	$ 167,622	$ 690,235	$ 330,201
Per common share - diluted:				
Net loss attributable to common shares	$ (0.49)	$ (0.11)	$ (0.70)	$ (0.54)
FFO, as defined by Prologis	$ 0.03	$ 0.32	$ 0.25	$ 0.35
Core FFO	$ 0.35	$ 0.28	$ 0.65	$ 0.53

(A) Represents legacy Prologis only.

BALANCE SHEETS

(in thousands)	**June 30, 2011**	**March 31, 2011 (A)**	**December 31, 2010 (A)**
Assets:			
Investments in real estate assets:			
Operating portfolio	$ 22,629,855	$ 10,807,183	$ 10,714,799
Development portfolio	632,196	452,813	365,362
Land	2,033,725	1,599,966	1,533,611
Other real estate investments	452,978	281,546	265,869
	25,748,754	13,141,508	12,879,641
Less accumulated depreciation	1,764,289	1,656,781	1,595,678
Net investments in properties	23,984,465	11,484,727	11,283,963
Investments in and advances to unconsolidated investees	3,012,144	2,084,696	2,024,661
Notes receivable backed by real estate	359,228	358,323	302,144
Assets held for sale	171,765	215,714	574,791
Net investments in real estate	27,527,602	14,143,460	14,185,559
Cash and cash equivalents	260,893	24,744	37,634

Restricted cash	68,390	34,088	27,081
Accounts receivable and other assets	1,277,621	733,403	652,393
Total assets	**$ 29,134,506**	**$ 14,935,695**	**$ 14,902,667**
Liabilities and Equity:			
Liabilities:			
Debt	$ 12,119,952	$ 6,415,034	$ 6,506,029
Accounts payable, accrued expenses, and other liabilities	1,944,309	894,272	876,283
Total liabilities	14,064,261	7,309,306	7,382,312
Equity:			
Shareholders' equity:			
Preferred shares	582,200	350,000	350,000
Common shares	4,589	2,550	2,545
Additional paid-in capital	16,375,867	9,669,017	9,671,560
Accumulated other comprehensive income (loss)	225,364	213,465	(3,160)
Distributions in excess of net earnings	(2,842,842)	(2,626,381)	(2,515,722)
Total shareholders' equity	14,345,178	7,608,651	7,505,223
Noncontrolling interests, including limited partnership units	725,067	17,738	15,132
Total equity	15,070,245	7,626,389	7,520,355
Total liabilities and equity	**$ 29,134,506**	**$ 14,935,695**	**$ 14,902,667**

(A) Represents legacy Prologis only.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011 (A)	**2010**	**2011 (A)**	**2010**
Revenues:				
Rental income	$ 294,670	$ 188,205	$ 500,088	$ 375,835
Private capital revenue	32,311	28,307	61,481	56,969
Development management and other income	8,920	2,634	13,239	3,710
Total revenues	335,901	219,146	574,808	436,514
Expenses:				
Rental expenses	81,140	54,089	144,447	110,313
Private capital expenses	11,596	9,931	22,148	20,250
General and administrative	51,840	38,921	91,023	80,927
Merger, acquisition and other integration expenses	103,052	-	109,040	-
Depreciation, amortization and other expenses	128,666	81,887	216,015	161,295
Total expenses	376,294	184,828	582,673	372,785
Operating income (loss)	(40,393)	34,318	(7,865)	63,729
Other income (expense):				
Earnings from unconsolidated investees, net	11,399	3,304	25,040	11,277
Interest expense	(113,059)	(118,920)	(203,621)	(228,899)
Impairment of other assets	(103,823)	-	(103,823)	-

