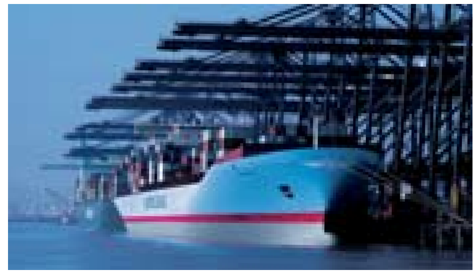


sustainability

2005 Summary Annual Report

The long-term growth plan ProLogis set in motion a year ago is well underway. Our 2005 results were excellent, and we're confident in our ability to continue to execute our plan for sustained, profitable growth well into the future.

But sustaining our performance and building a company that excels long term transcends traditional financial growth.

Our commitment includes creating an environment in which our people can recognize their full potential and build mutually beneficial relationships with our customers. And as a leader in our industry, we are committed to implementing innovative solutions for sustainable development while making a difference in our communities and our world.

These are the keys to true sustainability.

Mission

To be the leading global provider of distribution facilities and services to the world's largest users of distribution space, thereby creating value for our customers and shareholders.

Profile

ProLogis is one of the world's largest providers of industrial distribution facilities, with operations in 77 markets across North America, Europe and Asia. We have over 375 million square feet of industrial space in 2,340 buildings, representing over $22 billion of assets owned, managed and under development. These strategically located, state-of-the-art facilities help customers, like DHL, Nippon Express, Unilever, Home Depot and Wal-Mart, meet the needs of their customers wherever they are throughout the world.

Operating in:

North America

United States, Mexico, Canada

Europe

Belgium, Czech Republic, France, Germany, Hungary, Italy, The Netherlands, Poland, Spain, Sweden, United Kingdom

Asia

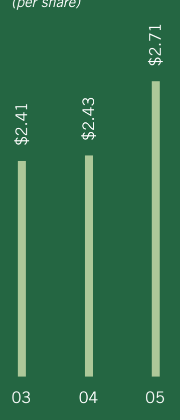
Japan, China, South Korea

Table of Contents

2005 Highlights

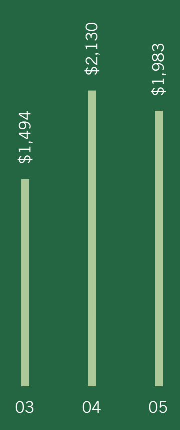
- Grew ProLogis' defined funds from operations per share, as adjusted, (FFO) to $2.71, up 11.5% from $2.43 in 2004, while net earnings per diluted share were $1.76, up 63% from $1.08 in 2004
- Completed merger with Catellus Development Corporation, which added 42 million square feet of commercial space and solidified leading positions in six key North American logistics markets
- Achieved record leasing of 95 million square feet of space in global markets, a 44% increase over 2004
- Increased property fund capacity with the formation of Japan Fund II and, in early 2006, the North American Industrial Fund, with combined capacity of $7 billion
- Increased management fees by 31.8% and our share of funds from operations from property funds by 19.6%
- Established early market leadership position in China with $200 million of properties
- Began development of a record $2.2 billion of new facilities, up more than 73% over 2004
- Significantly strengthened management team on global basis
- Increased dividend for the 12th consecutive year to a projected rate of $1.60 per share for 2006, up 8% over 2005

ProLogis Defined Funds from Operations, as Adjusted*
(per share)



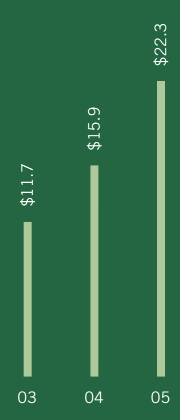
*Before $0.24 (2003), $0.32 (2004) and $0.20 (2005) in certain charges, including impairment, relocation, merger integration and preferred redemption charges

Total Revenue*
(in millions)



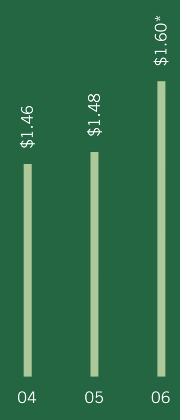
*As reported in FFO, includes CDFS disposition proceeds

Total Assets Owned and Managed*
(in billions)



*Includes 100% of assets of ProLogis' unconsolidated investees

Dividend per Share



*Projected for 2006

To Our Shareholders

Our commitment to sustainability is deeply rooted in the culture at ProLogis. We believe it is our responsibility to focus on leveraging our leading global platform to bring together the best and most cost-effective, energy-saving and environmental practices from around the world to create value in a sustainable manner. Our focus on customer relationships and profitable growth and our commitment to both our shareholders and our people are stronger than ever.

Jeffrey H. Schwartz (r)
Chief Executive Officer

Walter C. Rakowich (l)
President and
Chief Operating Officer

In recent years, as we have grown our development and property fund businesses, we have endeavored to enhance our leading global presence while maximizing shareholder returns. The breadth of our global property platform and strong customer relationships helped us to sustain growth when many global economies struggled, and these same core competitive strengths will propel us forward during more robust economic times.

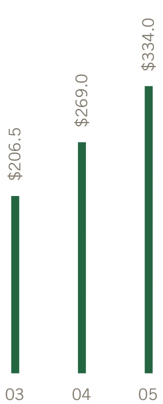
By any measure, 2005 was a year of tremendous accomplishment. We exceeded others' expectations, posting 11.5% growth in funds from operations, while making significant progress toward our long-term objectives. Last year at this time, we embarked on a five-year plan to grow assets owned and managed to $30 billion, comprising 500 million square feet of space, and to achieve a pace of $2 billion in new development annually by the end of 2009. While these goals seemed aggressive to some at the time, our talented global team has, in the first year, made significant strides. We ended 2005 with more than $22 billion of assets owned, managed and under development, comprising over 375 million square feet, and began a record $2.2 billion of new development.

Catellus Merger Provides Important Benefits

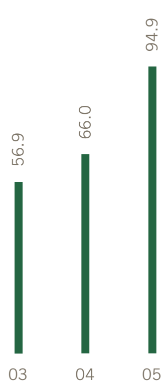
Our $5.3 billion merger with Catellus Development Corporation in September was the most significant event of 2005, adding momentum to our initiatives in North America. The transaction was notable in many respects. Most important, we were joined by a team of 75 experienced development and local market professionals, including Ted Antenucci, formerly president of Catellus Commercial Development, who now heads our global

By focusing on sustainability of our properties, developing our people and nurturing strong customer relationships, we can leverage our strengths to capture opportunities in 2006 and beyond.

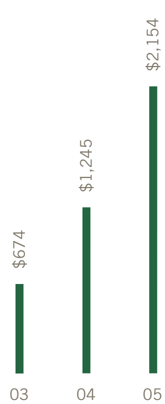
Annualized Base Rents from Top 25 Customers
(in millions)



Global Leasing
(in millions of square feet)



Development Starts*
(in millions)



**Total expected investment, including 100% of development JVs.*

development team. In addition, Nelson Rising, formerly Catellus' chief executive officer, and Christine Garvey, both Catellus board members, have joined the ProLogis board, providing important continuity and valued insight.

