



ANNUAL REPORT 2015

SHAREHOLDERS LETTER

LEADERSHIP

FINANCIAL HIGHLIGHTS

CHAIRMAN'S
VIDEO



ALWAYS FORWARD-THINKING





ALWAYS FORWARD-THINKING

Our scale and global footprint provide excellent business visibility

Where others see transactions, we see opportunities to build long-term strategic relationships with customers. Companies that do business with us know we take the time to understand their needs and aspirations, and provide tailor-made solutions. We research markets, locations and facilities around the world to ensure we are in the best position to serve customers. Our buildings are where the action is today and where it's going tomorrow.

SERVING CUSTOMERS IN

20

COUNTRIES

across the Americas, Europe & Asia



These countries represent

MORE THAN

70%

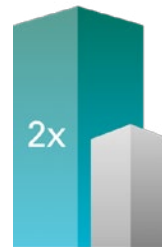
OF GLOBAL GDP



BUILDING AN ENDURING BUSINESS

Our relationships with customers have strengthened over decades and across cycles

Our global focus on logistics real estate, clear business strategy and daily dialogue with customers have helped us meet the critical needs of the world's best brands as we deliver strong returns for our investors. Three key trends make us optimistic about our long-term future: the rise in global consumption, the growth of e-commerce and supply chain modernization. Each fuels demand for our efficient logistics facilities; together, they are helping us build an enduring real estate business.



3,200

MODERN LOGISTICS BUILDINGS ON FOUR CONTINENTS

2X the size of the next largest competitor



669M

SQUARE FEET (62.2 MSM)

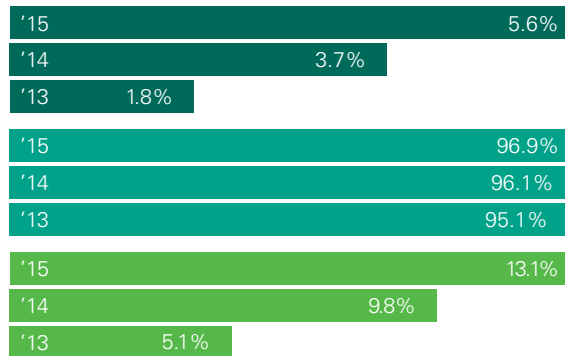
More than two-thirds the area of Manhattan



CREATING MOMENTUM

Rental recovery, development value creation and scale drive shareholder value

In physics, momentum is the product of mass and velocity ($p = mv$). This equation also applies to Prologis. As the leading company in our space, we have the mass — buildings in the most active and vibrant commercial markets around the world. This mass, or scale, delivers tremendous benefits, including better service for customers. We have the desire and ability to act with speed and agility — the velocity that develops along every sector of our business and extends our competitive advantage. Mass and velocity together allow us to grow shareholder value year after year.



Same Store NOI GAAP PLD Share¹

Occupancy Rate (at Dec 31)

GAAP Rent Change on Rollovers² (% change)

¹ Calculated as percent change in net operating income from one year to the next for our pro rata share.
² GAAP pro rata share.



SHAREHOLDERS LETTER

Dear Fellow Shareholders,

At Prologis, 2015 was a banner year by virtually any measure of financial, operational or strategic progress. A high-quality portfolio, a proven strategy and strong execution paved the way for our financial outperformance last year. Favorable business conditions were the result of strong, broad-based

demand and constrained supply, but the fact remains that 2015 was the best year in our history due in large part to the success of our investment strategy and the dedicated work of our employees. I want to thank our teams around the world for their extraordinary efforts in making it happen.



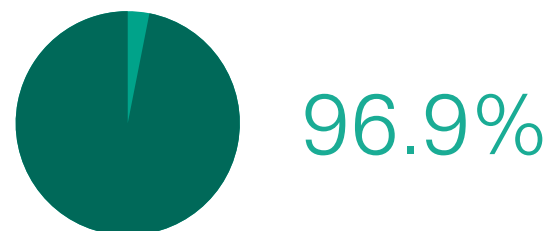
Key Accomplishments in 2015

While our stock underperformed in 2015 due to concerns about the global economy, I believe we have the right strategy for shareholders to be rewarded as we continue to deliver strong earnings in the coming year. Key accomplishments in 2015 include:

- One of our primary operating performance metrics is core funds from operations (Core FFO), which is driven by occupancy, rents and fees. Core FFO in 2015 grew by 19% year over year (from \$1.88 per share in 2014 to \$2.33 per share in 2015). This growth follows the 14% increase in Core FFO we posted for 2014.
- At the end of 2015, our portfolio was 96.9% occupied, a record level for Prologis. We continue to focus on rental growth and increased rents during the year by an average of 13%, a testament to strong market conditions and the continued attractiveness of our brand of logistics real estate.
- Core FFO, however, does not tell the whole valuation story at Prologis. We also created extraordinary value from our stabilized developments and value-added conversions. The results of these activities materially added to our net asset value. In 2015, this figure was \$699 million, representing an additional \$1.31 per share of NAV.
- Through our joint venture with Norges Bank, we completed a landmark \$5.9 billion acquisition of a high-quality portfolio from KTR Capital Partners. While this transaction contributed to our 2015 results, it is particularly noteworthy because the deal showcased our ability to grow the platform while incurring minimal incremental general and administrative costs and leveraging the strength of our operating partnership structure. We financed our portion of the deal without tapping the equity markets. By year-end, we had retired the majority of the short-term financing, using the proceeds from selling off non-strategic assets.

- We raised more than \$3.2 billion in our strategic capital business through private co-investment ventures and continue to enjoy strong investor support across our open-ended funds.
- We finished 2015 with a strong balance sheet, leverage at 38% and a debt-to-EBITDA ratio of 6.0x. We accessed foreign debt markets during the year at attractive terms, and we plan to fully retire our short-term borrowings to finance KTR by mid-2016.

PORTFOLIO OCCUPANCY AT THE END OF 2015

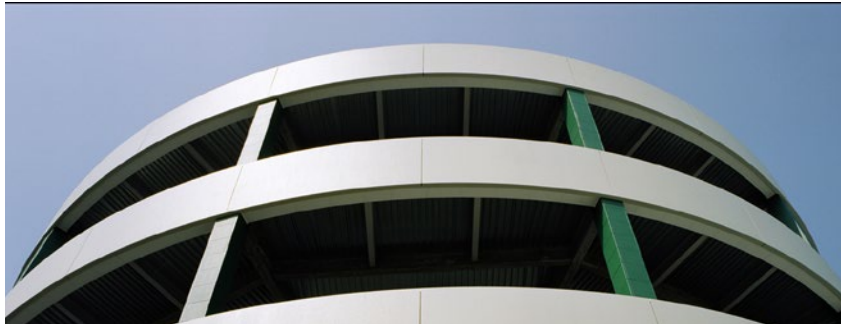


Strategic Progress

These proof points from 2015 highlight the substantial progress in each of the three strategic initiatives we introduced in 2014:

1. Capitalize on a recovering economy for rent growth
2. Realize value from our land bank, and
3. Use our scale to grow earnings.

When we began talking about these initiatives, we had a three-year timetable with some aggressive goals attached to each. We are two years into our



three-year strategic plan and have already exceeded many of our 2016 targets. Each initiative contributed to our 2015 results, and each will continue to be important to Prologis as we move forward.

We have the right strategy for logistics real estate. We serve some of the most exciting, innovative and sophisticated companies in the world, and they choose Prologis to simplify their supply chain logistics. Our portfolio is concentrated in the most vibrant markets for regional and global consumption. We have a strong presence in 20 countries that, collectively, tap into 70% of global GDP. These markets are active because they are in or near population and consumption centers. This is where we want to be. Looking ahead, we will focus on deepening our presence in these 20 countries.

Market Dynamics Fueling Demand

Global consumption is not the only driver of demand for our properties. Two other positive long-term trends are underway. The first is e-commerce, which is growing around the world. For e-commerce, the right facility in the right location is critical. In developed and developing economies alike, it is fueling strong demand for our modern facilities. The other key driver is supply chain modernization. This happens when customers consolidate from older buildings into more efficient facilities

in more strategic locations. Many of our customers are either engaged in or considering remaking their supply chains as a way to squeeze out more efficiency. When companies are experiencing flat revenue growth, they must focus on lowering costs to grow earnings. Supply chain modernization is a key factor in making this happen. Our customers know that partnering with Prologis creates a competitive advantage. Because of e-commerce and supply chain modernization trends, our business can expand even in a low growth environment.

“We serve some of the most exciting, innovative and sophisticated companies in the world.”

Global Scale and Local Relationships

Our global presence and portfolio, combined with our strong relationships with customers around the world, represent huge competitive strengths for Prologis. We have a strategic land bank for future development. We have a strong balance sheet to help us take advantage of opportunities and weather short-term uncertainties. We have made strides in the sustainability of our buildings around the world. This is obviously good for the environment, but it's also a positive for customers and shareholders.

We have the top real estate team in the business. Every colleague has an essential role in the success and enduring value of Prologis. Our people are the linchpin of our future, and my confidence in them is immense.



