(Convenience Translation into English from the Original Previously Issued in Portuguese)

Financial Statements

LOG Commercial Properties e Participações S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2012 and Independent Auditor's Report

LOG Commercial Properties e Participações S.A.

Financial statements

December 31, 2012

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A free translation from Portuguese into English of Independent Auditor's Report on individual and consolidated financial statements in accordance with Brazilian and International Standards on Auditing

Independent auditor's report on financial statements

The Shareholders, Board of Directors and Officers
LOG Commercial Properties e Participações S.A.
Belo Horizonte - MG

We have audited the accompanying individual and consolidated financial statements of LOG Commercial Properties e Participações S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2012, and the related statements of income, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of LOG Commercial Properties e Participações S.A. as of December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LOG Commercial Properties e Participações S.A. as of December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of a matter

As mentioned in Note 2.(a), the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of LOG Commercial Properties e Participações S.A., such practices are different to IFRS, applicable to separate financial statements, only regarding assessment of investments in subsidiaries, associates and joint ventures under the equity method, whereas, for IFRS purposes, it would be under the cost or fair value method. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (SVA) for the year ended December 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by Brazilian Corporation Law for publicly held companies but by a Management decision was presented as supplementary information under IFRS, whereby no SVA presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Audit of prior year

The amounts for the year ended December 31, 2011, presented for comparison purposes, were previously audited by another independent auditor, who issued a report dated March 7, 2012, with no qualifications, containing an emphasis related to the valuation of investments in subsidiaries and jointly controlled entities on the individual financial statements, which according to the accounting practices adopted in Brazil, are accounted for using the equity method, while under IFRS, is accounted by the cost or fair value.

Belo Horizonte, March 05, 2013.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6 – F - MG

Flávio de Aquino Machado
Accountant CRC-1MG065899/O-2

(Convenience Translation into English from the Original Previously Issued in Portuguese)

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

Assets	Notes	Individual		Consolidated		Liabilities and equity	Notes	Individual		Consolidated	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011			12/31/2012	12/31/2011	12/31/2012	12/31/2011
Current assets						**Current liabilities**					
Cash and cash equivalents	4	**22.079**	182.758	**36.931**	200.526	Trade accounts payable		**3.308**	5.656	**14.723**	10.683
Trade accounts receivable	5	**1.725**	-	**5.198**	1.620	Borrowings, financing and debentures	11	**62.406**	117.342	**62.477**	117.342
Recoverable taxes		**3.940**	1.334	**4.163**	1.378	Payroll, related taxes and benefits		**921**	1.214	**1.703**	1.549
Prepaid expenses		**868**	106	**1.516**	444	Taxes payable		**543**	515	**2.091**	1.327
Inventories	6	**-**	-	**1.477**	4.780	Land payables	9	**73.322**	61.413	**73.322**	61.413
Other		**8**	1	**-**	34	Advances - barters	10	**-**	15.078	**13.061**	15.078
Total current assets		**28.620**	184.199	**49.285**	208.782	Dividends payable	13	**816**	624	**816**	624
						Due to related parties	17	**405**	105	**405**	105
Noncurrent assets						Other		**336**	204	**988**	313
Trade accounts receivable	5	**2.311**	-	**2.917**	-	Total current liabilities		**142.057**	202.151	**169.586**	208.434
Prepaid expenses		**1.035**	-	**2.142**	600						
Inventories	6	**-**	-	**15.697**	4.252	**Noncurrent liabilities**					
Recoverable taxes		**8.410**	-	**11.313**	-	Borrowings, financing and debentures	11	**409.755**	128.336	**446.269**	128.336
Deferred income tax and social contribution	12	**2.922**	1.822	**2.922**	1.822	Land payables	9	**9.254**	6.027	**9.254**	6.027
Other		**1**	3	**2**	15	Advances - barters	10	**-**	26.282	**23.766**	26.282
Investments in subsidiaries and jointly controlled entities	7	**695.160**	393.470	**-**	-	Deferred taxes	12	**-**	-	**995**	1.151
Investment property	8	**258.200**	210.292	**1.002.632**	582.292	Other		**17**	5	**1.513**	514
Property and equipment		**191**	38	**295**	55	Total noncurrent liabilities		**419.026**	160.650	**481.797**	162.310
Total noncurrent assets		**968.230**	605.625	**1.037.920**	589.036						
						Total liabilities		**561.083**	362.801	**651.383**	370.744
						Equity					
						Issued capital	13	**134.362**	134.250	**134.362**	134.250
						Reserves		**301.405**	292.773	**301.405**	292.773
						Equity attributable to owners of the Company		**435.767**	427.023	**435.767**	427.023
						Noncontrolling interests		**-**	-	**55**	51
						Total equity		**435.767**	427.023	**435.822**	427.074
Total assets		**996.850**	789.824	**1.087.205**	797.818	Total liabilities and equity		**996.850**	789.824	**1.087.205**	797.818

The accompanying notes are an integral part of these financial statements.