The merger added roughly 42 million square feet of high-quality, recently developed commercial space, enhancing our leading positions in six of the largest US logistics markets and providing an additional 2,500 acres of well-located land to support the development of another 40 million square feet of space. The merger with Catellus also brought expertise in the redevelopment of abandoned airports and military bases into attractive, mixed-use projects. Projects of this nature require expertise and financial wherewithal but also a sensitivity to place and community. These redevelopment projects will add to our portfolio of properties while providing fees from infrastructure development and profits from the sale of improved land for non-industrial uses.

Six months following the merger, we are excited about the way the two organizations have come together. We are already realizing the benefits of combining the two strongest development organizations and most extensive land positions in the United States through expanded customer relationships and leasing activity.

Strong Global Demand Supports Improved Fundamentals

We continued to experience strong customer demand in 2005, sustained by the growth in global trade and the ongoing need for companies to make distribution efficiency a business imperative. This strong demand led to further increases in our occupancy levels and record leasing activity on all three continents. Across the globe, we leased approximately 95 million square feet, up almost 44% over leasing activity in 2004. We also achieved significant improvement in our same-store measures with the highest occupancies we've seen in over four years, increases in net operating income and higher rent levels in the second half of the year.

There are some US markets in which speculative construction has picked up. However, we estimate that new deliveries of space in the top 30 US markets amounted to about 2% of the existing competitive base in 2005, still well below annual increases of about 3.5% during the late ’90s. Overall, leasing activity continues to outpace new construction deliveries. We closely watch how quickly new construction is absorbed in addition to key business indicators, such as GDP growth, sales-to-inventory ratios and manufacturing indices, so we are positioned to react quickly if conditions change.

In Europe, our stabilized portfolio remains well leased at 94% while economic conditions are steadily improving. In Japan, demand remains strong with our new facilities being fully leased within a few months of completion. In China, strong GDP growth coupled with increased domestic consumption continue to provide us with significant opportunities.

Overall, we’re encouraged by conditions across our global markets. Key business drivers are trending positively and occupancy levels in our portfolio of properties that have been complete for more than one year are above market average in virtually every market in which we operate. Additionally, we continue to capture a growing share of new development activity, driven by our strong customer relationships and the breadth of our global presence.

New Funds Support Future Growth

As we continue to expand our market share and take advantage of opportunities, it is critical to have the capital in place to support our growth. During the year, we raised a second Japan fund with the capacity to support an additional $3 billion of development. In addition, in February, we announced the formation of a $4 billion open-end, infinite-life North American fund, our largest raising of private capital to date. This fund allowed us to redeem our partners’ interest in expiring funds while supporting our development and acquisition activity in North America for the next two to three years. Going forward, we believe this perpetual, liquid structure will provide important benefits for us and our investors.

Our Ability to Sustain More than Simply Growth

In the pages of this report, we will elaborate on our approach to sustainability, not only as it relates to growth but also the sustainability of development, our customer relationships, our organization and our communities. We believe we have the platform of people in place and the expertise required to be a global leader in this important area. Equally important is our leadership in sound governance practices. We are proud to have been recognized by *Institutional Investor* as one of the most shareholder-friendly companies in our industry.

Our success builds on the strong foundation established over the past years, and we would be remiss not to mention the contributions made by Dane Brooksher, who, while retired at the end of 2004 as chief executive officer, has continued to offer us valuable counsel as chairman of our board. We are grateful as well for the wisdom and experience of all our board members.

As we develop and grow our business and our organization in a strong, sustainable manner, we remain ever focused on providing higher levels of customer service throughout the world, and we thank our customers for the opportunity to help them grow their business platforms. Finally, we want to thank all of our ProLogis associates, who are pictured on the inside back cover. These teammates were the true force driving our excellent results in 2005 and will be instrumental in sustaining our growth in profitability and operations while enhancing our unique culture as we move forward.

Jeffrey H. Schwartz
Chief Executive Officer

Walter C. Rakowich
President and Chief Operating Officer


MAERSK SEALAND


sustainability
Our business, our shareholders

Since our IPO in 1994, we have consistently grown earnings, assets and dividends and seen appreciation in share price, demonstrating the sustainability of our financial performance. Our unparalleled global development pipeline and expanding property fund business support our confidence in the long-term success of our business plan.

Sustaining profitable long-term

The ProLogis Business Model

In our early years, we grew primarily by acquiring properties in the United States. Today, while we continue to make acquisitions, our growth is fueled by our expansive development and fund management businesses, not only in the United States but in Europe and Asia as well. This expansion helped us become the largest, US-based, global developer and manager of industrial properties. We ended 2005 with a record Corporate Distribution Facilities Services (CDFS) pipeline of approximately $3.3 billion – up nearly 70% from the year before – driven by strong fundamentals, new markets and greater opportunities.

Our global development drives our expansion, while our business plan allows us to grow by accessing and managing a variety of capital sources. We raise third-party capital for ProLogis property funds. We contribute our completed, stabilized properties to these funds, generating development gains, and we co-invest a portion of these gains in our funds, resulting in average ownership in the funds of 10% to 25%.

In this manner, we recycle our initial investment in CDFS properties into new development and acquisitions. By continuing to manage these properties under long-term agreements, we recognize management fees as well as our proportionate share of each fund's earnings. We also maintain key customer relationships.

Our numbers underscore the strength of this approach. In 1994, we had 16 million square feet of facilities in 15 US markets, with a total value of less than $500 million. Today, we are in 77 markets, with more than 375 million square feet owned, managed or under development, representing approximately $22 billion.

We believe our development pipeline will enable us to achieve growth within our funds of roughly $2 to $2.5 billion per year. A core objective for us is to increase total assets under management to approximately $30 billion by 2009. We remain optimistic about reaching that goal, given solid industry fundamentals and the past success of our strategic plan.

growth

Top: Growing globalization and rampant brand extension of consumer products require manufacturers to get their products to market quickly and efficiently. Our state-of-the-art facilities located in the world's largest logistics markets are key to accomplishing that goal.

Middle: The ability to recycle capital is the core of ProLogis' fund strategy. Masato Miki, ProLogis Japan Co-President, evaluates opportunities to invest capital for maximum returns and manages our fund business in Japan.

Bottom: Creating thriving metropolitan areas from infill redevelopment locations is a core competency of Catellus Development Corp. Pacific Commons, in California, is a perfect example of how responsible development can effectively meet the needs of both business and the community.

Global Growth

The remarkable growth in international trade seen over the past several years shows little sign of abating, as the manufacture of consumer goods shifts increasingly to regions of the world with low labor costs. That trend is fundamentally changing how companies get their products to the world's largest consumer markets. As they rethink their supply chains, modern, efficiently designed industrial warehouses play a crucial role.

At year end, market conditions were healthy or improving on all three continents in which we do business. Our North American stabilized portfolio occupancy increased by 2.75 percentage points in 2005, nearly double the industry average. Importantly, this improvement was achieved at a time when an additional 100 million square feet of new space was added to the top 30 US markets.

ProLogis continues to benefit from dynamics that are fundamentally changing the manufacturing, retailing and distribution industries on a global basis.

