News Release Archive

Prologis Reports Fourth Quarter and Full-Year 2016 Earnings Results

SAN FRANCISCO, Jan. 24, 2017 /PRNewswire/ -- Prologis, Inc. (NYSE: PLD), the global leader in logistics real estate, today reported results for the fourth quarter and full year 2016.

Net earnings per diluted share was $0.82 for the quarter and $2.27 for the year compared with $0.23 and $1.64 for the same period in 2015. The year-over-year increase is due primarily to improved operating conditions and higher net promote income. Core funds from operations per diluted share* was $0.63 for the quarter and $2.57 for the year compared with $0.64 and $2.23 for the same period in 2015. The 15 percent annual year-over-year increase reflects improved operating conditions and higher net promote income.

"The fourth quarter represented the culmination of Vision 2016 and our results are a testament to the strength of our global portfolio, setting a new high-water mark for performance," said Hamid R. Moghadam, chairman and CEO, Prologis. "The team delivered record occupancy with double-digit rent growth, above-average value creation and outsized promotes from our strategic capital ventures."

Moghadam added, "I believe we are now at the cusp of yet another important market transition to a phase for which Prologis is ideally positioned. We entered 2017 with significant embedded earnings potential from the combination of rolling in-place leases to market and building out our land bank in the world's premier consumption markets."

FOCUS ON QUALITY LOCATIONS DRIVES POWERFUL OPERATING PERFORMANCE

Owned & Managed	**4Q16**	**4Q15**	**Notes**
Period End Occupancy	97.1%	96.9%	*Ended 2016 with record global occupancy*
Leases Signed	39MSF	40MSF	*More than 180MSF leased in 2016*
Customer Retention	79.8%	85.9%	

Prologis Share	**4Q16**	**4Q15**	**Notes**
Net Effective Rent Change	16.0%	12.4%	*Led by the U.S. at 23.2%*
Cash Rent Change	7.0%	2.9%	
Net Effective Same Store NOI*	3.2%	6.6%	*5.6% for full-year 2016, led by the U.S. at 6.9%*
Cash Same Store NOI*	4.4%	4.5%	

DEVELOPMENT BUSINESS CONTINUES TO ACHIEVE STRONG MARGINS

Prologis Share (Millions of $)	**4Q16**	**2016**
Building Acquisitions	$127	$247
Weighted avg stabilized cap rate	5.2%	5.7%
Development Stabilizations	$674	$2,155
Estimated weighted avg yield	6.5%	6.8%
Estimated weighted avg margin	23.9%	26.5%
Estimated value creation	$161	$571
Development Starts	$717	$1,809
Estimated weighted avg margin	23.3%	20.2%
Estimated value creation	$167	$365
% Build-to-suit	34.3%	41.7%
Total Dispositions (Buildings and Land) and Contributions	$934	$2,626
Weighted avg stabilized cap rate *(excluding land and other real estate)*	5.4%	5.8%

"We continue to allocate capital to profitable development projects on our strategic land bank," said Michael Curless, chief investment officer, Prologis. "Record low vacancies in most of our markets combined with the need for faster delivery times are resulting in strong demand for development product from our customers, who require well-located logistics space to fulfill their needs."

UPGRADE TO A-/A3 RATING UNDERSCORES FORTRESS BALANCE SHEET

During the fourth quarter, Moody's and S&P upgraded Prologis' credit rating to A3 and A-, respectively.

"These upgrades are an important achievement for our company," said Thomas S. Olinger, chief financial officer, Prologis. "They are an acknowledgement of the strength of our balance sheet and our prudent financial management. The upgrades also reflect the quality of our global portfolio, our industry-leading operating performance and our growth potential."

Olinger added, "We ended the year with the strongest balance sheet in the company's history and we have liquidity of more than $4 billion."