Net gains on acquisitions and dispositions of investments in real estate	102,529	10,959	106,254	22,766
Foreign currency and derivative gains (losses) and other income (expenses), net	(4,978)	(8,576)	(6,183)	(5,060)
Gain (loss) on early extinguishment of debt, net	-	975	-	(46,658)
Total other income (expense)	(107,932)	(112,258)	(182,333)	(246,574)
Loss before income taxes	(148,325)	(77,940)	(190,198)	(182,845)
Income tax expense (benefit) - current and deferred	6,429	(40,249)	12,798	(32,047)
Loss from continuing operations	(154,754)	(37,691)	(202,996)	(150,798)
Discontinued operations:				
Income attributable to disposed properties and assets held for sale	2,952	20,122	9,070	40,574
Net gains on dispositions, net of related impairment charges and taxes	8,175	979	10,135	9,127
Total discontinued operations	11,127	21,101	19,205	49,701
Consolidated net loss	(143,627)	(16,590)	(183,791)	(101,097)
Net earnings attributable to noncontrolling interests	(202)	(191)	(285)	(444)
Net loss attributable to controlling interests	(143,829)	(16,781)	(184,076)	(101,541)
Less preferred share dividends	7,642	6,369	14,011	12,738
Net loss attributable to common shares	**$ (151,471)**	**$ (23,150)**	**$ (198,087)**	**$ (114,279)**
Net loss per share attributable to common shares - diluted	**$ (0.49)**	**$ (0.11)**	**$ (0.70)**	**$ (0.54)**

(A) Includes approximately one month of the impact from AMB merger and PEPR acquisition.

CONSOLIDATED STATEMENTS OF FUNDS FROM OPERATIONS (FFO)

(in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011 (A)	**2010**	**2011 (A)**	**2010**
Revenues:				
Rental income	$ 297,629	$ 230,249	$ 513,001	$ 461,167
Private capital revenue	32,311	28,307	61,481	56,969
Development management and other income	8,920	2,634	13,239	3,710
Total revenues	338,860	261,190	587,721	521,846
Expenses:				
Rental expenses	81,128	65,395	147,815	133,281
Private capital expenses	11,596	9,931	22,148	20,250
General and administrative	51,840	38,921	91,023	80,927
Merger, acquisition and other integration expenses	103,052	-	109,040	-
Impairment of real estate properties	2,659	367	2,659	367
Depreciation of corporate assets and other expenses	8,714	7,755	17,007	15,417
Total expenses	258,989	122,369	389,692	250,242
Operating FFO	79,871	138,821	198,029	271,604
Other income (expense):				
FFO from unconsolidated investees	49,704	44,508	98,399	82,176
Interest expense	(113,059)	(118,920)	(203,621)	(228,899)
Impairment of other assets	(103,823)	-	(103,823)	-
Net gains on acquisitions and dispositions of investments in real estate	106,752	10,756	109,320	21,102

	Three Months 2011	Three Months 2010	Six Months 2011	Six Months 2010
Foreign currency exchange gains (losses) and other expenses, net	5,309	(1,138)	2,469	(831)
Gain (loss) on early extinguishment of debt, net	-	975	-	(46,658)
Current income tax expense	(6,311)	(598)	(13,732)	(10,351)
Total other income (expense)	(61,428)	(64,417)	(110,988)	(183,461)
Less preferred share dividends	7,642	6,369	14,011	12,738
Less FFO attributable to noncontrolling interests	2,606	191	2,689	444
FFO, as defined by Prologis	**8,195**	**67,844**	**70,341**	**74,961**
Impairment charges	106,482	367	106,482	367
Japan disaster expenses	(1,315)	-	5,610	-
Merger and other integration expenses	103,052	-	109,040	-
Net gains on acquisitions and dispositions of investments in real estate	(106,752)	(10,756)	(109,320)	(21,102)
Income tax expense on dispositions	-	-	1,916	851
Adjustments made in 2010, not applicable to 2011	-	2,879	-	57,594
Total adjustments	101,467	(7,510)	113,728	37,710
Core FFO	**$ 109,662**	**$ 60,334**	**$ 184,069**	**$ 112,671**
Core FFO per share diluted	**$ 0.35**	**$ 0.28**	**$ 0.65**	**$ 0.53**

(A) Includes approximately one month of the impact from AMB merger and PEPR acquisition.