In Europe, demand for high-quality space continues to strengthen, driven by the growth in outsourcing of logistics services and the increase in cross-border trade brought about by the expansion of the European Union. ProLogis serves as the leading pan-European industrial warehouse provider, with the ability to serve customers in multiple markets across 11 countries.

In Asia, we experienced a record development year due to several market drivers. Among them is the move by an increasing number of Japanese companies to streamline distribution and to lease, rather than own, real estate assets. In China, increased port traffic, driven by the explosion of global trade and growing domestic consumption, requires enhanced supply chains that deliver goods more efficiently throughout the country.

Of course, we are not immune from future downturns in global markets. But given the track record of our operating model, the scale and reach of our platform and the long-term trends in our industry, we continue to see a future bright with promise and opportunity.

In 2005, ProLogis began development of a record $2.2 billion of facilities worldwide, driven by improving global economies and strong customer demand. These facilities add to our CDFS pipeline, thereby supporting the sustainability of future growth.

sustainability

Our people, our customers

ProLogis was founded on a simple idea – we could create exceptional value by forging long-term ties with our customers and focusing on quality facilities and services. Traditional real estate firms concentrated on generating a high volume of single transactions. We embrace a different approach.

The ability to provide superior

Sustainable Relationships

Sustainable relationships have been the key to success at ProLogis over the past decade, and they remain so today. We operate with a clear, precisely defined view of our global customer base, which includes manufacturers, retailers, distributors, transportation companies, third-party logistics providers and other enterprises around the world with large-scale needs for industrial space.

The Focus 500

We serve more than 4,600 customers, but we concentrate our strategic sales and marketing efforts on a segment we've defined as the "Focus 500." Members of this target group have been identified based on their size and the nature of their distribution needs. At the end of 2005, we did business with 314 of the Focus 500, and they leased approximately 50% of our total space.

Our customers trust us to serve them effectively. That's why they often return to us when seeking to build new facilities, whether it's in Asia, North America or Europe. A good example is adidas®, one of the world's premier makers of athletic apparel and sporting goods. The company is a customer in North America, with 500,000 square feet leased from us in metropolitan Cincinnati. In late 2005, adidas needed a new distribution center in China. They asked us again to serve as their facilities provider, leading us to develop 650,000 square feet for them at ProLogis Park Suzhou, outside Shanghai. In fact, more than 40 global companies do business with us on multiple continents, including industry leaders like Hitachi, Unilever, Bridgestone, L'Oreal, Coca-Cola and Nippon Express. Over the past year, 50% of our newly developed space has been leased to repeat customers.

service

Top: Listening to customers is key in building long-term relationships. Jim Perry (l), CEO of OfficeScapes, knew what his company needed in their Denver showroom. Working with Ted Antenucci, President Global Development, OfficeScapes was the first customer at the Stapleton Airport redevelopment project in Denver, Colorado.

Middle: The global success of ProLogis lies in hiring nationals to ensure consistency with local customs and expectations. From left to right, managing directors Robin von Weiler, Northern and Central Europe; Ming Mei, China; Alan Curtis, United Kingdom; and Ranald Hahn, Southern Europe, oversee their regions and provide a single point of contact for large-scale international users of distribution space.

Bottom: Opportunity lies in relationships. Home Depot, a customer of ours since the early '90s, has become the second largest retailer in the United States. As they have grown, so has their relationship with us. In 2005, we signed four leases with them for over two million square feet, including a 678,000 square-foot expansion in Atlanta.

A Leading Industrial Platform to Serve Customers

Today, we operate what we believe is the world's most extensive platform of industrial real estate, including approximately 9,900 acres of land owned and controlled to support future development. We maintain a leading position in some of the most strategically important distribution markets around the world – markets such as Los Angeles, Tokyo and the Midlands region of the United Kingdom.

Another key advantage is our position in the world's top container ports, since seaports process more than 90% of global trade. Today, we have properties in 18 of the largest 75 ports worldwide. These 18 ports account for 30% of the global volume in shipping containers. Our port presence has grown to almost 85 million square feet, and we have land available to support more than 38 million square feet of future port-related development.

Serving our customers well does more than generate repeat business. It hones our understanding of the market and enables us to build an industry-leading portfolio of properties.

Our properties are in the right markets, of the right size, and built with the right design. We believe they will deliver a sustainable competitive advantage for us over the long term, creating value for customers and investors as well.

People Make the Difference

A key reason for our success is the ability of our people. Whether it is a market officer in China, a fund manager in Japan, a development professional in the United Kingdom, a US property manager or the finance, accounting, tax and legal professionals that underpin our operations, our people take pride in our success and in delivering the best solutions to our customers. We don't outsource property management, customer service or other key functions to third-party providers.

Local nationals across the world build and operate our business. Our teams are made up of skilled real estate professionals with in-depth knowledge of local market dynamics, who communicate fluently with customers in their language. It is our people who differentiate us from our competitors and ensure that we will continue to grow and thrive around the globe.

A leading provider of third-party logistics services in Japan, Hitachi Transport System is helping customers modernize their distribution networks. Mike Yamada (l), ProLogis Japan Co-President, and Shinya Hasegawa, Vice President and Executive Officer, Solution Business Management, worked together on three new leases in 2005. In January 2006, Hitachi signed its third build-to-suit agreement, bringing the total to be leased from ProLogis to over 1.8 million square feet.


ProLogis
日立物流

sustainability

Our planet, our communities

Sustainability has been defined in many ways. We see it as a state where the needs of people and commerce can be met while supporting our communities, protecting our environment and in some cases, restoring the ability of the land to provide for future generations.

Sustaining our business and the

Sustaining the Environment

Managing environmental impact is our responsibility as one of the world's largest industrial real estate developers. At ProLogis, the nature of our business requires us to work effectively with government agencies, community groups and other organizations to address concerns about how our facilities might affect adjacent neighborhoods and natural habitats.

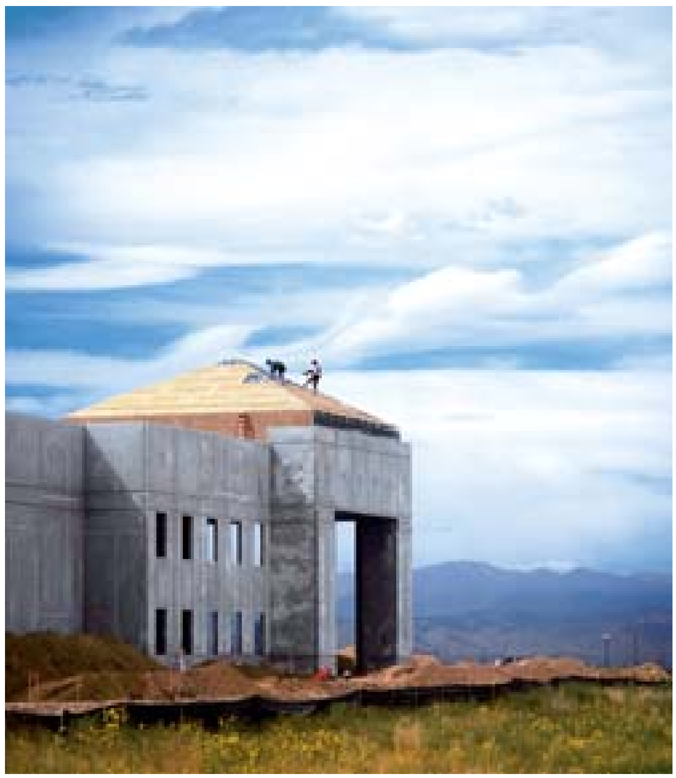
We are fortunate to have world-class expertise in this area. In France, Japan and the United Kingdom, we recently began investigating sustainable development techniques and have incorporated elements such as solar roofing panels and effective use of landscaping, which help mitigate the impact of carbon emissions on the environment.