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Notes	Individual		Consolidated	
		2012	2011	2012	2011
Net lease revenue	15	**6.887**	-	**27.656**	7.210
Cost of leases	16	**(1.775)**	-	**(6.640)**	(1.511)
Gross profit		**5.112**	-	**21.016**	5.699
Operating income (expenses)					
Selling expenses	16	**(1.766)**	(274)	**(2.765)**	(701)
General and administrative expenses	16	**(7.651)**	(4.673)	**(7.644)**	(4.702)
Management compensation	16	**(838)**	(723)	**(838)**	(723)
Other operating expenses, net	16	**(25)**	(84)	**(846)**	(103)
Equity in subsidiaries and jointly controlled entities	7	**10.891**	5.692	**-**	-
Operating profit (loss) before financial income (expenses)		**5.723**	(62)	**8.923**	(530)
Financial income (expenses)					
Financial expenses	11	**(6.055)**	(961)	**(8.427)**	(1.088)
Financial income		**7.820**	8.402	**9.777**	10.477
Income before income tax and social contribution		**7.488**	7.379	**10.273**	8.859
Income tax and social contribution					
Current		**-**	-	**(2.991)**	(644)
Deferred		**1.100**	(809)	**1.306**	(1.613)
	12	**1.100**	(809)	**(1.685)**	(2.257)
Profit for the year		**8.588**	6.570	**8.588**	6.602
Profit attributable to:					
Owners of the Company				**8.588**	6.570
Noncontrolling interests				**-**	32
				8.588	6.602
Earnings per share					
Basic (cents per share)	14	**0,0639**	0,0694	**0,0639**	0,0694
Diluted (cents per share)	14	**0,0638**	0,0692	**0,0638**	0,0692

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Individual		Consolidated	
	2012	**2011**	**2012**	**2011**
Profit for the year	**8.588**	**6.570**	**8.588**	**6.602**
Other comprehensive income	-	-	-	-
Total of other comprehensive income for the year	**8.588**	6.570	**8.588**	6.602
Profit attributable to:				
Owners of the Company			**8.588**	6.570
Noncontrolling interests			**-**	32
			8.588	6.602

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(In thousands of Brazilian reais - R$)

	Capital reserves			Earnings reserves					
	Share capital	Share premium	Recognized options granted	Legal	Earnings retention	Retained earnings	Equity attributable to owners of the Company	Noncontrolling interests	Total
BALANCE AT DECEMBER 31, 2010	**71,372**	**1,894**	**-**	**76**	**1.090**	**-**	**74,432**	**3,123**	**77,555**
Capital increase: ESMs of 4/30/11, 6/2/11, and 8/18/11	62.878	287,493	-	-	-	-	350,371	-	350.371
Net contributions from noncontrolling shareholders	-	-	-	-	-	-	-	2,212	2.212
Share issuance costs	-	(3,969)	-	-	-	-	(3,969)	-	(3.969)
Acquisition of equity interest in subsidiaries	-	-	-	-	-	-	-	(5,316)	(5.316)
Recognition of stock option reserve	-	-	243	-	-	-	243	-	243
Profit for the year	-	-	-	-	-	6.570	6.570	32	6.602
Allocation of profit for the year:									
Recognition of legal reserve	-	-	-	328	-	(328)	-	-	-
Dividends payable	-	-	-	-	-	(624)	(624)	-	(624)
Recognition of earnings retention reserve	-	-	-	-	5,618	(5,618)	-	-	-
BALANCE AT DECEMBER 31, 2011	**134.250**	**285.418**	**243**	**404**	**6.708**	**-**	**427.023**	**51**	**427.074**
Capital increase: ESM of 7/26/2012	112	512	-	-	-	-	624	-	624
Net contributions from noncontrolling shareholders	-	-	-	-	-	-	-	4	4
Recognition of stock option reserve	-	-	348	-	-	-	348	-	348
Profit for the year	-	-	-	-	-	8,588	8,588	-	8.588
Allocation of profit for the year:									
Recognition of legal reserve	-	-	-	429	-	(429)	-	-	-
Dividends payable	-	-	-	-	-	(816)	(816)	-	(816)
Recognition of earnings retention reserve	-	-	-	-	7.343	(7.343)	-	-	-
BALANCE AT DECEMBER 31, 2012	**134.362**	**285.930**	**591**	**833**	**14.051**	**-**	**435.767**	**55**	**435.822**