RECONCILIATIONS OF NET INCOME (LOSS) TO FFO

(in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2011 (A)	**2010**	**2011 (A)**	**2010**
Reconciliation of Net Loss to FFO				
Net loss attributable to common shares	$ (151,471)	$ (23,150)	$ (198,087)	$ (114,279)
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	119,952	73,765	199,008	145,511
Adjustments related to dispositions	(6,592)	9,434	(11,169)	10,999
Reconciling items related to noncontrolling interests	(2,404)	-	(2,404)	-
Our share of reconciling items from unconsolidated investees	36,660	35,676	72,337	69,843
Subtotal-NAREIT defined FFO	(3,855)	95,725	59,685	112,074
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative losses, net	10,287	7,438	8,652	4,229
Deferred income tax expense (benefit)	118	(40,847)	982	(42,398)
Our share of reconciling items from unconsolidated investees	1,645	5,528	1,022	1,056
FFO, as defined by Prologis	**$ 8,195**	**$ 67,844**	**$ 70,341**	**$ 74,961**
Adjustments to Core FFO	101,467	(7,510)	113,728	37,710
Core FFO	**$ 109,662**	**$ 60,334**	**$ 184,069**	**$ 112,671**

(A) Includes approximately one month of the impact from AMB merger and PEPR acquisition.

DEBT TO EBITDA METRICS

Reconciliation of Consolidated Net Loss to Core EBITDA, as adjusted

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Consolidated net loss	$ (143,627)	$ (16,590)	$ (183,791)	$ (101,097)
Net gains on acquisitions and dispositions of investments in real estate	(113,363)	(11,938)	(120,964)	(32,744)
Depreciation and amortization	123,079	76,871	205,744	152,012
Interest expense	113,059	118,920	203,621	228,899
Impairment charges	106,482	367	106,482	367
Merger, acquisition and other integration expenses	103,052	-	109,040	-
Current and deferred income tax expense (benefit)	6,429	(40,249)	14,714	(31,196)
Pro forma adjustment (A)	104,573	-	263,994	-
Income on properties sold during the quarter included in discontinued operations	(2,952)	(20,122)	(9,070)	(40,574)
Other non-cash charges	18,293	13,803	21,270	16,482
Other adjustments made to derive Core FFO	(1,315)	2,879	5,610	57,594
Core EBITDA, as adjusted, prior to our share of unconsolidated investees	**313,710**	**123,941**	**616,650**	**249,743**
Our share of reconciling items from unconsolidated investees:				
Depreciation and amortization	36,660	35,676	72,337	69,843
Other non-cash charges	1,645	8,528	1,022	4,631
Realized losses (gains) on derivative activity	-	(523)	226	5,984
Core EBITDA, as adjusted	**$ 352,015**	**$ 167,622**	**$ 690,235**	**$ 330,201**
Prologis debt to core EBITDA:				
Consolidated core EBITDA, as adjusted - annualized	**$** 1,408,060	**$** 670,488		
Prologis consolidated debt as of June 30	**$** 12,035,862	**$** 8,271,884		
Prologis consolidated debt to core EBITDA ratio	**8.55 x**	**12.34 x**		
Debt to core EBITDA, including our share of unconsolidated investees:				
Core EBITDA, as adjusted - annualized	**$** 1,408,060	$ 670,488		
Our share of interest and current income taxes from unconsolidated investees	123,668	178,392		
Core EBITDA, as adjusted-annualized	**$** 1,531,728	$ 848,880		
Prologis consolidated debt as of June 30	**$** 12,035,862	$ 8,271,884		
Our share of debt of unconsolidated investees as of June 30	2,677,319	2,549,423		
Total debt, including our share of unconsolidated investees	**$** 14,713,181	$ 10,821,307		
Debt to core EBITDA ratio (including our share of unconsolidated investees)	**9.61 x**	**12.75 x**		

(A) Adjustment for acquisitions made during the quarter, including the Merger and PEPR acquisition to reflect NOI for the full period.