2017 GUIDANCE

Earnings (per diluted share)	
Net Earnings	$1.55 to $1.70
Core FFO*	$2.60 to $2.70

Operations	
Year-end occupancy	95.5% to 96.5%
Net Effective Same Store NOI – Prologis share*	4.0% to 5.0%

Other Assumptions (in millions)	
Strategic capital revenues	$205 to $215
Net promote income	$35 to $45
General & administrative expenses	$210 to $220
Realized development gains	$250 to $300

Capital Deployment (in millions)	Prologis Share	Owned and Managed
Development stabilizations	$1,600 to $2,000	$1,900 to $2,300
Development starts	$1,600 to $1,900	$2,000 to $2,400
Building acquisitions	$100 to $300	$200 to $500
Building and land dispositions	$850 to $1,100	$1,300 to $1,700
Building contributions	$850 to $1,100	$1,000 to $1,300

The earnings guidance described above includes potential future gains (losses) recognized from real estate transactions but excludes any future foreign currency or derivative gains or losses. 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, acquisition costs, 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 2017 relates predominantly to these items. Please refer to our fourth quarter Supplemental Information, which is available on our Investor Relations website at www.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.

WEBCAST & CONFERENCE CALL INFORMATION
Prologis will host a live webcast and conference call to discuss quarterly results, current market conditions and future outlook. Here are the event details:

- Tuesday, January 24, 2017, at 12 p.m. U.S. Eastern Time.
- Live webcast at http://ir.prologis.com by clicking Investors>Investor Events and Presentations.
- Dial in: +1 877-447-8218 or +1 973-409-9692 and enter Passcode 33699077.

A telephonic replay will be available January 24-January 31 at +1 (855) 859-2056 (from the United States and Canada) or +1 (404) 537-3406 (from all other countries) using conference code 33699077. The webcast replay will be posted when available in the Investor Relations "Events & Presentations" section.

ABOUT PROLOGIS

Prologis, Inc. is the global leader in logistics real estate with a focus on high-barrier, high-growth markets. As of December 31, 2016, 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 676 million square feet (63 million square meters) in 20 countries. Prologis leases modern distribution facilities to a diverse base of approximately 5,200 customers 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," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to rent and occupancy growth, development activity and changes in sales or contribution volume of properties, 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 climates, (ii) changes in financial markets, interest rates and foreign currency exchange rates, (iii) increased or unanticipated competition for our properties, (iv) risks associated with acquisitions, dispositions and development of properties, (v) maintenance of real estate investment trust status, tax structuring and income tax 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 and funds, (viii) risks of doing business internationally, including currency risks, (ix) environmental uncertainties, including risks of natural disasters, and (x) 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.

*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.

dollars in millions, except per share/unit data	**Three Months ended December 31,**		**Twelve Months ended December 31,**	
	2016	**2015**	**2016**	**2015**
Revenues	$ 620	$ 643	$ 2,533	$ 2,197
Net earnings attributable to common stockholders	441	118	1,203	863
Core FFO*	345	346	1,400	1,181
AFFO*	431	301	1,405	1,160
Adjusted EBITDA*	641	515	2,223	1,936
Estimated value creation from development starts - Prologis share	167	115	365	380
Common stock dividends and common limited partnership unit distributions	231	219	923	807
Per common share - diluted:				
Net earnings attributable to common stockholders	$0.82	$0.23	$ 2.27	$ 1.64
Core FFO*	0.63	0.64	2.57	2.23
Business line reporting:				
Real estate operations*	0.57	0.55	2.22	2.02
Strategic capital*	0.06	0.09	0.35	0.21
*Core FFO**	*0.63*	*0.64*	*2.57*	*2.23*
Realized development gains, net of taxes	0.30	0.10	0.57	0.49
Dividends and distributions per common share/unit	0.42	0.40	1.68	1.52

