

Destination: Sustainable Growth



Prologis Park iPort, Carteret, New Jersey

Prologis is the global leader in logistics real estate. Our high-quality, well-located facilities in the world's most vibrant centers of commerce ensure the efficient distribution of goods for the world's top brands and businesses.

We Are Where
You Need Us



Groundbreaking for Amazon at Park Grande, Mexico City, Mexico

A decades-long strategy to be in the right locations

We continue to push into the urban core because our customers want to be near dynamic, high-density population centers. With our sights set on a better tomorrow, we design and deliver all new buildings at or above international sustainability standards. We think in terms of relationships, not transactions; this approach fosters partnerships with customers that grow over decades and across geographies and market cycles.

**U.S. POPULATION
WITHIN A 100-MILE
TRUCKING RADIUS
OF A PROLOGIS
DISTRIBUTION CENTER**

80%

Our Scale Brings Unique Opportunities



Prologis Park Ryton, Coventry, United Kingdom

Perspectives that fuel strategy

Our scale gives us unparalleled advantages—from superior insights on trends and pricing to the ability to build lasting trust with customers, many of whom sign leases with us in multiple markets. Working this way gives us a unique view into our customers’ business-critical needs, and because we’re where they want to be, customers can more easily move facilities and expand into new geographies.

Capital advantages

One significant benefit of our scale is our ability to source and allocate capital globally. Our best-in-class balance sheet gives us access to the lowest-cost capital, which we deploy where and when we see potential for the greatest risk-adjusted returns. In 2017, we raised more than \$6.8 billion in long-term debt at a weighted average interest rate of 1.9 percent, and we deployed \$2.5 billion at an estimated stabilized capitalization rate of 5.4 percent. These transactions illustrate the advantages of a global platform.

VALUE OF GOODS FLOWING THROUGH PROLOGIS DISTRIBUTION CENTERS EACH YEAR

\$1.3 Trillion

which is

2.4% of GDP for the 19 countries where we do business

or

1.7% of the world's GDP

We Are Turning the Page



Prologis Park Ichikawa, Tokyo, Japan

A streamlined business

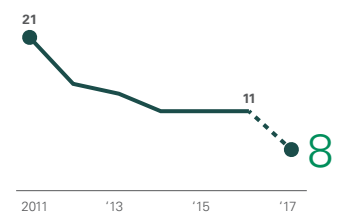
In 2017, we finalized our initiative to simplify our business. We realigned our portfolio, improved asset utilization, optimized our land bank, increased organizational efficiency and achieved an “A-” rated balance sheet.

A fund portfolio optimized for the future

We also simplified our Strategic Capital business by reducing the number of investment vehicles from 21 at the time of our merger¹ to 8 today. In 2017, we raised \$2.9 billion in new capital from investors while simultaneously combining our open-end funds to create two sector leaders—one in Europe and the other in the U.S.—each with more than \$9 billion in assets. With this restructuring, we reached our primary goal of one venture and one fund in the U.S. and Europe.

STREAMLINED STRATEGIC CAPITAL

NUMBER OF FUNDS



We Continue to Focus on Innovation and Disruption



A Prologis team member takes viewers on a virtual tour of the Prologis portfolio at EXPO REAL in Munich, Germany.

Transformation across the global supply chain

How goods flow from manufacturers to consumers is changing. Because we focus on the consumption end of the supply chain, we are uniquely positioned to help our customers respond to ever-increasing demand for better and faster delivery of goods. Over the next decade, enabled by new technologies, business processes and the proliferation of data, this transformation will reshape the supply chain. Modern distribution centers positioned to move products as quickly and as cost-effectively as possible are the best-in-class standard for logistics real estate.

Primed and ready for the future flow of goods

The future flow of goods depends on Prologis. Automation, autonomous vehicles and the Internet of Things, among other fast-evolving technologies, are poised to shake up our industry's status quo. Daily dialogue with our 5,000 customers allows us to see the world through their eyes and affords us a unique view into tomorrow's opportunities. Our next-generation innovations for supply chains and logistics, sustainability and construction, business intelligence and real estate technology will benefit our customers and shareholders over the long term.

PORTFOLIO FOCUS

BY AVERAGE BASE RENT	PERCENT
City or Last Touch™	35
Regional Distribution	40
Import Center & Super-Regional Distribution	20
Production-Related	5

Shareholders Letter



Dear Fellow Shareholders,

We had a remarkable year in 2017. Beyond posting record financial results, we simplified our business and set the stage for building an enduring company able to respond to shifting market dynamics across the globe. We have a portfolio for all seasons and a strategy for using our scale to extend our competitive advantage. With this plan firmly in place, we are positioned to achieve sustainable growth well into the future.

Last year, real estate operations were the strongest in our history. We leased 170 million square feet, had record year-end occupancy of 97.2 percent and net effective rent change of 21.4 percent. We will continue to benefit from the embedded rental upside in our portfolio, which positions us for strong operating performance over the next several years.