NOTES AND DEFINITIONS

Please refer to our annual and quarterly financial statements filed with the Securities and Exchange Commission on Forms 10-K and 10-Q and other public reports 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 2011 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. Our intent is to hold and use these properties; however, depending on market and other conditions, we may contribute or sell these properties to property funds, co-investment ventures 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. We may develop the land or sell to third parties, depending on market conditions, customer demand and other factors. The private capital segment represents primarily the management of unconsolidated property funds and joint ventures and the properties they own.

On June 3, 2011, AMB Property Corporation ("AMB") and ProLogis combined through a merger of equals (the "Merger"). As a result of the Merger, each outstanding share of ProLogis common shares was converted into 0.4464 shares of AMB common stock, with cash paid in lieu of fractional shares. At the time of the Merger, AMB changed its name to Prologis, Inc. After consideration of all applicable factors pursuant to the business combination accounting rules, the Merger resulted in a reverse acquisition in which AMB was considered the "legal acquirer" because AMB issued its common stock to ProLogis shareholders and ProLogis was considered the "accounting acquirer" due to various factors including that former ProLogis shareholders hold the largest portion of the voting rights in the merged entity and ProLogis appointees represent the majority of the Board of Directors. As such, the historical results of ProLogis are included for the full period and AMB results are included from the date of the Merger going forward.

In April 2011, we purchased 11.1 million ordinary units of ProLogis European Properties ("PEPR"), increasing our ownership interest to approximately 39%, and launched a mandatory tender offer to acquire any or all of the outstanding ordinary units and convertible preferred units of PEPR that we did not own at that time. On May 25, 2011, we settled on our mandatory tender offer. Pursuant to the tender offer and open-market purchases made during the tender period, we acquired an additional 96.5 million ordinary units and 2.7 million convertible preferred units of PEPR for an aggregate purchase price of approximately euro 615.5 million. We funded the aggregate purchases through borrowings under our existing credit facilities and a new euro 500 million bridge facility, which was subsequently repaid with proceeds received from our June equity offering.

After completion of the tender offer, we began consolidating PEPR. In addition, in accordance with the accounting rules for business combinations, we marked our equity investment in PEPR to fair value, which resulted in the recognition of a gain of euro 59.6 million ($85.9 million). Following the tender offer, and including purchases through June 30, 2011, we owned approximately 92.3% of the voting ordinary units of PEPR and 94.6% of the convertible preferred units as of June 30, 2011.

We have preliminarily allocated the aggregate purchase price related to the Merger of $5.8 billion and for PEPR of euro 1.1 billion ($1.6 billion) as set forth below. The preliminary allocations are based on our preliminary valuations, estimates and assumptions and are subject to change.

(amounts in thousands)

	Merger	PEPR	Total
Investments in real estate properties	$ 8,103,716	$ 4,456,304	$ 12,560,020
Investments in and advances to unconsolidated investees	1,632,179	-	1,632,179
Cash, accounts receivable and other assets	736,432	100,677	837,109
Debt	(3,646,719)	(2,240,764)	(5,887,483)
Accounts payable, accrued expenses and other liabilities	(434,072)	(555,628)	(989,700)
Noncontrolling interests	(535,087)	(133,651)	(668,738)
APIC (Stock Options)	(62,395)	-	(62,395)
Total purchase price	$ 5,794,054	$ 1,626,938	$ 7,420,992

Assets Held For Sale and Discontinued Operations. As of June 30, 2011, we had 7 land parcels and 8 operating properties that met the criteria as held for sale. The amounts included in *Assets Held for Sale* include real estate investment balances and the related assets and liabilities for each property.