** This is a non-GAAP financial measure, please see below for further explanation.*

in thousands	December 31, 2016	September 30, 2016	December 31, 2015
Assets:			
Investments in real estate properties:			
Operating properties	$ 23,943,457	$ 23,876,290	$ 23,735,745
Development portfolio	1,432,082	1,809,002	1,872,903
Land	1,218,904	1,352,600	1,359,794
Other real estate investments	524,887	532,812	552,926
	27,119,330	27,570,704	27,521,368
Less accumulated depreciation	3,758,372	3,638,688	3,274,284
Net investments in real estate properties	23,360,958	23,932,016	24,247,084
Investments in and advances to unconsolidated entities	4,230,429	4,580,584	4,755,620
Assets held for sale	322,139	450,349	378,423
Notes receivable backed by real estate	32,100	33,800	235,050
Net investments in real estate	27,945,626	28,996,749	29,616,177
Cash and cash equivalents	807,316	375,120	264,080
Other assets	1,496,990	1,516,340	1,514,510
Total assets	**$ 30,249,932**	**$ 30,888,209**	**$ 31,394,767**
Liabilities and Equity:			
Liabilities:			
Debt	$ 10,608,294	$ 11,256,997	$ 11,626,831
Accounts payable, accrued expenses and other liabilities	1,183,498	1,347,942	1,347,100
Total liabilities	11,791,792	12,604,939	12,973,931
Equity:			
Stockholders' equity	14,991,081	14,799,167	14,667,935
Noncontrolling interests	3,072,469	3,092,988	3,320,227
Noncontrolling interests - limited partnership unitholders	394,590	391,115	432,674
Total equity	18,458,140	18,283,270	18,420,836
Total liabilities and equity	**$ 30,249,932**	**$ 30,888,209**	**$ 31,394,767**

in thousands, except per share amounts	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Revenues:				
Rental	$ 559,885	$ 560,186	$ 2,220,409	$ 1,973,187
Strategic capital	52,987	77,115	294,552	210,362
Development management and other	7,243	5,900	18,174	13,525
Total revenues	620,115	643,201	2,533,135	2,197,074
Expenses:				
Rental	141,050	150,983	568,870	544,182
Strategic capital	30,723	31,761	128,506	108,422
General and administrative	56,433	59,769	222,067	217,227
Depreciation and amortization	225,736	272,906	930,985	880,373
Other	1,965	22,231	14,329	66,698
Total expenses	455,907	537,650	1,864,757	1,816,902

Operating income	**164,208**	**105,551**	**668,378**	**380,172**
Other income (expense):				
Earnings from unconsolidated co-investment ventures, net	59,204	51,669	191,877	155,373
Earnings from other unconsolidated ventures, net	1,481	1,210	14,430	3,889
Interest expense	(70,569)	(82,665)	(303,146)	(301,363)
Gains on dispositions of development properties and land, net	174,368	47,978	334,369	258,088
Gains on dispositions of real estate, net (excluding development properties and land)	121,067	55,621	423,029	500,799
Foreign currency and derivative gains and interest and other income, net	34,909	19,191	15,683	37,950
Gains (losses) on early extinguishment of debt, net	-	(69,778)	2,484	(86,303)
Total other income	320,460	23,226	678,726	568,433
Earnings before income taxes	484,668	128,777	1,347,104	948,605
Current income tax expense	(21,754)	(5,319)	(60,089)	(28,147)
Deferred income tax benefit	3,788	3,299	5,525	5,057
Consolidated net earnings	466,702	126,757	1,292,540	925,515
Net earnings attributable to noncontrolling interests	(12,442)	(1,392)	(48,307)	(44,950)
Net earnings attributable to noncontrolling interests - limited partnership units	(12,063)	(5,370)	(34,301)	(11,126)
Net earnings attributable to controlling interests	442,197	119,995	1,209,932	869,439
Preferred stock dividends	(1,658)	(1,632)	(6,714)	(6,651)
Net earnings attributable to common stockholders	**$ 440,539**	**$ 118,363**	**$ 1,203,218**	**$ 862,788**
Weighted average common shares outstanding - Diluted	550,885	542,435	546,666	533,944
Net earnings per share attributable to common stockholders - Diluted	**$ 0.82**	**$ 0.23**	**$ 2.27**	**$ 1.64**