In addition, we grew our portfolio while disposing of non-strategic assets. We developed more than \$2 billion of new assets, for an estimated value creation of \$583 million. Some 47 percent of our new development starts were build-to-suits—another high-water mark. In 2017, our build-to-suit activity comprised 33 completions and 38 starts.

Our Strategic Capital business had a transformational year. We consolidated two major funds in Europe and two in the United States. Each of these reconstituted vehicles has more than \$9 billion in assets and is the leading fund in its

“ Last year, real estate operations were the strongest in our history. ”

respective geography. We raised \$2.9 billion in capital from investors and increased our third-party capital under management to \$28 billion.

Our best-in-class balance sheet has also been simplified. Over the last four years, we deleveraged by 1,100 basis points, achieving an “A-” rating. We have \$3.6 billion of liquidity and, therefore, the capacity to self-fund our growth. Operating globally allows us to achieve higher risk-adjusted returns because we can raise low-cost capital in one part of the world and deploy it where opportunity is greatest, while reducing currency risk.

Additional 2017 Financial and Operational Highlights:

- Core FFO, our primary financial performance metric, was \$2.81 per share, an increase of 9.3 percent over 2016. We earned record net promotes of \$0.16 per share for the year.
- Our dividend increased 5 percent to \$1.76 per common share.
- Total shareholder return was 25.9 percent in 2017 and 66.0 percent over the last three years.
- Prologis’ share of net effective same store NOI growth was 4.7 percent for the year.
- Average rents in the global portfolio remain 14 percent below market rents, setting the stage for future growth.

OVER THE LAST FOUR YEARS, WE DELIVERED A CORE FFO CAGR OF

13%

while

DELEVERAGING OUR BALANCE SHEET BY

1,100

basis points

As we look forward, I would like to share my view of where logistics real estate is headed. While we have benefitted from tailwinds such as e-commerce, it would be naïve to assign all our success to this single trend. Here, I will elaborate on where our portfolio is today and why it’s unique, and describe how we will leverage our scale to benefit our shareholders and customers.

Unique Scale and Business Impact: The Future Flow of Goods

Our logistics real estate is a must-have for customers who need high-quality space in or near urban centers. Consumers expect faster delivery and a broader selection of goods. We focus our portfolio on the consumption end of the supply chain because it harnesses

powerful trends such as urbanization, millennials entering their prime spending years and online shopping. Because we’ve been at the same location strategy for decades, our portfolio is unrivaled in size, scale and functionality—and it’s impossible to replicate.

In 2017, we partnered with Oxford Economics to estimate our global economic impact. Together with our customers, we have a critical economic role both globally and in the communities in which we operate. This role has important implications for the current and future flow of goods. Highlights from this study² include the following:

- At \$1.3 trillion, the economic value of goods flowing through our distribution centers annually represents 2.4 percent of GDP for the 19 countries where we do business and 1.7 percent of the world’s GDP.
- Each day, 816,000 people go to work under Prologis roofs around the world.
- Prologis’ impact on the U.S. tax base is substantial, leading to \$17 billion in federal, state and local taxes each year.

Our scale allows us to innovate faster and more effectively. We are

“ **Our scale allows us to innovate faster and more effectively.**

building multistory buildings in the U.S. to fit tight site configurations in dense, land-constrained

urban centers. We have built 53 such facilities in Asia. In the U.S., we redeveloped a multistory facility in New York City and we have new multistory projects underway in Seattle and San Francisco. Today, more than a third of our global portfolio comprises infill assets, many of which are positioned for what we call Last Touch™.

Extending Our Competitive Advantage: The Prologis Five Drivers

In 2017, we rolled out a new strategic blueprint to ensure enduring excellence called the Prologis Five Drivers. These drivers have been identified as key areas for creating sustainable competitive advantage far into the future. They are also intended to demonstrate to our employees, customers and investors that the value we add to our real estate operations—the scale, global reach, customer relationships, brand, business processes, technology and talented team—enables Prologis to escape the gravitational pull of NAV on our valuation. We want to make sure everyone understands our unique ability to make real estate more valuable when it becomes part of our platform. These Five Drivers are:

1. Increasing the urgency behind our inclusion and diversity initiatives
2. Enhancing our customers’ experience when they partner with us
3. Conducting advanced analytics to gain valuable insights to share with our customers
4. Accelerating continuous improvement in key business processes across the company
5. Identifying and growing significant procurement and ancillary revenue opportunities

I'm excited to work with our teams around the globe on these Five Drivers and am convinced they will help us realize our vision for ProLogis.