During the six months ended June 30, 2011, we disposed of 38 non-development properties aggregating 2.8 million square feet to third parties, including 31 properties aggregating 1.3 million square feet that were included in *Assets Held for Sale* at December 31, 2010. During all of 2010, we disposed of land subject to ground leases and 205 properties aggregating 25.4 million square feet to third parties, 2 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 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 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Rental income	$ 2,959	$ 42,044	$ 12,913	$ 85,332
Rental expenses	12	(11,306)	(3,368)	(22,968)
Depreciation and amortization	(19)	(10,616)	(475)	(21,790)
Income attributable to disposed properties and assets held for sale	$ 2,952	$ 20,122	$ 9,070	$ 40,574

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.

Calculation of Per Share Amounts are as follows *(in thousands, except per share amounts)***:**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net earnings (loss)				
Net earnings (loss)	**$ (151,471)**	**$ (23,150)**	**$ (198,087)**	**$ (114,279)**
Weighted average common shares outstanding - Basic (a)	**307,756**	**212,840**	**281,384**	**212,441**
Weighted average common shares outstanding - Diluted (a)	**307,756**	**212,840**	**281,384**	**212,441**
Net earnings (loss) per share - Basic	**$ (0.49)**	**$ (0.11)**	**$ (0.70)**	**$ (0.54)**
Net earnings (loss) per share - Diluted	**$ (0.49)**	**$ (0.11)**	**$ (0.70)**	**$ (0.54)**
FFO, as defined by Prologis				
FFO, as defined by Prologis	$ 8,195	$ 67,844	$ 70,341	$ 74,961
Noncontrolling interest attributable to convertible limited partnership units	-	-	136	-
FFO - Diluted, as defined by Prologis	**$ 8,195**	**$ 67,844**	**$ 70,477**	**$ 74,961**
Weighted average common shares outstanding - Basic (a)	307,756	212,840	281,384	212,441
Incremental weighted average effect of conversion of limited partnership				

units	-	-	807	-
Incremental weighted average effect of stock awards	750	1,284	709	1,359
Weighted average common shares outstanding - Diluted (a)	**308,506**	**214,124**	**282,900**	**213,800**
FFO per share - Diluted, as defined by Prologis	**$ 0.03**	**$ 0.32**	**$ 0.25**	**$ 0.35**
Core FFO				
Core FFO	$ 109,662	$ 60,334	$ 184,069	$ 112,671
Noncontrolling interest attributable to convertible limited partnership units	68	-	136	-
Core FFO - Diluted	**$ 109,730**	**$ 60,334**	**$ 184,205**	**$ 112,671**
Weighted average common shares outstanding - Basic (a)	307,756	212,840	281,384	212,441
Incremental weighted average effect of conversion of limited partnership units	1,269	-	807	-
Incremental weighted average effect of stock awards	750	1,284	709	1,359
Weighted average common shares outstanding - Diluted (a)	**309,775**	**214,124**	**282,900**	**213,800**
Core FFO per share - Diluted	**$ 0.35**	**$ 0.28**	**$ 0.65**	**$ 0.53**

(a) The historical ProLogis shares outstanding have been adjusted by the Merger exchange ratio of 0.4464. These amounts include the assumed issuance of 254.8 million shares as of the Merger date and the issuance of 34.5 million shares in connection with the June equity offering. We received net proceeds from the equity offering of $1.1 billion, which were used to repay outstanding borrowings on the bridge facility and on credit facilities.

Core EBITDA, As Adjusted. We use Core EBITDA, as adjusted to measure both our operating performance and liquidity. We calculate Core EBITDA, as adjusted beginning with consolidated net earnings/loss and removing the affect of interest, income taxes, depreciation and amortization, impairment charges, gains or losses from the acquisition or disposition of investments in real estate, gains or losses on early extinguishment of debt and derivative contracts (including cash charges), similar adjustments we make to our Core FFO (see definition below), and other non-cash charges (such as stock based compensation amortization and unrealized gains or losses on foreign currency and derivative activity), including our share of these items (other than interest and current income taxes) from unconsolidated investees.