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Notes	Individual		Consolidated	
		2012	2011	2012	2011
Cash flows from operating activities					
Profit for the year		**8.588**	6.570	**8.588**	6.602
Adjustments to reconcile profit for the year to net cash generated by (used in) operating activities:					
Depreciation	8	**1.775**	-	**6.640**	1.511
Equity in subsidiaries and jointly controlled entities	7	**(10.891)**	(5.692)	**-**	-
Amortization of prepaid expenses		**257**	-	**853**	-
Allowance for doubtful debts	5	**-**	-	**572**	-
Incurred and not paid charges		**5.786**	875	**7.960**	875
Deferred taxes		**(1.100)**	809	**(1.256)**	1.672
Stock options	16	**348**	243	**348**	243
		4.763	2.805	**23.705**	10.903
(Increase) decrease in operating assets:					
Trade accounts receivable		**(4.036)**	-	**(7.067)**	(1.373)
Recoverable taxes		**(11.016)**	(730)	**(14.098)**	(764)
Inventories		**-**	-	**(8.142)**	(6.415)
Prepaid expenses		**(2.054)**	-	**(3.467)**	(1.044)
Other assets		**(5)**	(26)	**(192)**	48
Increase (decrease) in operating liabilities:					
Payroll, related taxes and benefits		**(293)**	1.151	**154**	1.150
Taxes payable		**6**	273	**3.116**	1.303
Other liabilities		**447**	130	**1.974**	748
Income tax and social contribution paid		**-**	-	**(2.373)**	(532)
Dividends received from subsidiaries	7	**11.376**	1.982	**-**	-
Net cash (used in) generated by operating activities		**(812)**	5.585	**(6.390)**	4.024
Cash flows from investing activities					
Increase in/acquisition of investments		**(195.743)**	(81.215)	**-**	-
Acquisition of equity interest in subsidiaries		**-**	(5.316)	**-**	-
Acquisition of investment propriety		**(151.852)**	(193.961)	**(379.167)**	(274.666)
Other		**(154)**	(10)	**-**	(1)
Net cash used in investing activities		**(347.749)**	(280.502)	**(379.167)**	(274.667)
Cash flows from financing activities					
Borrowings, financing and debentures, net		**295.487**	186.945	**329.563**	186.945
Amortization of borrowings, financing and debentures		**(70.965)**	(62.023)	**(70.965)**	(62.023)
Interest payment		**(36.640)**	(27.762)	**(36.640)**	(27.762)
Contribution from shareholders	13	**624**	350.036	**624**	350.036
Share issuance costs		**-**	(6.014)	**-**	(6.014)
Payment of due to related parties		**(33.246)**	(75.146)	**(33.246)**	(75.146)
Increase in due to related parties		**33.246**	75.146	**33.246**	75.146
Contribution from (distribution to) noncontrolling interests		**-**	-	**4**	(3.104)
Dividend payments	13	**(624)**	(29)	**(624)**	(29)
Net cash generated by financing activities		**187.882**	441.153	**221.962**	438.049
(Decrease) increase in cash and cash equivalents		**(160.679)**	166.236	**(163.595)**	167.406
Cash and cash equivalents					
At the beginning of the year		**182.758**	16.522	**200.526**	33.120
At the end of the year		**22.079**	182.758	**36.931**	200.526
(Decrease) increase in cash and cash equivalents		**(160.679)**	166.236	**(163.595)**	167.406

The accompanying notes are an integral part of these financial statements.

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Notes	Individual		Consolidated	
		2012	2011	2012	2011
REVENUE					
Lease revenue	15	**7.591**	-	**29.190**	7.465
Other income		**15**	(5)	**92**	(7)
Revenues related to construction of own assets		**213.020**	76.099	**424.551**	163.492
		220.626	76.094	**453.833**	170.950
INPUTS PURCHASED FROM THIRD-PARTIES (includes the taxes ICMS, IPI, PIS and COFINS)					
Supplies, power, outside services and other items		**(171.307)**	(34.125)	**(359.661)**	(109.021)
		(171.307)	(34.125)	**(359.661)**	(109.021)
GROSS VALUE ADDED		**49.319**	41.969	**94.172**	61.929
DEPRECIATION		**(1.780)**	-	**(6.645)**	(1.511)
NET WEALTH CREATED		**47.539**	41.969	**87.527**	60.418
VALUE ADDED RECEIVED IN TRANSFER					
Equity in subsidiaries and jointly controlled entities	7	**10.891**	5.692	**-**	-
Financial income		**7.820**	8.402	**9.777**	10.477
		18.711	14.094	**9.777**	10.477
TOTAL WEALTH FOR DISTRIBUTION		**66.250**	56.063	**97.304**	70.895
WEALTH DISTRIBUTED					
Personnel:		**8.354**	4.405	**17.894**	8.477
Salaries and wages		**6.988**	3.900	**14.721**	7.027
Benefits		**763**	305	**1.914**	940
Severance pay fund (FGTS)		**603**	200	**1.259**	510
Taxes and fees:		**3.308**	2.471	**15.352**	9.007
Federal		**2.278**	1.722	**7.597**	4.228
State		**8**	2	**64**	14
Municipal		**1.022**	747	**7.691**	4.765
Lenders and lessors:		**46.000**	42.617	**55.470**	46.809
Interest		**40.391**	40.795	**41.454**	40.922
Rents		**5.609**	1.818	**13.920**	5.883
Leases		**-**	4	**96**	4
Shareholders:		**8.588**	6.570	**8.588**	6.602
Dividends	13 (e)	**816**	624	**816**	624
Retained earnings		**7.772**	5.946	**7.772**	5.946
Noncontrolling interests in retained earnings		**-**	-	**-**	32
WEALTH DISTRIBUTED		**66.250**	56.063	**97.304**	70.895

The accompanying notes are an integral part of these financial statements.

1. General information

LOG Commercial Properties e Participações S.A. ("Company") is a private corporation with its head office in Belo Horizonte, Minas Gerais, established on June 10, 2008, which is engaged in the: (i) management of own assets; (ii) rendering engineering and construction services for residential and/or commercial properties; (iii) development, construction and lease of own or third-party residential and/or office buildings; and (iv) holding interests in other entities, either as partner or shareholder.

The projects are developed by LOG Commercial Properties e Participações S.A., its subsidiaries, and jointly controlled entities ("Group"), which are primarily engaged in the construction and lease (under operating leases rules) of industrial warehouses, stores/offices, shopping malls, strip malls and development and sale of industrial lots. The projects are located in the States of Minas Gerais, São Paulo, Espírito Santo, Paraná, Rio de Janeiro, Goiás, Ceará, and Bahia. See the list of and supplemental information on controlled entities and jointly controlled entities in note 7.