Our brownfield redevelopment initiatives in Europe are well known and were recognized recently in the United Kingdom, where we were selected to undertake a large-scale redevelopment project on the strength of our environmental credentials. ProLogis Park Sideway will include features designed to limit environmental impacts, including heat-absorbent solar walls, irrigation systems that recycle rainwater, convenient links to mass transit and bike paths for park employees. The public agency overseeing the project called our plan "a benchmark for the rest of Europe's commercial property industry."

We will strive to become the leader in developing standards for economically feasible sustainable development. But no development can accurately be deemed sustainable unless it creates economic value for investors. At ProLogis Park Sideway, environmental technologies will be independently measured to determine which ones deliver the greatest impact relative to the cost. By gathering scientific data to support economic decisions, we help create lasting sustainability and value for shareholders.

Viewed as a US leader in redevelopment, Catellus is continuing its work on projects like the former Robert Mueller Municipal Airport in Austin, Texas, and the Los Angeles Air Force Base.

planet



Top: Solar panels help to reduce dependence on less environmentally friendly energy sources. We have begun to incorporate and evaluate these and other eco-friendly advances to strike a balance between social responsibility and economic accountability.

Middle: Whether it's a closed military base, former railyard or abandoned airport, some of the best opportunities for expansion in key markets are through redevelopment. Commonly located near major cities, such projects provide us the opportunity to help redefine the role of these sites in their communities.

Bottom: Giving back to the communities in which our associates work and live is a core ProLogis value. In 2005, we donated four facilities to support the gathering and distribution of relief supplies to those affected by hurricanes Katrina and Rita.

Sustainable Development at Home

Earlier in 2006, we formally opened our new world headquarters in Denver, Colorado. After years of working from converted warehouse space, we have brought together all of our Denver-based employees to improve productivity, create a more integrated organization and further our strong corporate culture.

We incorporated a wide array of environmental technologies and design features into our building, including an illumination system that harvests sunlight to reduce power consumption and recharging stations for electric vehicles. We are pleased to incorporate cutting-edge technologies into our new headquarters and believe these features will generate long-term benefits – for our company and the environment.

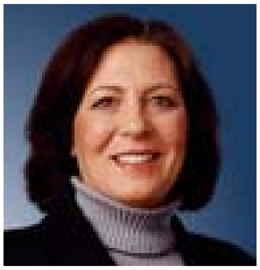
As a leader in our industry, we are fully aware of our social obligations and are committed to making a contribution to the betterment of the communities in which we operate.

Commitment to Our Communities

Our geographic diversity means we are well positioned to support our customers' distribution space needs throughout the world's largest logistics markets. It also means we have a dedicated group of more than 1,000 ProLogis associates living and working in those same 77 global markets, who know best what those communities need. Employees at our global headquarters are active in local literacy initiatives and work in programs designed for at-risk children. In Amsterdam, we are a patron of Emma Children's Hospital, supporting research and helping to make children with cancer a little more comfortable. In Chicago, our team helps the homeless through their efforts with the Greater Chicago Food Depository. We also support Shanghai Sunrise, a university scholarship program for underprivileged children in China, and Building Blocks, a parent/toddler program, in the United Kingdom. We encourage our associates to be actively engaged in their local communities in whatever manner delivers the most impact. In this way, we contribute to the sustainability of our organization and the communities in which we live.

In Denver, ProLogis associates, like Mari Akers, First Vice President Human Resources, participate in programs such as Junior Achievement. Interaction with successful members of the business community helps students like Yenny Blanco visualize the opportunities that a solid education can provide.

Financial Highlights from Our CFO



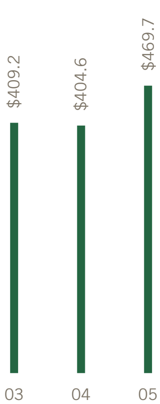
Dessa M. Bokides

In 2005, we met or exceeded our expectations in every segment. We increased FFO per share, adjusted for merger and one-time charges, by 11.5% to $2.71 per share. The growth in our cash flows and future prospects gave our board confidence to raise our dividend by 8%, from an annual rate of $1.48 per share, to $1.60 per share in 2006.

During 2005, we strengthened our platform through the $5.3 billion merger with Catellus. The merger increased our wholly owned properties by over 30%, our land positions by 45% and strengthened our balance sheet through the addition of 56 million shares.

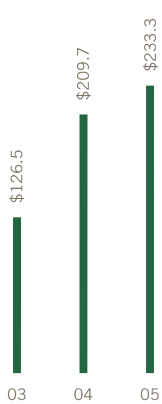
All three segments of our business enjoyed excellent results. We were especially pleased with our property performance. Stabilized occupancies increased to 94.5% from 92.3% at the end of 2004. Higher occupancies, combined with significantly less negative rent growth on expiring leases (negative 1.5% in 2005 compared to negative 5.8% in 2004), led to an increase in same store net operating income of 1.5%. For the year, 73% of customers remained in place when their leases expired. This is our strongest retention rate since 1997.

Property Operations*
(in millions)



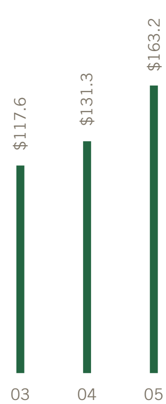
*As reported in FFO

FFO from CDFS Dispositions*
(in millions)



*As reported in FFO

Fund Management Income*
(in millions)



*As reported in FFO

In our CDFS business, we continued to commit capital to developments throughout the world, starting $2.2 billion of new developments, up from $1.2 billion in 2004. After completing asset contributions to property funds and third-party sales of $1.3 billion, at healthy 22.4% margins, we ended the year with $3.3 billion in our CDFS pipeline. This strong pipeline will be an important part of our growth over the next few years.

Funds from operations per share were $2.71, up 11.5% over $2.43 in the prior year – our strongest annual increase since US economic conditions began to slow in 2000.

Finally, our strong leasing and development activity drove the growth in our fund management business. We are pleased with the recurring cash flow that is generated by this business and our ability to recycle capital to fund future developments. We successfully raised a fund with $3 billion of capacity in Japan and set the foundation for our open-end, infinite-life North American Industrial Fund that closed in early 2006 with $4 billion of capacity. We also increased our financial flexibility through the formation of a $2.6 billion, multi-currency global line of credit and a $900 million debt offering.