We consider Core EBITDA, as adjusted to provide investors relevant and useful information because it permits investors to view income from operations on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense and other items (including stock-based compensation amortization and certain unrealized gains and losses), gains or losses from the acquisition or disposition of investments in real estate, items that affect comparability, and other significant non-cash items. In 2011, we adjusted Core EBITDA to include a proforma adjustment to reflect a full period of NOI on the operating properties we acquired through the Merger and PEPR acquisition and to exclude Merger, Acquisition and Other Integration Expenses and costs associated with the hurricane and tsunami that occurred in first quarter 2011 in Japan. By excluding interest expense, adjusted EBITDA allows investors to measure our operating performance independent of our capital structure and indebtedness and, therefore, allows for a more meaningful comparison of our operating performance to that of other companies, both in the real estate industry and in other industries. Gains and losses on the early extinguishment of debt and derivatives contracts generally included the costs of repurchasing debt securities. Although difficult to predict, these items may be recurring given the uncertainty of the current economic climate and its adverse effects on the real estate and financial markets. While not infrequent or unusual in nature, these items 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.

As a liquidity measure, we believe that Core EBITDA, as adjusted helps investors to analyze our ability to meet interest payment obligations and to make quarterly preferred share dividends. We believe that investors should consider Core EBITDA, as adjusted in conjunction with net income (the primary measure of our performance) and the other required Generally Accepted Accounting Principles ("GAAP") measures of our performance and liquidity, to improve their understanding of our operating results and liquidity, and to make more meaningful comparisons of our performance against other companies. By using Core EBITDA, as adjusted, an investor is

assessing the earnings generated by our operations, but not taking into account the eliminated expenses or gains incurred in connection with such operations. As a result, core EBITDA, as adjusted has limitations as an analytical tool and should be used in conjunction with our required GAAP presentations. Core EBITDA, as adjusted does not reflect our historical cash expenditures or future cash requirements for working capital, capital expenditures distribution requirements or contractual commitments. Core EBITDA, as adjusted also does not reflect the cash required to make interest and principal payments on our outstanding debt.

While Core EBITDA, as adjusted is a relevant and widely used measure of operating performance and liquidity, it does not represent net income or cash flow from operations as defined by GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, our computation of Core EBITDA, as adjusted may not be comparable to EBITDA reported by other companies. We compensate for the limitations of Core EBITDA, as adjusted by providing investors with financial statements prepared according to GAAP, along with this detailed discussion of Core EBITDA, as adjusted and a reconciliation of Core EBITDA, as adjusted to consolidated net earnings (loss), a GAAP measurement.

FFO; FFO, as defined by Prologis; FFO, excluding significant non-cash items; Core FFO (collectively referred to as "FFO"). FFO is a non-GAAP measure that is commonly used in the real estate industry. The most directly comparable GAAP measure to FFO is net earnings. Although the National Association of Real Estate Investment Trusts ("NAREIT") has published a definition of FFO, modifications to the NAREIT calculation of FFO are common among REITs, as companies seek to provide financial measures that meaningfully reflect their business.

FFO is not meant to represent a comprehensive system of financial reporting and does not present, nor do we intend it to present, a complete picture of our financial condition and operating performance. We believe net earnings computed under GAAP remains the primary measure of performance and that FFO is only meaningful when it is used in conjunction with net earnings computed under GAAP. Further, we believe our consolidated financial statements, prepared in accordance with GAAP, provide the most meaningful picture of our financial condition and our operating performance.