The Company and its subsidiaries are currently at a stage of significant expansion, purchasing land and building warehouses, as well as other projects to be leased and/or sold in the future. For this reason, as at December 31, 2012, the Group has consolidated negative working capital of R$120,301. In order to maintain the growth pace and development of the projects, the Group has credit lines already approved in the amount of R$120,000, and is in final negotiations to broaden these lines and additional resources from financial institutions in the amount of approximately R$200,000, as well as discussions regarding potential new investors.

2. Presentation of financial statements

(a) Statement of compliance

The Company's financial statements comprise:

- The consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB") and also in accordance with accounting practices adopted in Brazil (BR GAAP), identified as Consolidated; and

- The Company's individual financial statements prepared and presented in accordance with accounting practices adopted in Brazil (BR GAAP), identified as Individual.

The accounting practices adopted in Brazil comprise the policies set out in Brazilian Corporate Law and the pronouncements, guidance and interpretations issued by the Accounting Pronouncements Committee (CPC), approved by the Federal Accounting Council (CFC).

The individual financial statements present the valuation of investments in subsidiaries and jointly controlled entities by the equity method of accounting, pursuant to prevailing Brazilian statutes. The accounting practices adopted in Brazil, applied to the individual financial statements, differ from IFRSs applicable to the separate financial statements only with respect to the measurement of investments in subsidiaries, which under IFRSs must be measured at cost or fair value.

As there is no difference between the consolidated equity and the consolidated profit attributable to the owners of the Company, disclosed in the consolidated financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the Company's equity and profit disclosed in the individual financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these individual and consolidated financial statements in a single set, side by side.

(b) Basis of preparation

The financial statements have been prepared based on the historical cost, except for the balance of 'Cash and cash equivalents', measured at fair value, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

(c) Basis of consolidation and investments in subsidiaries and jointly controlled entities

The consolidated financial statements include the financial statements of the Company and of its subsidiaries and jointly controlled entities, which comprise the special purpose entities and the silent partnerships listed in note 7.

- Subsidiaries: the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities;

- Jointly controlled entities (joint ventures): the decisions on strategic financial and operating policies related to activities require the approval of all the parties that share the control.

The Company presents in its consolidated financial statements, its interests in subsidiaries by the full consolidation method and in jointly controlled entities by the proportionate consolidation method. The interests in the balances and profit or loss of subsidiaries and jointly controlled entities are combined with the related line items of the Company's consolidated financial statements, on a per line item basis.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries and jointly controlled entities to conform their accounting policies to those established by the Group. All intragroup balances, transaction, income and expenses are fully eliminated from the consolidated financial statements.

3. Significant accounting policies

The significant accounting policies adopted by the Group are summarized as follows:

(a) Cash and cash equivalents

Include cash, positive bank account balances and short-term investments redeemable within 90 days of hire day and with an immaterial risk of changes in fair value. Cash and cash equivalents are classified as financial assets measured at fair value, and the income thereon is recognized in profit or loss.

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(b) Trade accounts receivable

In addition to lease payments receivable from leased assets, include the assignment of use rights (CDU) to shopping mall storeowners, net of the allowance for doubtful debts, which is recognized based on management's assessment, considering the involved risks. The Company's management believes that this allowance is sufficient to cover identified losses. These amounts are not adjusted to present value since they have a short-term maturity and/or have an immaterial impact on the financial statements.

(c) Investments in subsidiaries and jointly controlled entities

The financial information of subsidiaries and jointly controlled entities is recognized in the Company's individual financial statements by the equity method of accounting, based on the investees' financial statements for the same reporting periods and prepared using the same accounting criteria used in the Company's financial statements.

(d) Property and equipment

Carried at historic cost, less accumulated depreciation, and periodically tested for impairment.

(e) Investment property

Investment property consists of properties held to earn rentals or for capital appreciation (including construction in progress for such purpose) and is measured at cost, including transaction costs. Financial charges incurred on loans linked to the development of projects are capitalized and recognized in profit or loss through the realization of the underlying assets.

The fair value of the Group's investment properties, used only for disclosure purposes in note 8, was internally calculated and considered the operating stage of each assets, as detailed below:

- Land: valuation conducted by internal experts based on comparable property transactions (type of property, location, land use, and property quality) observed in the market.

- Projects under construction: projects' discounted cash flows taking into account estimated vacancy rates ranging from 3% to 5%. No inflation adjustment or rent increases were taken into account for the period. The rate used to discount cash flows was 7.03% per year.

- Completed projects: direct capitalization. The rates used range from 8.50% to 9.00% per year.

Depreciation is recognized based on the estimated useful life of each asset on a straight-line basis, so that cost less its residual value after its useful life is fully written off (except land and constructions in progress). The estimated useful lives, the residual values and the depreciation methods are reviewed at the end of the reporting period, and the effects from any change ien estimates are recorded prospectively.

Possible costs incurred on the maintenance and repair of investment property are accounted for in assets when, and only when, the economic benefits associated to these items are probable and the amounts can be reliably measured, while other costs are directly allocated to profit or loss when incurred.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal, when applicable. Gains or losses on the disposal of a property are recognized in profit or loss when the property is derecognized.