During 2005, we saw improvement in most of our operating measures and enjoyed access to both public and private debt and equity to further our growth. Furthermore, we improved our coverage ratios and retained a conservative balance sheet while delivering a total return to our shareholders of 11.7%.

Dessa M. Bokides
Chief Financial Officer

Condensed Consolidated Statements of Earnings

Years Ended December 31,

(In thousands, except per share data)	2005	2004	2003
Revenues			
Rental income	$ 635,186	$ 527,065	$ 525,778
CDFS dispositions proceeds	1,140,457	1,288,665	900,978
Property management and other fees and incentives	66,934	50,778	44,184
Development management and other income	25,464	2,698	2,349
Total revenues	1,868,041	1,869,206	1,473,289
Expenses			
Rental expenses	176,119	136,642	130,911
Cost of CDFS dispositions	917,782	1,111,698	774,452
General and administrative	107,164	84,861	65,907
Depreciation and amortization	199,377	166,409	158,792
Merger integration expenses	12,152	–	–
Relocation expenses	4,451	6,794	–
Other expenses	8,633	5,519	7,608
Total expenses	1,425,678	1,511,923	1,137,670
Operating income	442,363	357,283	335,619
Earnings from unconsolidated property funds	46,078	42,899	27,265
Earnings (losses) from CDFS joint ventures and other unconsolidated investees	6,421	(801)	(12,231)
Interest expense	(178,369)	(152,551)	(154,427)
Interest income on long-term notes receivable	6,781	–	–
Other interest and other income	10,724	5,721	1,883
Earnings before minority interest	333,998	252,551	198,109
Minority interest	5,243	4,875	4,959
Earnings before certain net gains	328,755	247,676	193,150
Gains recognized on dispositions of certain non-CDFS business assets and investments in property funds, net	–	9,400	76,354
Foreign currency exchange gains (expenses/losses), net	15,979	14,686	(10,587)
Earnings before income taxes	344,734	271,762	258,917
Income taxes			
Current income tax expense	14,847	24,870	4,759
Deferred income tax expense	12,045	18,692	10,615
Total income taxes	26,892	43,562	15,374
Earnings from continuing operations	317,842	228,200	243,543
Discontinued operations			
Income attributable to disposed assets	6,411	6,998	7,132
Losses related to temperature-controlled distribution assets	(25,150)	(36,671)	–
Gains recognized on dispositions, net			
Non-CDFS business assets	86,444	1,549	–
CDFS business assets	10,616	32,719	–
Total discontinued operations	78,321	4,595	7,132
Net Earnings	396,163	232,795	250,675
Less preferred share dividends	25,416	25,746	30,485
Less excess of redemption values over carrying values of preferred shares redeemed	–	4,236	7,823
Net Earnings Attributable to Common Shares	$ 370,747	$ 202,813	$ 212,367
Weighted average common shares outstanding – Basic	203,337	182,226	179,245
Weighted average common shares outstanding – Diluted	213,713	191,801	187,222
Net earnings per share attributable to common shares – Basic			
Continuing operations	$ 1.44	$ 1.09	$ 1.14
Discontinued operations	0.38	0.02	0.04
Net earnings per share attributable to common shares – Basic	$ 1.82	$ 1.11	$ 1.18
Net earnings per share attributable to common shares – Diluted			
Continuing operations	$ 1.39	$ 1.06	$ 1.12
Discontinued operations	0.37	0.02	0.04
Net earnings per share attributable to common shares – Diluted	$ 1.76	$ 1.08	$ 1.16
Distributions per common share	$ 1.48	$ 1.46	$ 1.44

See ProLogis' Annual Report on Form 10-K for Audited Consolidated Financial Statements and Notes.

Condensed Consolidated Balance Sheets

December 31,

(In thousands)	2005	2004
Assets		
Real estate	$11,875,130	$6,333,731
Less accumulated depreciation	1,118,547	989,221
	10,756,583	5,344,510
Investments in and advances to unconsolidated investees	1,049,743	908,513
Cash and cash equivalents	191,716	236,529
Accounts and notes receivable	327,214	92,015
Other assets	788,840	401,564
Discontinued operations – assets held for sale	–	114,668
Total assets	$13,114,096	$7,097,799
Liabilities and Shareholders' Equity		
Liabilities		
Debt	$ 6,677,880	$3,413,961
Accounts payable and accrued expenses	332,339	255,841
Other liabilities	557,210	196,240
Discontinued operations – assets held for sale	–	62,991
Total liabilities	7,567,429	3,929,033
Minority interest	58,644	66,273
Shareholders' Equity		
Series C preferred shares	100,000	100,000
Series F preferred shares	125,000	125,000
Series G preferred shares	125,000	125,000
Common shares	2,438	1,858
Additional paid-in capital	5,606,017	3,249,576
Accumulated other comprehensive income	149,586	194,445
Distributions in excess of net earnings	(620,018)	(693,386)
Total shareholders' equity	5,488,023	3,102,493
Total liabilities and shareholders' equity	$13,114,096	$7,097,799

See ProLogis' Annual Report on Form 10-K for Audited Consolidated Financial Statements and Notes.

Condensed Consolidated Statements of Cash Flows

Years Ended December 31,

(In thousands)	2005	2004	2003
Operating Activities			
Net earnings	$ 396,163	$ 232,795	$ 250,675
Minority interest share in earnings	5,243	4,875	4,959
Adjustments to reconcile net earnings to net cash provided by operating activities			
Straight-lined rents	(11,323)	(9,654)	(7,236)
Cost of share-based compensation awards	23,928	19,544	15,453
Depreciation and amortization	204,378	174,606	164,969
Cumulative translation losses and impairment charge on assets held for sale	26,864	50,582	–
Equity in earnings from unconsolidated investees	(52,499)	(42,098)	(15,034)
Distributions from and changes in operating receivables of unconsolidated investees	89,633	76,518	38,607
Amortization of deferred loan costs and net premium on debt	1,521	5,741	5,892
Gains recognized on dispositions of non-CDFS business assets and investments in property funds, net	(86,444)	(10,949)	(76,354)
Adjustments to foreign currency exchange amounts recognized	(11,316)	(10,477)	13,083
Provision for deferred income taxes	12,045	18,692	10,615
Increase in accounts and notes receivable and other assets	(84,933)	(68,424)	(62,646)
Increase (decrease) in accounts payable and accrued expenses and other liabilities	(15,070)	117,102	23,576
Net cash provided by operating activities	498,190	558,853	366,559
Investing Activities			
Real estate investments	(2,479,818)	(1,654,988)	(1,167,925)
Tenant improvements and lease commissions on previously leased space	(53,919)	(46,693)	(41,036)
Recurring capital expenditures	(26,989)	(24,561)	(22,789)
Cash used in Catellus Merger in 2005 and Keystone Transaction in 2004, net of cash acquired	(1,292,644)	(510,560)	–
Cash received associated with Keystone Transaction	–	177,106	–
Proceeds from dispositions of real estate assets	1,516,614	1,405,420	835,172
Proceeds from dispositions of investments in unconsolidated investees	–	13,209	246,242
Proceeds from repayments of notes receivable	59,991	–	–
Net cash amounts (invested in/advanced to) received from unconsolidated investees	(10,193)	(52,233)	35,242
Adjustment to cash balance resulting from reporting change	–	3,284	–
Net cash used in investing activities	(2,286,958)	(690,016)	(115,094)
Financing Activities			
Net proceeds from sales and issuances of common shares under various common share plans, net of repurchases	45,641	146,782	32,614
Net proceeds from sales of preferred shares	–	–	241,767
Redemptions of preferred shares	–	(125,000)	(175,000)
Distributions paid on common shares	(297,379)	(266,135)	(258,187)
Minority interest redemptions and distributions	(13,953)	(7,685)	(9,341)
Dividends paid on preferred shares	(25,416)	(25,746)	(31,214)
Debt and equity issuance costs paid	(8,112)	(4,507)	(10,426)
Repayment of debt assumed in Catellus Merger	(106,356)	–	–
Net proceeds from lines of credit and short-term borrowings	1,348,023	210,784	75,149
Proceeds from issuance of senior notes and secured debt	890,011	420,573	331,000
Payments on senior notes, secured debt and assessment bonds	(119,067)	(312,465)	(224,756)
Purchases of derivative contracts, net of settlement proceeds	30,563	(412)	(2,377)
Net cash provided by (used in) financing activities	1,743,955	36,189	(30,771)
Net increase (decrease) in cash and cash equivalents	(44,813)	(94,974)	220,694
Cash and cash equivalents, beginning of year	236,529	331,503	110,809
Cash and cash equivalents, end of year	$ 191,716	$ 236,529	$ 331,503