in thousands	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
	2016	**2015**	**2016**	**2015**
Net earnings attributable to common stockholders	$ 440,539	$ 118,363	$ 1,203,218	$ 862,788
Add (deduct) NAREIT defined adjustments:				
Real estate related depreciation and amortization	217,955	267,087	899,821	854,471
Gains on dispositions of real estate, net (excluding development properties and land)	(121,067)	(55,621)	(423,029)	(500,799)
Reconciling items related to noncontrolling interests	(17,514)	(44,733)	(104,832)	(78,106)
Our share of reconciling items related to unconsolidated co-investment ventures	43,135	34,732	159,956	179,031
Our share of reconciling items related to other unconsolidated ventures	1,718	1,637	2,154	6,585
Subtotal-NAREIT defined FFO*	**$ 564,766**	**$ 321,465**	**$ 1,737,288**	**$ 1,323,970**
Add (deduct) our defined adjustments:				
Unrealized foreign currency and derivative losses (gains), net	(29,369)	(7,830)	(7,505)	1,026
Deferred income tax benefit	(3,788)	(3,299)	(5,525)	(5,057)
Current income tax expense related to acquired tax liabilities	-	-	-	3,497
Reconciling items related to noncontrolling				

interests	643	(163)	682	(1,330)
Our share of reconciling items related to unconsolidated co-investment ventures	(24,010)	(1,793)	(22,840)	(13,564)
FFO, as modified by Prologis*	**$ 508,242**	**$ 308,380**	**$ 1,702,100**	**$ 1,308,542**
Gains on dispositions of development properties and land, net	(174,368)	(47,978)	(334,369)	(258,088)
Current income tax expense (benefit) on dispositions	9,332	(5,130)	24,152	(200)
Acquisition expenses	2,075	17,485	4,607	47,034
Losses (gains) on early extinguishment of debt, net	-	69,778	(2,484)	86,303
Reconciling items related to noncontrolling interests	1	1,286	4,299	(11,121)
Our share of reconciling items related to unconsolidated co-investment ventures	929	1,937	5,612	8,820
Our share of reconciling items related to other unconsolidated ventures	(1,424)	-	(3,419)	-
Core FFO*	**$ 344,787**	**$ 345,758**	**$ 1,400,498**	**$ 1,181,290**
Adjustments to arrive at Adjusted FFO ("AFFO"), including our share of unconsolidated co-investment ventures less noncontrolling interests:				
Gains on dispositions of development properties and land, net	174,368	47,978	334,369	258,088
Current income tax (expense) benefit on dispositions	(9,332)	5,130	(24,152)	200
Straight-lined rents and amortization of lease intangibles	(18,944)	(22,082)	(104,886)	(59,619)
Property improvements	(28,451)	(29,743)	(78,745)	(75,283)
Turnover costs	(40,891)	(45,902)	(165,992)	(154,524)
Amortization of debt premiums, financing costs and management contracts, net	(1,172)	(7,666)	(11,420)	(25,830)
Stock compensation expense	16,683	13,541	60,341	53,665
Reconciling items related to noncontrolling interests	13,108	13,862	56,917	44,971
Our share of reconciling items related to unconsolidated co-investment ventures	(19,591)	(19,913)	(61,923)	(63,257)
AFFO*	**$ 430,565**	**$ 300,963**	**$ 1,405,007**	**$ 1,159,701**

** This is a non-GAAP financial measure, please see below for further explanation.*

in thousands	**Three Months Ended December 31,**		**Twelve Months Ended December 31,**	
	2016	**2015**	**2016**	**2015**
Net earnings attributable to common stockholders	$ 440,539	$ 118,363	$ 1,203,218	$ 862,788
Gains on dispositions of real estate, net (excluding development properties and land)	(121,067)	(55,621)	(423,029)	(500,799)
Depreciation and amortization	225,736	272,906	930,985	880,373
Interest expense	70,569	82,665	303,146	301,363
Losses (gains) on early extinguishment of debt, net	-	69,778	(2,484)	86,303
Current and deferred income tax expense, net	17,966	2,020	54,564	23,090
Net earnings attributable to noncontrolling interests - limited partnership unitholders	12,063	5,370	34,301	11,126
Pro forma adjustments	(1,382)	(9,354)	(10,248)	19,397
Preferred stock dividends	1,658	1,632	6,714	6,651
Unrealized foreign currency and derivative losses (gains), net	(29,369)	(7,830)	(7,505)	1,026
Stock compensation expense	16,683	13,541	60,341	53,665
Acquisition expenses	2,075	17,485	4,607	47,034