(f) Impairment of tangible assets

Management reviews the carrying amounts of long-lived assets, especially investment property to be held and used in the Group's operations, to determine and assess possible impairment on a periodic basis or whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets might be impaired.

Analyses are performed annually in order to identify circumstances that could require testing long-lived assets for impairment and measure potential impairment losses. Assets are grouped and tested for possible impairment based on expected future discounted cash flows over the estimated remaining useful lives of the assets. In this case, an impairment loss would be recognized based on the amount by which the carrying amount exceeds the probable recoverable amount of a long-lived asset. The probable recoverable amount of an asset is determined as the higher of: (a) fair value of assets less estimated costs to sell, and (b) its value in use, which is equal to the present value of discounted cash flows derived from the asset or cash-generating unit. As at December 31, 2012, no events indicating the need to recognize an allowance for impairment losses were identified and, therefore, no allowance for losses was recognized in the financial statements for the year then ended.

(g) Provisions

Provisions, including provisions for legal contingencies, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event,

in with a reliable estimate can be made of the obligation amount and it is probable that the Group will be required to settle the obligation.
The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, considering the risks and uncertainties inherent to such obligation. When a provision is measured based on the estimated cash flows to settle the obligation, its carrying amount corresponds to the present value of such cash flows.

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is virtually certain that reimbursement will be received and the amount can be reliably measured.

(h) Borrowings, financing and debentures

Initially recognized when funds are received, net of transaction costs. At the end of the reporting period there are carried at their initial recognition amounts, less repayments plus the relevant charges incurred. Transaction costs are presented as a reduction to current and noncurrent liabilities, and are allocated to profit or loss over the same repayment term of the financing from which they were originated based on the effective rate of each transaction.

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying assets, which take a substantial amount of time to be ready for use or sale, are added to the cost of such assets until the date they are ready for the intended use or sale. Because of the fact that financing activities are centrally coordinated by the Company, interest incurred by the parent on the financing of its subsidiaries' and jointly controlled entities' qualifying assets are capitalized and presented in the investment line item (individual financial statements), net of gains obtained on the temporary investment of funds obtained on specific borrowings that have not yet been spent on the qualifying assets. In the consolidated financial statements, the amounts are reclassified to cost of qualifying financed investment properties, and are recorded in profit or loss as the underlying assets are realized (note 11).

(i) Stock option plan

The Company has a share-based compensation plan under which it receives services from certain employees in exchange for equity instruments (stock options). The Company recognizes the cost of compensation in profit or loss on a straight-line basis over the vesting period, from grant date to the date an option becomes exercisable, with a corresponding increase in equity. Compensation costs are measured at fair value on the date the stock options are granted and were estimated based on the Black & Scholes pricing model (see note 13 (f)).

(j) Other assets and other liabilities

Assets and liabilities are classified as current when it is probable that they will be realized or settled over the next twelve months. Otherwise, there are carried as noncurrent.

(k) Taxation

Current and deferred income tax and social contribution and taxes on revenue are recognized in profit or loss for the year as expenses or income, except when they correspond to items recognized in 'Other comprehensive income', or are directly recognized in equity, in which case current and deferred taxes are also recognized in 'Other comprehensive income' or directly in equity, respectively.

Income tax and social contribution

Current taxes

The provision for income tax and social contribution is based on taxable income for the year. Taxable income differs from the profit reported in the income statement, since it excludes income or expenses that are taxable or deductible in other periods, and permanently excludes nontaxable or nondeductible items. The provision for income tax and social contribution is calculated separately for each Group company based on the prevailing tax rates.

The Company calculates income tax and social contribution based on actual taxable income. As permitted by the Brazilian tax law, almost all of its subsidiaries and jointly controlled entities opted for taxation based on deemed income, whose income tax and social contribution taxable base is calculated at the rate of 32% of gross revenues from lease services and 100% of financial income.

The regular 15% income tax rate is levied on taxable income, plus a 10% surtax on income exceeding R$240 per year, and for social contribution the rate levied is 9%.

As permitted by the prevailing tax law, the subsidiaries and the jointly controlled entities that elected the deemed income taxation regime calculate income from the provision of commercial property lease services and taxes thereon on a cash basis.

Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are fully recognized as prescribed by CPC 32 and IAS 12 *Income Tax* on the differences between assets and liabilities recognized for tax purposes and related amounts recognized in the consolidated financial statements. Deferred income tax and social contribution are determined based on the tax rates and laws in effect at the date of the financial statements and applicable when the respective income tax and social contribution are paid. Deferred tax assets or liabilities are not recognized on temporary taxable differences resulting from goodwill (when applicable) or the initial recognition of other assets and liabilities in a transaction that does not affect neither taxable income nor book income.

Deferred taxes assets are recognized only to the extent that it is probable that there will be a positive tax base for which temporary differences can be used and tax loss carryforwards can be offset. The recovery of deferred tax assets is reviewed at the end of each annual reporting period and, when it is no longer

probable that future taxable income will be available to allow the recovery of all or part of the assets, these are adjusted to the expected recoverable amount.