See ProLogis' Annual Report on Form 10-K for Audited Consolidated Financial Statements and Notes (including information on supplemental non-cash investing and financing activities).

Condensed Consolidated Statements of Shareholders' Equity and Comprehensive Income

Years Ended December 31,

(In thousands)	2005	2004	2003
Common shares (par value) at beginning of year	$ 1,858	$ 1,802	$ 1,781
Issuance of common shares in connection with the Catellus Merger	559	–	–
Issuances of common shares, net of repurchases	21	56	20
Conversions of limited partnership units	–	–	1
Common shares (par value) at end of year	$ 2,438	$ 1,858	$ 1,802
Preferred shares at stated liquidation preference at beginning of year	$ 350,000	$ 475,000	$ 400,000
Redemptions of preferred shares	–	(125,000)	(175,000)
Issuances of preferred shares	–	–	250,000
Preferred shares at stated liquidation preference at end of year	$ 350,000	$ 350,000	$ 475,000
Additional paid-in capital at beginning of year	$3,249,576	$3,073,959	$3,021,686
Issuance of common shares in connection with the Catellus Merger	2,285,029	–	–
Issuances of common shares, net of repurchases	43,126	148,248	34,401
Conversions of limited partnership units	150	869	355
Excess of redemption values over carrying values of preferred shares redeemed	–	4,236	7,823
Cost of issuing preferred shares	–	(473)	(8,233)
Cost of issuing common shares	(1,395)	(157)	(74)
Change in receivables from timing differences on equity transactions	2,494	(1,365)	(1,736)
Sales of share-based compensation awards to unconsolidated investees	–	–	319
Cost of share-based compensation awards	27,037	24,259	19,418
Additional paid-in capital at end of year	$5,606,017	$3,249,576	$3,073,959
Accumulated other comprehensive income at beginning of year	$ 194,445	$ 138,235	$ 35,119
Foreign currency translation adjustments	(70,076)	63,276	101,157
Unrealized gains (losses) on derivative contracts, net	25,217	(7,066)	1,959
Accumulated other comprehensive income at end of year	$ 149,586	$ 194,445	$ 138,235
Distributions in excess of net earnings at beginning of year	$ (693,386)	$ (630,064)	$ (584,244)
Net earnings	396,163	232,795	250,675
Preferred share dividends	(25,416)	(25,746)	(30,485)
Excess of redemption values over carrying values of preferred shares redeemed	–	(4,236)	(7,823)
Common share distributions	(297,379)	(266,135)	(258,187)
Distributions in excess of net earnings at end of year	$ (620,018)	$ (693,386)	$ (630,064)
Total shareholders' equity at end of year	$5,488,023	$3,102,493	$3,058,932
Comprehensive income attributable to common shares			
Net earnings	$ 396,163	$ 232,795	$ 250,675
Preferred share dividends	(25,416)	(25,746)	(30,485)
Excess of redemption values over carrying values of preferred shares redeemed	–	(4,236)	(7,823)
Foreign currency translation adjustments	(70,076)	63,276	101,157
Gains (losses) on derivative contracts, net	25,217	(7,066)	1,959
Comprehensive income attributable to common shares	$ 325,888	$ 259,023	$ 315,483

See ProLogis' Annual Report on Form 10-K for Audited Consolidated Financial Statements and Notes.

Management's Responsibility for Financial Statements

Management is responsible for the preparation, integrity and objectivity of the condensed consolidated financial statements and other financial information presented in this report. The accompanying condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

ProLogis' internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures, are implemented by trained, skilled personnel with an appropriate segregation of duties and are monitored through a comprehensive internal audit program. These policies and procedures prescribe that ProLogis and all its employees are to maintain the highest ethical standards in its business practices throughout the world.

KPMG LLP, independent registered public accountants, has been retained to audit ProLogis' 2005 financial statements. Their accompanying report is based on an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), which include the consideration of ProLogis' internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. The Board of Trustees exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of independent, non-management Board members. One of the responsibilities of the Audit Committee is to meet periodically with the independent auditors and with ProLogis' internal auditors, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters.

Jeffrey H. Schwartz
Chief Executive Officer

Dessa M. Bokides
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Trustees and Shareholders
ProLogis:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ProLogis and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of earnings, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005 (not presented herein); and in our report dated March 14, 2006, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

Los Angeles, California
March 14, 2006

Condensed Consolidated Statements of Funds From Operations

Unaudited
Years Ended December 31,
(In thousands, except per share data)