Adjusted EBITDA, consolidated*	**$ 635,471**	**$ 510,955**	**$ 2,154,610**	**$ 1,792,017**
Reconciling items related to noncontrolling interests	(34,140)	(53,600)	(152,082)	(117,817)
Our share of reconciling items related to unconsolidated co-investment ventures	39,590	57,350	219,975	262,151
Adjusted EBITDA*	**$ 640,921**	**$ 514,705**	**$ 2,222,503**	**$ 1,936,351**

** This is a non-GAAP financial measure, please see below for further explanation.*

Adjusted EBITDA. We use Adjusted EBITDA, a non-Generally Accepted Accounting Principles ("GAAP") financial measure, as a measure of our operating performance. We calculate Adjusted EBITDA beginning with consolidated net earnings attributable to common stockholders and removing the effect of interest, income taxes, depreciation and amortization, impairment charges, third party acquisition expenses related to the acquisition of real estate, gains or losses from the acquisition or disposition of investments in real estate (other than from land and development properties), 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 stock based compensation and unrealized gains or losses on foreign currency. We make adjustments to reflect our economic ownership in each entity in which we invest, whether consolidated or unconsolidated.

We consider Adjusted EBITDA to provide investors relevant and useful information because it permits investors to view our operating performance on an unleveraged basis before the effects of income tax, non-cash depreciation and amortization expense, gains and losses on the disposition of non-development properties and other items (outlined above), that affect comparability. We also include a pro forma adjustment in Adjusted EBITDA to reflect a full period of NOI on the operating properties we acquire and stabilize and to remove NOI on properties we dispose of during the quarters, assuming the transaction occurred at the beginning of the quarter. 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 generally include the costs of repurchasing debt securities. 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.

We believe that Adjusted EBITDA helps investors to analyze our ability to meet interest payment obligations and to make quarterly preferred share dividends. We believe that investors should consider Adjusted EBITDA in conjunction with net earnings and the other GAAP measures of our performance to improve their understanding of our operating results, and to make more meaningful comparisons of our performance against other companies. By using Adjusted EBITDA, 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, Adjusted EBITDA has limitations as an analytical tool and should be used in conjunction with our GAAP presentations. Adjusted EBITDA does not reflect 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.

While EBITDA is a relevant and widely used measure of operating performance, it does not represent net income 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 Adjusted EBITDA may not be comparable to EBITDA reported by other companies. 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, a GAAP measurement.

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. Real estate operations 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 the asset management related fees we earn from our co-investment ventures (both consolidated and unconsolidated) less costs directly associated to our strategic capital group, plus development management income. 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 calculation of per share amounts.