Taxes on revenue

The revenue is presented net of sale taxes (PIS and COFINS). The aggregate tax rate of the Integration Program Tax on Revenue (PIS) and the Social Security Funding Tax on Revenue (COFINS) is 9.25%, levied on actual income (noncumulative regime) or 3.65%, levied of deemed income.

(l) Surplus or deficit recognition

Lease revenues are recognized on a straight-line basis over term of the underlying agreement and are being carried net, less the taxes levied thereon.

Revenue from the assignment of use right (CDU) will be recognized on a straight-line basis, over the relevant lease agreements' period. As at December 31, 2012, the full amounts received as CDU are accounted for as deferred revenue and classified in line item 'Other' in noncurrent liabilities, since the mall to which they refer is still under construction.

Revenue and expenses are recorded on the accrual basis.

(m) Financial instruments

Financial assets and financial liabilities are recognized when the Group is a party to the underlying contract.

Financial assets and financial liabilities are initially measured at fair values. The fair value of financial assets and financial liabilities is added to or deducted from the transaction costs directly attributable to the purchase or issue of such financial assets and financial liabilities (except for financial assets and financial liabilities recognized at fair value in profit or loss) after initial recognition, when applicable. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are immediately recognized in profit or loss.

Financial assets

Financial assets are classified in the following categories: (i) at fair value through profit or loss; (ii) held to maturity; (iii) loans and receivables; and (iv) available for sale. Classification is made according to the nature and purpose of the financial assets and is determined upon initial recognition. All regular way purchases or sales of financial assets are recognized or derecognized on the trade date. Regular way purchases or sales of financial assets correspond to those requiring the delivery of assets within a period established by standard or market practices.

The Group discloses financial assets, which are classified into categories described below:

Category	Financial assets
-At fair value through profit or loss	-Cash and cash equivalents
-Loans and receivables	-Trade accounts receivable

- Financial assets at fair value through profit or loss

  Financial assets are measured at fair value through profit or loss when they are held for trading or on their initial recognition, designated at fair value through profit or loss, and any gains or losses thereon are recognized in profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, measured at amortized cost using the effective interest method, less any impairment losses. Interest revenue, when applicable, is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest is immaterial.

Financial liabilities

The main financial liabilities held by the Group are as follows: payable for the purchase of land, borrowings, financing, debentures, and trade accounts payable. These liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating its interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(n) Present value adjustment

Monetary assets and monetary liabilities are adjusted to their present value based on an effective interest rate resulting from short-term transactions, if material, and long-term transactions, without yield or subject to: (i) fixed interest; (ii) interest rates clearly below market rates for similar transactions; and (iii) inflation adjustment only, with no interest. The Group periodically assesses the effect of this policy and, for the reporting periods, this adjustment is restricted to land payable (note 9).

(o) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, and revenues and expenses in the reporting periods. Assets and liabilities subject

to these estimates and assumptions include the residual value of investment property, deferred income tax and social contribution assets, asset impairment testing and financial instruments. Since management's judgment involves estimates related to the probability of future events, actual results could differ from those estimates. The Company reviews estimates and assumptions at least annually. The effects of revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(p) Functional and presentation currency

The individual and consolidated financial statements are presented in Brazilian reais (R$), which is the Company's, its subsidiaries' and jointly controlled entities' functional currency.

(q) Statement of Value Added

The purpose of this statement is to disclose the wealth created by the Group and its distribution during a certain reporting period and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosures to the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 *Statement of Value Added*. The first part of this statement includes the wealth created, represented by revenues, inputs acquired from third parties, and the value added received from third parties. The second part of the statement of value added presents the distribution of wealth among personnel, taxes, lenders and lessors and shareholders.

(r) Statement of cash flows

The statements of cash flows are prepared and presented in accordance with accounting pronouncement CPC 03 - *Statement of Cash Flows*, issued by the Accounting Pronouncements Committee (CPC).

The following terms are used in the statement of cash flows with the following meanings:

Operating activities are the main revenue-producing activities and other activities that are not investing and financing either.
Investing activities are those relating to the purchase and sale of long-term assets and other investments not included in cash equivalents.

Financing activities are those that result in changes in the size and composition of the equity and debt capital.

(s) New and revised standards and interpretations issued and not yet adopted

The IASB's standards described below have been issued or revised, but are not yet effective; therefore, these new and revised standards have not been early adopted by the Group in its financial statements for the year ended December 31, 2012. The Group will implement such standards as they become effective, although it does not expect any material effects on the financial statements, except from IFRS 10, 11 and 12, effective for annual reporting period beginning on or after January 1, 2013, which will demand the recognition of investments in jointly controlled entities under the equity method of accounting in the consolidated financial statements, with no impacts on equity and profit for the period.