NAREIT's FFO measure adjusts net earnings computed under GAAP to exclude historical cost depreciation and gains and losses from the sales of previously depreciated properties. We agree that these two NAREIT adjustments are useful to investors for the following reasons:

(i) historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation charges, that the value of real estate assets diminishes predictably over time. NAREIT stated in its White Paper on FFO "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." Consequently, NAREIT's definition of FFO reflects the fact that real estate, as an asset class, generally appreciates over time and depreciation charges required by GAAP do not reflect the underlying economic realities.

(ii) REITs were created as a legal form of organization in order to encourage public ownership of real estate as an asset class through investment in firms that were in the business of long-term ownership and management of real estate. The exclusion, in NAREIT's definition of FFO, of gains and losses from the sales of previously depreciated operating real estate assets allows investors and analysts to readily identify the operating results of the long-term assets that form the core of a REIT's activity and assists in comparing those operating results between periods. We include the gains and losses from dispositions of land and development properties, as well as our proportionate share of the gains and losses from dispositions recognized by our unconsolidated investees, in our definition of FFO.

Our FFO Measures

At the same time that NAREIT created and defined its FFO measure for the REIT industry, it also recognized that "management of each of its member companies has the responsibility and authority to publish financial information that it regards as useful to the financial community." We believe shareholders, potential investors and financial analysts who review our operating results are best served by a defined FFO measure that includes other adjustments to net earnings computed under GAAP in addition to those included in the NAREIT defined measure of FFO. Our FFO measures are used by management in analyzing our business and the performance of our properties and we believe that it is important that shareholders, potential investors and financial analysts understand the measures management uses.

We use our FFO measures as supplemental financial measures of operating performance. 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.

FFO, as defined by Prologis

To arrive at *FFO, as defined by Prologis*, we adjust the NAREIT defined FFO measure to exclude:

(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 GAAP earnings that is excluded from our defined FFO measure;

(iii) foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated investees;

(iv) foreign currency exchange gains and losses from the remeasurement (based on current foreign currency exchange rates) of certain third party debt of our foreign consolidated subsidiaries and our foreign unconsolidated investees; and

(v) mark-to-market adjustments associated with derivative financial instruments.

We calculate *FFO, as defined by Prologis* for our unconsolidated investees on the same basis as we calculate our *FFO, as defined by Prologis*.

We use this FFO measure, including by segment and region, to: (i) evaluate our performance and the performance of our properties in comparison to expected results and results of previous periods, relative to resource allocation decisions; (ii) evaluate the performance of our management; (iii) budget and forecast future results to assist in the allocation of resources; (iv) assess our performance as compared to similar real estate companies and the industry in general; and (v) evaluate how a specific potential investment will impact our future results. Because we make decisions with regard to our performance with a long-term outlook, we believe it is appropriate to remove the effects of short-term items that we do not expect to affect the underlying long-term performance of the properties. The long-term performance of our properties is principally driven by rental income. While not infrequent or unusual, these additional items we exclude in calculating *FFO, as defined by Prologis*, are subject to significant fluctuations from period to period that cause 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 believe investors are best served if the information that is made available to them allows them to align their analysis and evaluation of our operating results along the same lines that our management uses in planning and executing our business strategy.

FFO, excluding significant non-cash items

When we began to experience the effects of the global economic crises in the fourth quarter of 2008, we decided that *FFO, as defined by Prologis*, did not provide all of the information we needed to evaluate our business in this environment. As a result, we developed *FFO, excluding significant non-cash items* to provide additional information that allowed us to better evaluate our operating performance during that unprecedented economic time. Beginning in 2011, we no longer use FFO, excluding significant non-cash items.

Core FFO

Core FFO includes *FFO, as defined by Prologis*, adjusted to remove gains (losses) on acquisitions or dispositions of investments in real estate that are included in *FFO, as defined by Prologis*. If we recognize impairment charges due to the expected disposition of investments in real estate, we exclude those impairment charges. We may also adjust for certain other significant items that affect comparability as noted in the reconciliation. In 2011, we have adjusted to exclude Merger, Acquisitions and Other Integration Expenses and losses for the hurricanes and tsunamis in March 2011 in Japan.