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 Dec. 31,**		**Twelve Months Ended Dec. 31,**	
	2016	**2015**	**2016**	**2015**
Net earnings				
Net earnings	$ 440,539	$ 118,363	$ 1,203,218	$ 862,788
Noncontrolling interest attributable to exchangeable limited partnership units	12,600	5,745	37,079	13,120
Gains, net of expenses, associated with exchangeable debt assumed exchanged	-	-	-	(1,614)
Adjusted net earnings - Diluted	**$ 453,139**	**$ 124,108**	**$ 1,240,297**	**$ 874,294**
Weighted average common shares outstanding - Basic	528,012	523,770	526,103	521,241
Incremental weighted average effect on exchange of limited partnership units	15,869	16,393	16,833	8,569
Incremental weighted average effect of equity awards	7,004	2,272	3,730	1,961
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	-	-	-	2,173
Weighted average common shares outstanding - Diluted	**550,885**	**542,435**	**546,666**	**533,944**
Net earnings per share - Basic	**$ 0.83**	**$ 0.23**	**$ 2.29**	**$ 1.66**
Net earnings per share - Diluted	**$ 0.82**	**$ 0.23**	**$ 2.27**	**$ 1.64**
Core FFO				
Core FFO	$ 344,787	$ 345,758	$ 1,400,498	$ 1,181,290
Noncontrolling interest attributable to exchangeable limited partnership units	991	53	4,273	213
Interest expense on exchangeable debt assumed exchanged	-	-	-	3,506
Core FFO - Diluted	**$ 345,778**	**$ 345,811**	**$ 1,404,771**	**$ 1,185,009**
Weighted average common shares outstanding - Basic	528,012	523,770	526,103	521,241
Incremental weighted average effect on exchange of limited partnership units	15,869	14,897	16,833	6,897
Incremental weighted average effect of equity awards	7,004	2,272	3,730	1,961
Incremental weighted average effect on exchangeable debt assumed exchanged (a)	-	-	-	2,173
Weighted average common shares outstanding - Diluted	**550,885**	**540,939**	**546,666**	**532,272**
Core FFO per share - Diluted	**$ 0.63**	**$ 0.64**	**$ 2.57**	**$ 2.23**

(a) In March 2015, the exchangeable debt was settled primarily through the issuance of common stock. The adjustment in 2015 assumes the exchange occurred on January 1, 2015.

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;

(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 the sales, 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. We exclude similar adjustments from our unconsolidated entities and the third parties' share of our consolidated 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 primarily 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) unhedged foreign currency exchange gains and losses resulting from debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated entities;
(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 and unconsolidated entities; and
(v) mark-to-market adjustments associated with 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 recognized directly in *FFO, as modified by Prologis*:

(i) gains or losses from contribution or sale of land or 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 and third-party acquisition costs related to the acquisition of 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 similar real estate companies and the industry in general, (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods, relative to resource allocation decisions; (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 (v) 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 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 expense.

We use AFFO to (i) assess our operating performance as compared to similar real estate companies and the industry in general, (ii) evaluate our performance and the performance of our properties in comparison with expected results and results of previous periods, relative to resource allocation decisions, (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 these limitations are:

- The current income tax expenses and acquisition costs that are excluded from our modified FFO measures represent the taxes and transaction costs 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 industrial properties are not reflected in FFO.
- Gains or losses from non-development property acquisitions and dispositions or 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 acquired or 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 that we exclude from our Core FFO, may provide a benefit or cost to us as we may be settling our debt 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 FFO measures to our net earnings computed under GAAP.

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

	Low	High
Net Earnings	$ 1.55	$ 1.70
Our share of:		
Depreciation and amortization	1.65	1.70
Net gains of real estate transactions, net of taxes	(0.60)	(0.70)
Core FFO	$ 2.60	$ 2.70

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 change in starting rental rates per the lease agreement on new and renewed leases signed during the periods as compared with the previous ending rental rates in that same space. This measure excludes any free rent periods and teaser rates defined as 50% or less of the stabilized rate.

Rent Change (Net Effective) represents the change in net effective rental rates (average rate over the lease term) on new and renewed leases signed during the period as compared with the previous effective rental rates in that same space.

Same Store. We evaluate the operating 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, thereby eliminating the effects of changes in the composition of the portfolio on performance measures. We include properties from our owned and managed portfolio in our same store analysis. We have defined the same store portfolio, for the three months ended December 31, 2016, as those properties that were in operation at January 1, 2015, and have been in operation throughout the same three-month periods in both 2016 and 2015 (including development properties that have been completed and available for lease). We have removed all properties that were disposed of to a third party or were classified as held for sale to a third party from the population for both periods. We believe the factors that affect rental revenues, rental expenses and NOI in the same store portfolio are generally the same as for the total operating portfolio. To derive an appropriate measure of period-to-period operating performance, we remove the effects of foreign currency exchange rate movements by using the recent period end exchange rate to translate from local currency into the U.S. dollar, for both periods.