Environmental, Social and Governance: Leading with Purpose

At ProLogis, the ESG conversation is about how we drive value for our diverse spectrum of stakeholders. I would like to highlight some of our ESG achievements to-date³:

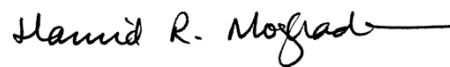
- We have received over 300 sustainable building certifications, have installed 175 megawatts of solar energy and now have efficient lighting in more than 80 percent of our operating portfolio. Our focus on cool roofs and low-water solutions also improves the efficiency of our buildings and saves our customers money.
- In 2017, we were honored with some of the most prestigious recognitions in our industry, including 10 Green Stars and being named sector leader in North America and Asia by GRESB, and receiving NAREIT's Leader in the Light award for the sixth consecutive year.
- Space for Good provides rent-free space in our non-occupied buildings in times of crisis. In 2017, millions suffered the devastating effects of Hurricanes Harvey and Irma and the Mexico earthquake. Our teams coordinated with organizations such as the American Red Cross, the U.S. Army Corps of Engineers and Habitat for Humanity to secure 400,000 square feet of temporary space for emergency response and recovery efforts.
- Strong governance ensures our customers and investors can place their trust in our team's oversight and the resilience of our operations. Green Street Advisors has named us the top REIT in corporate governance for 15 consecutive years. Our governance initiatives include the ProLogis Code of Ethics and Business Conduct, Ethics Awareness Program, the Supplier Code of Conduct and recurring Anti-Corruption and FCPA training.

We have recently elevated our focus on ESG and are further enhancing our ESG value proposition. Lying at the crossroads of all Five Drivers, this group will continue to advance innovation to drive value for our constituencies in line with our corporate strategy. The group now reports to Ed Nekritz, our Chief Legal Officer. This is a timely move for ProLogis,

as it will allow us to look through a more comprehensive long-term lens and take our industry-leading program to yet another level.

Refreshed for the Future

We entered 2018 with superior potential for sustainable long-term growth and a portfolio uniquely positioned to deliver strong results well into the future. Our business is streamlined and ready to seek out the best opportunities, our talented global teams are already looking *ahead of what's next*, and I look forward to reporting on our progress again next year.



Hamid R. Moghadam
Chairman and CEO

1. The merger of AMB and ProLogis closed in June 2011
2. To learn more about ProLogis' Future Flow of Goods study, please go to: www.thefutureflowofgoods.com
3. For more about our sustainability program and progress, please see our [2017 Sustainability Snapshot](#)

Leadership



Senior Officers

Standing in order of appearance from left to right:

Thomas S. Olinger

Chief Financial Officer

[Click to read bio](#)

Hamid R. Moghadam

Chairman of the Board of Directors and Chief Executive Officer

[Click to read bio](#)

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](#)

Seated in order of appearance from left to right:

Edward S. Nekritz

Chief Legal Officer and General Counsel

[Click to read bio](#)

Diana L. Scott

Chief Human Resources Officer

[Click to read bio](#)

Michael S. Curless

Chief Investment Officer

[Click to read bio](#)

Financial Highlights

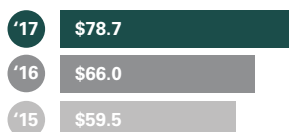


At a Glance

Financial and operating results in 2017 exceeded expectations and reflected outstanding execution by the team and favorable market conditions. Core FFO grew 9.3% year-over-year, occupancy reached a record 97.2% and rent change on lease rollover was 21.4%. We entered 2018 with a simplified business, record occupancy levels and an “A-” rated balance sheet. We are positioned better than ever to navigate a broad spectrum of economic scenarios.

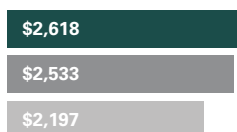
ASSETS UNDER MANAGEMENT

(in billions)



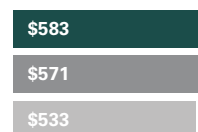
REVENUE SUMMARY

(in millions)

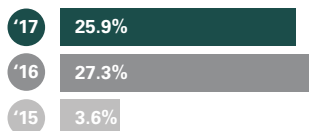


VALUE CREATION¹

(in millions)

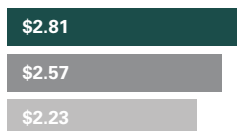


TOTAL SHAREHOLDER RETURN

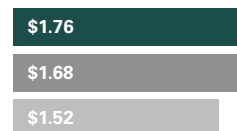


CORE FFO

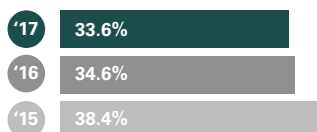
(per diluted share)



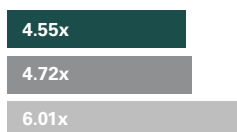
DIVIDENDS PER COMMON SHARE



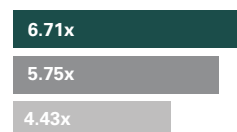
LOAN-TO-VALUE²



DEBT-TO-EBITDA



FIXED CHARGE COVERAGE³



Please see Prologis' Annual Report on Form 10-K for the year ended December 31, 2017, and our 4Q17 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. Prologis' share of estimated value creation from development stabilizations

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

3. 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.