Limitations on Use of our FFO Measures

While we believe our defined 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, they are two of many measures we use when analyzing our business. Some of these limitations are:

- The current income tax expenses that are excluded from our defined 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. Further, the amortization of capital expenditures and leasing costs necessary to maintain the operating performance of industrial properties are not reflected in FFO.
- Gains or losses from property acquisitions and dispositions or impairment charges related to expected dispositions represent changes in the value of the properties. By excluding these gains and losses, FFO does not capture realized changes in the value of acquired or disposed properties arising from changes in market conditions.
- The deferred income tax benefits and expenses that are excluded from our defined 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 defined 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 defined 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.

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

General and Administrative Expenses ("G&A") consisted of the following (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Gross G&A expense	$ 82,060	$ 63,577	$ 148,604	$ 130,733
Reported as rental expense	(5,154)	(4,831)	(10,065)	(9,833)
Reported as private capital management expenses	(11,596)	(9,931)	(22,148)	(20,250)
Capitalized amounts	(13,470)	(9,894)	(25,368)	(19,723)
Net G&A	**$ 51,840**	**$ 38,921**	**$ 91,023**	**$ 80,927**

Impairment of Other Assets. During the three months ended June 30, 2011, we recognized impairment charges related to two of our investments in property funds, as we believed the decline in value of our investments to be other than temporary and due to a pending sale of our interest to our fund partner.

Interest Expense consisted of the following (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2011	2010	2011
Gross interest expense	$ 112,701	$ 113,225	$ 201,759	$ 218,234
Amortization of (premium)/discount, net	5,069	12,198	12,908	27,532
Amortization of deferred loan costs	7,765	7,435	12,761	13,917
Interest expense before capitalization	125,535	132,858	227,428	259,683
Capitalized amounts	(12,476)	(13,938)	(23,807)	(30,784)
Net interest expense	**$ 113,059**	**$ 118,920**	**$ 203,621**	**$ 228,899**

Merger, Acquisition and Other Integration Expenses. In connection with the Merger, we have incurred and expect to incur additional significant transaction, integration, and transitional costs. These costs include investment banker advisory fees; legal, tax, accounting and valuation fees; termination and severance costs (both cash and stock based compensation awards) for terminated and transitional employees; system conversion; and other integration costs. Certain of these costs were obligations of AMB and were expensed prior to the closing of the Merger by AMB. The remainder of the costs will be expensed by us as incurred, which in some cases will be through the end of 2012. At the time of the merger, we cancelled our existing credit facilities and wrote-off the remaining unamortized deferred loan costs associated with such facilities, which is included. In addition, we have included costs associated with the acquisition of a controlling interest in PEPR and reduction in workforce charges associated with dispositions made or expected to be made in 2011. The following is a breakdown of the costs incurred during the three and six months ended June 30, 2011 (*in thousands*):

Three Months Ended June 30,	Six Months Ended June 30,

	2011	2011
Professional Fees	$ 39,308	$ 41,489
Termination, severance and employee costs	30,530	34,337
Office closure, travel and other costs	22,345	22,345
Write-off of deferred loan costs	10,869	10,869
Total	**$ 103,052**	**$ 109,040**

Rental Income includes the following (*in thousands*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	**2010**	**2011**	**2010**
Rental income	$ 224,697	$ 137,020	$ 372,543	$ 272,880
Rental expense recoveries	59,211	41,760	104,052	83,213
Straight-lined rents	10,762	9,425	23,493	19,742
	$ 294,670	**$ 188,205**	**$ 500,088**	**$ 375,835**

SOURCE Prologis, Inc.

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http://prologis.mediaroom.com/2011-07-28-Prologis-Inc-Announces-Second-Quarter-2011-Earnings-Results