Well-Positioned for the Future

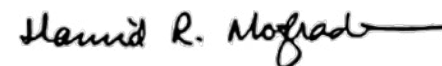
While many macroeconomic indicators tell a mixed story around the world today, those most correlated with our business all point to a continued favorable environment for Prologis in 2016. We are deeply embedded in the world's most important markets, and we've got the scale to drive revenue without ratcheting up our cost structure. Most importantly, we've got the team to help us with execution, the daily work of doing business and the long-term strategic efforts of building an enduring global real estate enterprise.

“We are deeply embedded in the world's most important markets.”

In the near term, we are focused on the strategic goals we've pursued so effectively in recent years. We'll continue to focus on rental growth. Our proprietary customer and market data gives us confidence that

we will see double-digit rental income growth again in 2016. We are particularly excited about opportunities in Europe, which is stronger than has been widely acknowledged. While some of the concerns about Asia are real, our business there is thriving largely due to our high-quality properties that differentiate us in this geography. We'll continue to look for opportunities to monetize our land bank, and we'll continue to make our balance sheet stronger and more flexible. Prologis has never been in better shape.

As we articulated in this year's annual report, Prologis is “always forward-thinking.” I look forward to reporting on our progress in the years ahead.



Hamid R. Moghadam
Chairman and CEO



Senior Officers

Standing in order of appearance from left to right:

Thomas S. Olinger

Chief Financial Officer

[Click to read bio](#)

Diana L. Scott

Chief Human Resources Officer

[Click to read bio](#)

Hamid R. Moghadam

Chairman of the Board of Directors
and Chief Executive Officer

[Click to read bio](#)

Michael S. Curless

Chief Investment Officer

[Click to read bio](#)

Seated in order of appearance from left to right:

Eugene F. Reilly

Chief Executive Officer, The Americas

[Click to read bio](#)

Gary E. Anderson

Chief Executive Officer, Europe and Asia

[Click to read bio](#)

Edward S. Nekritz

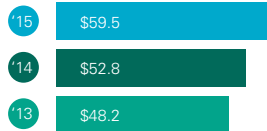
Chief Legal Officer and General Counsel

[Click to read bio](#)

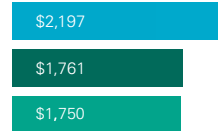


FINANCIAL HIGHLIGHTS

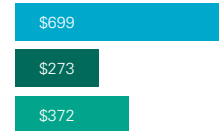
Assets Under Management
(in billions)



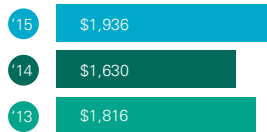
Revenue Summary
(in millions)



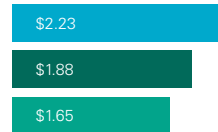
Value Creation
(in millions)



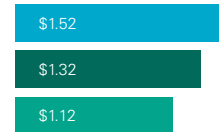
Adjusted EBITDA
(in millions)



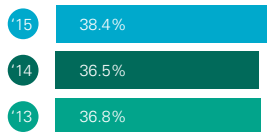
Core FFO
(per diluted share)



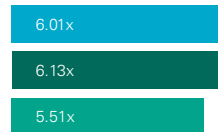
Dividends per Common Share
(unit)



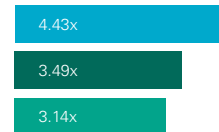
Loan-to-Value¹



Debt-to-EBITDA



Fixed Charge Coverage²



At a Glance

Financial and operating results in 2015 exceeded expectations and reflected outstanding execution by the team and favorable market conditions. Core FFO grew 19% year-over-year, occupancy reached a record 96.9% and rent increased 13%. We enter 2016 with record occupancy levels, substantial requirements from our customers to further optimize their supply chains, and strong institutional interest in our co-investment ventures.

Please see Prologis' Annual Report on Form 10-K for the year ended December 31, 2015 and our 4Q15 earnings supplemental for additional detail regarding the financial information presented in this annual report and definitions and reconciliations of non-GAAP measurements, such as Core FFO, GAAP same store NOI and adjusted EBITDA. Regarding securities ratings presented, such ratings are not recommendations to buy, sell or hold securities and are subject to revision or withdrawal at any time by the rating organizations.

¹ LTV is defined as the mortgage value of a property divided by the appraised value of the property.

² This figure essentially represents how many times our interest payments (Fixed Charges) could be paid (or "covered") from our cash flow. Fixed Charge Coverage is defined as Adjusted EBITDA divided by total fixed charges. Fixed charges consist of net interest expense adjusted for amortization of finance costs and debt discount (premium), capitalized interest, and preferred stock dividends.