	2005	2004	2003
Revenues			
Rental income	$ 649,530	$ 546,948	$ 546,064
CDFS dispositions proceeds	1,240,950	1,529,647	900,978
Property management and other fees and incentives	66,934	50,778	44,184
Development management and other income	25,464	2,698	2,349
Total revenues	1,982,878	2,130,071	1,493,575
Expenses			
Rental expenses	179,815	142,393	136,840
Cost of CDFS dispositions	1,007,659	1,319,961	774,452
General and administrative	107,164	84,861	65,907
Depreciation of non-real estate assets	7,153	8,065	7,884
Merger integration expenses	12,152	–	–
Relocation expenses	4,451	6,794	–
Other expenses	8,633	5,519	7,608
Total expenses	1,327,027	1,567,593	992,691
	655,851	562,478	500,884
Other Income (Expense)			
FFO from unconsolidated property funds	96,261	80,504	73,387
FFO from CDFS joint ventures and other unconsolidated investees	8,449	1,416	(16,907)
Interest expense	(178,639)	(153,334)	(155,475)
Interest income on long-term notes receivable	6,781	–	–
Other interest and other income	10,724	5,721	1,883
Gains recognized on dispositions of investments in property funds, net	–	3,164	47,822
Foreign currency exchange gains (expenses/losses), net	1,914	(1,904)	(2,823)
Current income tax expense	(14,847)	(24,870)	(4,759)
Losses related to temperature-controlled distribution assets	(25,363)	(37,915)	–
Total other income (expense)	(94,720)	(127,218)	(56,872)
FFO	561,131	435,260	444,012
Less preferred share dividends	25,416	25,746	30,485
Less excess of redemption values over carrying values of preferred shares redeemed	–	4,236	7,823
Less minority interest	5,243	4,875	4,959
FFO Attributable to Common Shares	$ 530,472	$ 400,403	$ 400,745
Weighted average Common Shares outstanding – Basic	203,337	182,226	179,245
Weighted average Common Shares outstanding – Diluted	213,713	191,801	187,222
Basic per share FFO attributable to common shares	$ 2.61	$ 2.20	$ 2.24
Diluted per share FFO attributable to common shares	$ 2.51	$ 2.11	$ 2.17

Funds From Operations

Funds from operations ("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, as we define it, is presented as a supplemental financial measure. We do not use FFO as, nor should it be considered to be, an alternative to net earnings computed under GAAP as an indicator of our operating performance or as an alternative to cash from operating activities computed under GAAP as an indicator of our ability to fund our cash needs.

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:

(a) 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.
(b) 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.

At the same time that NAREIT created and defined its FFO concept 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 financial analysts, potential investors and shareholders 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.

Reconciliation of Net Earnings to Funds From Operations

Unaudited
Years Ended December 31,
(In thousands)

	2005	2004	2003
Reconciliation of Net Earnings to FFO			
Net earnings attributable to common shares	$370,747	$202,813	$212,367
Add (deduct) NAREIT defined adjustments			
Real estate related depreciation and amortization	192,224	158,344	150,908
Adjustment to gains recognized on dispositions of certain non-CDFS business assets and investments in property funds, net	–	(6,236)	(28,532)
Reconciling items attributable to discontinued operations			
Gains recognized on dispositions of non-CDFS business assets, net	(86,444)	(1,718)	–
Real estate related depreciation and amortization	3,967	6,351	6,177
Totals discontinued operations	(82,477)	4,633	6,177
Our share of reconciling items from unconsolidated investees			
Real estate related depreciation and amortization	57,766	42,635	46,413
FFO adjustment to gain recognized on disposition of CDFS business segment assets	–	–	(1,823)
Losses (gains) on dispositions of non-CDFS business business assets, net	(1,114)	601	(12,322)
Other amortization items	(5,134)	(3,498)	(2,040)
Totals unconsolidated investees	51,518	39,738	30,228
Totals NAREIT defined adjustments	161,265	196,479	158,781
Subtotals – NAREIT defined FFO	532,012	399,292	371,148
Add (deduct) our defined adjustments			
Foreign currency exchange losses (gains), net	(14,065)	(16,590)	7,764
Deferred income tax expense	12,045	18,692	10,615
Reconciling items attributable to discontinued operations			
Assets disposed of – deferred income tax benefit	(213)	(1,075)	–
Our share of reconciling items from unconsolidated investees			
Foreign currency exchange losses, net	298	443	11,721
Deferred income tax expense (benefit)	395	(359)	(503)
Totals unconsolidated investees	693	84	11,218
Totals our defined adjustments	(1,540)	1,111	29,597
FFO attributable to common shares as defined by us	$530,472	$400,403	$400,745

Funds From Operations *(continued)*
Our defined FFO measure excludes the following items from net earnings computed under GAAP that are not excluded in the NAREIT defined FFO measure: (i) deferred income tax benefits and deferred income tax expenses recognized by our subsidiaries; (ii) certain foreign currency exchange gains and losses resulting from certain debt transactions between us and our foreign consolidated subsidiaries and our foreign unconsolidated investees; (iii) 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 (iv) mark-to-market adjustments associated with derivative financial instruments utilized to manage foreign currency risks. FFO of our unconsolidated investees is calculated on the same basis.

The items that we exclude from net earnings computed under GAAP, while not infrequent or unusual, are subject to significant fluctuations from period to period that cause both positive and negative effects on our results of operations, in inconsistent and unpredictable directions. Most importantly, the economics underlying the items that we exclude from net earnings computed under GAAP are not the primary drivers in management's decision-making process and capital investment decisions. Period to period fluctuations in these items can be driven by accounting for short-term factors that are not relevant to long-term investment decisions, long-term capital structures or long-term tax planning and tax structuring decisions. Accordingly, 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 its business strategy.

Real estate is a capital-intensive business. Investors' analyses of the performance of real estate companies tend to be centered on understanding the asset value created by real estate investment decisions and understanding current operating returns that are being generated by those same investment decisions. The adjustments to net earnings computed under GAAP that are included in arriving at our defined FFO measure are helpful to management in making real estate investment decisions and evaluating our current operating performance. We believe these adjustments are also helpful to industry analysts, potential investors and shareholders in their understanding and evaluation of our performance on the key measures of net asset value and current operating returns generated on real estate investments.

While we believe our defined FFO measure is an important supplemental measure, neither NAREIT's nor our measure 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. Some of these limitations are:

– 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 distribution properties are not reflected in FFO.

– Gains or losses from property dispositions represent changes in the value of the disposed properties. By excluding these gains and losses, FFO does not capture realized changes in the value of disposed properties arising from changes in market conditions.

– The deferred income tax benefits and expenses that are excluded from our defined FFO measure 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 measure does 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 measure 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 measure is limited in that it does 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 the FFO measure only in conjunction with net earnings computed under GAAP. To further compensate, we always reconcile our FFO measure to net earnings computed under GAAP in our financial reports. Additionally, we provide investors with complete financial statements prepared under GAAP, our definition of FFO, which includes a discussion of the limitations of using our non-GAAP measure, and a reconciliation of our GAAP measure (net earnings) to our non-GAAP measure (FFO, as we define it), so that investors can appropriately incorporate this measure and its limitations into their analyses.


K. Dane Brookshire

Christine N. Garvey

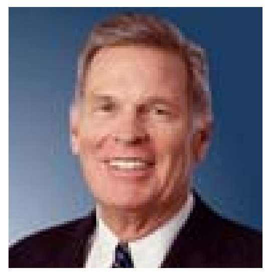

Stephen L. Feinberg


George L. Fotiades


Donald P. Jacobs


Irving F. Lyons, III


Walter C. Rakowich

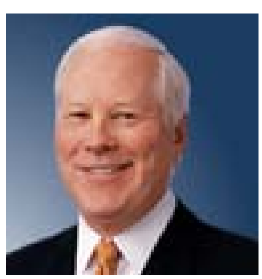

Nelson C. Rising

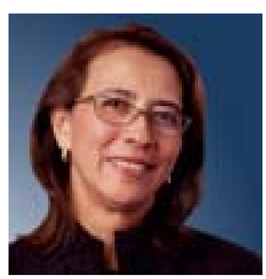

Jeffrey H. Schwartz


Kenneth N. Stensby

D. Michael Steuert


J. André Teixeira


William D. Zollars


Andrea M. Zulberti

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Chairman
ProLogis

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Chief Operating Officer
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ProLogis

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Chief Operating Officer
ProLogis

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Former Chairman and
Chief Executive Officer
Catellus Development Corp.