Same store is a commonly used measure in the real estate industry. Our same store measures are non-GAAP financial measures that are calculated beginning with rental revenues, rental recoveries and rental expenses from the financial statements prepared in accordance with GAAP. It is also common in the real estate industry and expected from the analyst and investor community that these numbers be further adjusted to remove certain non-cash items included in the financial statements prepared in accordance with GAAP to reflect a cash same store number. In order to clearly label these metrics, we call one Same Store NOI and one Same Store NOI - Cash. As our same store measures are non-GAAP financial measures they have certain limitations as an analytical tool and may vary among real estate companies. As a result, we provide a reconciliation from our financial statements prepared in accordance with GAAP to Same Store NOI with explanations of how these metrics are calculated.

The following is a reconciliation of our consolidated rental income, rental expenses and NOI, as included in the Consolidated Statements of Operations, to the respective amounts in our Same Store portfolio analysis*:*

dollars in thousands	**Three Months Ended December 31,**		
	2016	**2015**	**Change (%)**
Rental Revenue:			

Rental Revenue	$	435,722	$	435,626	
Rental Recoveries		124,163		124,560	
Per the Consolidated Statements of Operations		559,885		560,186	
Properties not included and other adjustments (a)		(168,972)		(177,920)	
Unconsolidated Co-Investment Ventures		436,500		423,065	
Same Store - Rental Revenue	**$**	**827,413**	**$**	**805,331**	**2.7 %**
Rental Expense:					
Per the Consolidated Statements of Operations	$	141,050	$	150,983	
Properties not included and other adjustments (b)		(32,106)		(44,394)	
Unconsolidated Co-Investment Ventures		99,212		96,511	
Same Store - Rental Expense	**$**	**208,156**	**$**	**203,100**	**2.5 %**
NOI:					
Consolidated NOI	$	418,835	$	409,203	
Properties not included and other adjustments		(136,866)		(133,526)	
Unconsolidated Co-Investment Ventures		337,288		326,554	
Same Store - NOI	**$**	**619,257**	**$**	**602,231**	**2.8 %**
Same Store - NOI - Prologis Share (c)	**$**	**355,837**	**$**	**344,739**	**3.2 %**
NOI- Cash:					
Same store- NOI	$	619,257	$	602,231	
Straight-line rent adjustments (d)	$	(8,783)	$	(14,539)	
Fair value lease adjustments (d)		(1,203)		(477)	
Same Store - NOI- Cash	**$**	**609,271**	**$**	**587,215**	**3.8 %**
Same Store - NOI- Prologis Share (c)	**$**	**349,502**	**$**	**334,697**	**4.4 %**

(a) *To calculate Same Store rental income, we exclude the net termination and renegotiation fees to allow us to evaluate the growth or decline in each property's rental income without regard to items that are not indicative of the property's recurring operating performance.*

(b) *To calculate Same Store rental expense, we include an allocation of the property management expenses for our consolidated properties based on the property management fee that is provided for in the individual management agreements under which our wholly owned management companies provide property management services (generally the fee is based on a percentage of revenue). On consolidation, the management fee income and expenses are eliminated and the actual cost of providing property management services is recognized.*

(c) *Prologis share of Same Store is calculated using the underlying building information from the Same Store NOI and NOI - Cash calculations and applying our ownership percentage as of December 31, 2016 to the NOI of each building for both periods.*

(d) *In order to derive Same Store- NOI - Cash, we adjust Same Store- NOI to exclude non-cash items included in our rental income in our financial statements, including straight line rent adjustments and adjustments related to purchase accounting to reflect leases at fair value at the time of acquisition.*

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

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For further information: Investors: Tracy Ward, Tel: +1 415 733 9565, tward@prologis.com, San Francisco, Media: Jason Golz, Tel: +1 415 733 9439, jgolz@prologis.com, San Francisco

http://prologis.mediaroom.com/2017-01-24-Prologis-Reports-Fourth-Quarter-and-Full-Year-2016-Earnings-Results