Jeffrey H. Schwartz
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Heitman Real Estate
Investment Management

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Senior Vice President and
Chief Financial Officer
Fluor Corporation

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BBL Partners LLC
Partner eemPOK

William D. Zollars [1]
Chairman, President and
Chief Executive Officer
YRC Worldwide Inc.

Andrea M. Zulberti [2]
Former Managing Director
Barclays Global Investors

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Walter C. Rakowich
President and
Chief Operating Officer

Ted R. Antenucci
President Global Development

Dessa M. Bokides
Chief Financial Officer

Ming Z. Mei
MD China

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Japan Co-President

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General Counsel and Secretary

Robert J. Watson
North America President
and Chief Operating Officer

Mike Yamada
Japan Co-President

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North America

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SVP Global Solutions Group –
Europe

Gregory J. Arnold
SVP Global Solutions Group –
North America

Patrick J. Boot
SVP China

Eric D. Brown
SVP Central/Mexico Region –
North America

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SVP Development –
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North America

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MD Fund Management
and Real Estate Research –
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MD United Kingdom

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SVP Central Europe

Jeffrey S. Finnin
SVP and
Chief Accounting Officer

Andrew Griffiths
SVP United Kingdom

Kenneth R. Hall
SVP Global Development –
Europe

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MD Southern Europe

Larry H. Harmsen
MD Capital Deployment –
North America

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SVP and Treasurer

Douglas A. Kiersey, Jr.
SVP Midwest Region –
North America

Robert A. Kritt
SVP Acquisitions and Dispositions –
North America

W. Scott Lamson
SVP Pacific Region –
North America

Luke A. Lands
MD and Europe
Chief Financial Officer

Paul D. Loosmann
SVP Northeast Region –
North America

Daniel R. Marcus
SVP No. California –
North America

Melissa A. Marsden
SVP Investor Relations and
Corporate Communications

Brian N. Marsh
SVP Midwest Region –
North America

Thomas T. Marshall
EVP Catellus Development Corp.

Charles A. McPhee
SVP Pacific Region –
North America

Debra A. McRight
SVP Client Services –
North America

Michael Nachamkin
SVP Northeast Region –
North America

Kiyoshi Nagasawa
SVP Development –
Japan

David D. Riefe
SVP Chicago –
North America

John R. Rizzo
MD Global Development –
North America/Asia

Francois de la Rochefoucauld
SVP Southern Europe

Joerg Schroeder
SVP Northern Europe

Richard H. Strader
SVP Southeast Region –
North America

Charles E. Sullivan
SVP Southeast Region –
North America

Neville D.E. Teagarden
SVP and Chief Information Officer

Kazuhiro Tsutsumi
SVP Finance and
Fund Management –
Japan

Gregory J. Weaver
SVP Catellus Development Corp.

Robin P.R. von Weiler
MD Northern and Central Europe

[1] Compensation Committee
[2] Audit Committee
[3] Governance Committee

MD – Managing Director
EVP – Executive Vice President
SVP – Senior Vice President

We believe that our key asset, the one that gives us our real competitive advantage in the marketplace, is the talented group of associates who represent ProLogis around the world. These dedicated individuals take pride in creating value not only by building, acquiring and managing quality, state-of-the-art facilities but by establishing and sustaining long-term relationships with our customers.

Whether it is a market officer in Germany, a fund manager in Japan or an information technology professional in Denver, these individuals are the foundation of our success and will be the drivers of our continued growth.

With this photo tribute, we give our thanks and acknowledge the many faces of ProLogis.

Shareholder Information

World Headquarters

ProLogis
4545 Airport Way
Denver, CO 80239 USA
303.567.5000
800.566.2706

Annual Meeting

The Annual Meeting of Shareholders of ProLogis will be held at the company's world headquarters, identified above, at 10:30 am Mountain Time on Friday, May 26, 2006.

Shareholders

As of March 16, 2006, ProLogis had in excess of 62,000 record and beneficial common shareholders.

Independent Registered Public Accountants

KPMG LLP
Los Angeles, California

Transfer Agent

Computershare
P.O. Box 43010
Providence, RI 02940-3010
800.956.3378
781.575.3120 outside the United States

Shareholder account information may also be accessed from its website at www.computershare.com/equiserve.

Information Requests

ProLogis' audited consolidated financial statements are available upon request. The 2005 Annual Report Form on 10-K to the Securities and Exchange Commission and additional company materials can be obtained by calling the Investor Relations information line at 800.820.0181 or by visiting the company's website at http://ir.prologis.com and clicking on the appropriate sections of the site.

Analyst Contact:
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SVP, Investor Relations and
Corporate Communications
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mmarsden@prologis.com

ProLogis Dividend Reinvestment and Share Purchase Plan

The ProLogis Dividend Reinvestment and Share Purchase Plan offers the opportunity to purchase common shares at a 0% to 2% discount from market price, as determined by the company. Copies of the plan prospectus and enrollment forms are available from our transfer agent, Computershare, at www.computershare.com/equiserve or by calling 800.956.3378.

Quarterly Stock Price Ranges and Distributions

New York Stock Exchange: PLD

	2005 Stock Price			2004 Stock Price		
Quarter	High	Low	Dividend	High	Low	Dividend
First	$43.50	$36.67	$0.37	$36.00	$30.80	$0.365
Second	$42.34	$36.50	$0.37	$36.39	$27.62	$0.365
Third	$46.41	$40.12	$0.37	$36.95	$32.74	$0.365
Fourth	$47.61	$39.81	$0.37	$43.33	$35.30	$0.365

Notice of Capital Gain Dividends

This notice is provided to inform the shareholders of ProLogis of the capital gain portion of dividends received during 2005 pursuant to Internal Revenue Code §857(b)(3)(C). This notice is being provided in addition to a 2005 Form 1099-DIV that has been mailed to all shareholders. The following table displays the taxability of company distributions for the year ended December 31, 2005, and designates the portion of the dividends that are capital gain dividends.

The tax treatment to shareholders of these distributions could vary depending on the shareholder's particular situation (i.e., foreign, tax-exempt, etc.). Shareholders should consult their own tax advisors regarding the treatment of these distributions.

Class of Stock	Taxable Ordinary Dividends	Long-Term Capital Gain Dividends	Long-Term Unrecaptured §1250 Capital Gain	Qualified Dividends	Return of Capital
Common	66.73%	1.54%	8.76%	4.57%	18.41%
Series C Preferred	81.79%	1.88%	10.73%	5.60%	0%
Series F Preferred	81.79%	1.88%	10.73%	5.60%	0%
Series G Preferred	81.79%	1.88%	10.73%	5.60%	0%

This report was printed with soy-based inks on recycled paper that contains 30% post consumer waste. The paper was made using renewable wind power, is Green Seal certified and acid free.

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