Standard	Description	Effective date
Amendments to IAS 1 *Presentation of Financial Statements*	Permit presenting profit or loss and other comprehensive income in a single statement or in two separate statements and consecutive. Requires additional disclosures in other comprehensive income section so that items of other comprehensive income are grouped into two categories: (a) items that will not be subsequently reclassified for profit or loss and (b) items that will be reclassified subsequently for profit or loss accordance with certain conditions. Income tax on items of other comprehensive income will be allocated in the same way.	Annual periods beginning on or after July 1, 2012.
IFRS 9 *Financial Instruments*	Refers to the first stage of the project for the replacement of IAS 39 - Financial Instruments - Recognition and Measurement.	Annual periods beginning on or after January 1, 2015.
Amendments to IFRS 7	Addresses the disclosures of transfers of financial assets.	Annual periods beginning on or after January 1, 2013.
IFRS 10 *Consolidated Financial Statements*	Supersedes the parts of IAS 27 that addresses when and how an investor shall prepare consolidated financial statements and supersedes SIC 12.	
IFRS 11 *Join Arrangements*	Requires the use of the equity method of accounting to recognize interests in joint ventures and eliminates the proportionate consolidation method	
IFRS 12 *Disclosure of Interests in Other Entities*	Establishes the objective of the disclosures and minimum disclosures for entities that hold investments in subsidiaries, jointly controlled entities, associates, or other unconsolidated entities.	
IFRS 13 *Fair Value Measurement*	Defines a single fair value measurement model when required by other pronouncements.	
IAS 16 *Property, Plant and Equipment*	Clarifies that main spare parts and equipment to provide services that meet the definition of property, plant and equipment are not part of the inventory.	
IAS 19 (revised in 2011) *Employee Benefits*	Changes the recognition of defined benefit plans and termination benefits.	
IAS 27 (R) *Separate Financial Statements*	The IAS 27 requirements relating to the consolidated financial statements were replaced by IFRS 10. Requirements related to separate financial statements are maintained.	
IAS 28 (R) *Investment in Associates and Joint Ventures*	Includes the changes introduced by IFRSs 10, 11 and 12. Explains the concept of "significant influence", provides examples for the application of the equity method and sets out requirements to perform impairment testing for associates and joint ventures.	
Amendments to IAS 32	Clarifies that the income tax resulting from distributions to shareholders are recorded in accordance to IAS 12 – Income taxes.	Annual periods beginning on or after January 1, 2014.

Additionally, IAS 12 *Income Taxes*, which became effective in the current year, has been adopted by the Group in its financial statements for the year ended

December 31, 2012. This standard did not have material impacts on these financial statements.

4. Cash and cash equivalents

Broken down as follows:

	Individual		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Cash	**9**	17	**10**	26
Bank accounts	**109**	183	**998**	320
Short-term investments:				
Bank certificates of deposit (CDBs)	**21,961**	87,133	**35,923**	104,755
Certificates backed by debentures	**-**	95,425	**-**	95,425
Total	**22,079**	182,758	**36,931**	200,526

Short-term investments, classified as held for trading, have daily liquidity, are immediately redeemable and subject to an immaterial risk of change in value, carried at cost plus income earned, which is approximately 105.7% of the interbank deposit rate (CDI) in Individual and 105.4% of CDI on a consolidated basis at December 31, 2012 (104.50% of CDI in Individual and 104.60% of CDI on a consolidated basis at December 31, 2011), and adjusted to fair value, when applicable.

Investment in certificates backed by debentures, which have its repurchase guaranteed by financial institutions, can be immediately redeemed according to Company needs and their yield is pegged to the CDI. These investments were fully redeemed during 2012.

5. Trade accounts receivable

	Individual		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Leases	**3,630**	-	**7,388**	1,620
Assignment of use rights (CDU)	**-**	-	**597**	-
Other	**406**	-	**702**	-
	4,036	-	**8,687**	1,620
Allowance for doubtful debts	**-**	-	**(572)**	-
Total	**4,036**	-	**8,115**	1,620
Current	**1,725**	-	**5,198**	1,620
Noncurrent	**2,311**	-	**2,917**	-
	4,036	-	**8,115**	1,620

The lease balance refers to the lease of industrial warehouses, under operating leases. The lease agreements are adjusted on an annual basis using the General Market Price Index (IGP-M).

The assignment of use rights (key money or assignment of technical structure) refers to contract installments receivable from the storeowners at the mall Shopping Contagem, a project under development by jointly controlled entity SPE Cabral.

The table below shows the aging list of trade accounts receivable at December 31, 2012 and 2011:

	Individual		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Current	**3,995**	-	**7,384**	1,620
30 days past due	**41**	-	**638**	-
Past due for more than 30 days	**-**	-	**665**	-
Total	**4,036**	-	**8,687**	1,620

Changes in the allowance for doubtful debts in the year ended December 31, 2012 are as follows:

	Individual	Consolidated
Balance at December 31, 2011	-	-
Recognition	-	572
Balance at December 31, 2012	-	572

The aging list of future receivables is as follows:

	Individual		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
2012	**-**	-	**-**	13,477
2013	**11,777**	-	**40,719**	12,696
2014	**12,905**	-	**39,505**	8,150
2015	**12,348**	-	**33,359**	4,751
2016	**10,769**	-	**24,092**	412
After 2016	**3,870**	-	**34,494**	-
Total	**51,669**	-	**172,169**	39,486

6. Inventories

As at December 31, 2012, this account includes, on a consolidated basis, the industrial subdivision for sale, owned by jointly controlled entity Betim I Incorporações SPE Ltda., as shown below:

	Consolidated	
	12/31/12	**12/31/11**
Urbanization in progress	**2,625**	267
Land bank	**14,549**	8,765
Total	**17,174**	9,032
Current	**1,477**	4,780
Noncurrent	**15,697**	4,252
Total	**17,174**	9,032

7. Investments in subsidiaries and jointly controlled entities

Refers to interest held in subsidiaries and jointly controlled entities basically represented by special purpose entities, as follows:

Project	Incorporation date	Startup date	Location
Subsidiaries in operation:			
Contagem I SPE Ltda. (“LOG I”)	6/13/2008	February 2009	Contagem, MG
Contagem II Incorporações SPE Ltda. (“LOG II”)	8/27/2008	March 2011	Contagem, MG
Jundiaí Incorporações SPE Ltda. (“LOG Jundiaí”)	9/1/2009	April 2011	Jundiaí, SP
Goiânia I Incorporações Imobiliárias SPE Ltda. (“LOG Goiânia”)	3/10/2011	April 2012	Goiânia, Go
Hortolândia Incorporações SPE Ltda. (“LOG Hortolândia”)	4/22/2010	September 2012	Hortolândia, SP
Subsidiaries and jointly controlled entities at start-up stage:			
MRV LOG MDI SJC I Incorporações SPE Ltda. (“LOG SJC Sony”)	9/28/2010	-	São José dos Campos, SP
Campos Sociedade em Conta de Participação (“LOG Campos”)	4/25/2011	-	Campo dos Goytacazes, RJ
MRV LOG SP I Incorporações SPE Ltda. (“Office Park Pirituba”)	5/20/2011	-	São Paulo, SP
LOG Maracanaú I SPE Ltda. (“LOG Fortaleza”)	11/30/2011	-	Maracanaú, CE
LOG Sumaré Deltalog I SPE Ltda. (“LOG Sumaré”)	11/30/2011	-	Sumaré, SP
LOG SJRP I Incorporações SPE Ltda. ("LOG SJRP")	1/18/2012	-	São José do Rio Preto, SP
LOG Juiz de Fora I SPE Ltda. (“LOG Juiz de Fora”)	1/13/2012	-	Juiz de Fora, MG
LOG Feira de Santana I SPE Ltda. (“LOG Feira de Santana”)	11/30/2011	-	Feira de Santana, BA
LOG Macaé I SPE Ltda. (“LOG Macaé”)	11/29/2011	-	Macaé, RJ
LOG RP I SPE Ltda. ("LOG RP")	12/5/2011	-	Ribeirão Preto, SP
LOG São José dos Pinhais I SPE Ltda. (“LOG SJP”)	3/5/2012	-	São José dos Pinhais, PR
LOG Viana I SPE Ltda. ("LOG Viana")	3/7/2012	-	Viana, ES
LOGCP Londrina I SPE Ltda. ("LOG Londrina")	3/5/2012	-	Londrina, PR
LOG Curitiba I SPE Ltda. ("LOG Curitiba")	3/5/2012	-	Curitiba, PR
LDI LOG Desenvolvimento Imobiliário Ltda. (“LDI”)	10/18/2011	-	Belo Horizonte, MG
Cabral Investimentos SPE Ltda. (“Cabral”)	4/22/2010	-	Contagem, MG
Betim I Incorporações SPE Ltda. (“Betim subdivision”)	11/8/2010	-	Betim, MG

The main information on each investment is summarized below:

	Information on investees		Information on Company		
	Issued capital		Equity interest		
	12/31/12		12/31/12		12/31/11
	Amount	Number of shares	Number of shares	Contractual percentage	Contractual percentage
SPEs/SCPs - subsidiaries:					
LOG I	63,983	50,000,000	49,995,000	99.99%	100.00%
LOG II	19,821	18,000,000	17,998,200	99.99%	100.00%
LOG Jundiaí	35,837	12,436,065	12,434,821	99.99%	99.99%
LOG Goiânia	31,897	10,000	9,990	99.90%	99.90%
LOG Hortolândia	67,190	13,000,000	12,999,999	100.00%	100.00%
LOG SJC Sony	53,873	52,500,000	52,499,999	100.00%	100.00%
LOG Campos	29,030	10,000	9,990	99.90%	99.90%
Office Park Pirituba	98,055	10,000	9,999	99.99%	99.99%
LOG Fortaleza	18,331	10,000	9,999	99.99%	-
LOG Sumaré	361	10,000	9,999	99.99%	-
LOG SJRP	9,262	10,000	9,999	99.99%	-
LOG Juiz de Fora	24,609	10,000	9,999	99.99%	-
LOG Feira de Santana	8,393	10,000	9,999	99.99%	-
LOG Macaé	12,073	10,000	9,999	99.99%	-
LOG RP	18,390	10,000	9,999	99.99%	-
LOG SJP	20,505	10,000	9,999	99.99%	-
LOG Viana	30,118	10,000	9,999	99.99%	-
LOG Londrina	17,292	10,000	9,999	99.99%	-
LOG Curitiba	26,324	10,000	9,999	99.99%	-
LDI	38	10,000	9,900	99.00%	-
SPEs - jointly controlled:					
Cabral	32,027	64,054,000	32,027,000	50.00%	50.00%
Betim subdivision	16,018	84,325,968	42,162,984	50.00% (*)	50.00% (*)

(*) Actual equity interest percentage of 27.53% at December 31, 2012 (17.67% at December 31, 2011).

	Information on investees				Information on Company			
	Equity		Profit (loss) for the year		Investment		Equity in investees	
	12/31/12	12/31/11	2012	2011	12/31/12	12/31/11	2012	2011
SPEs – subsidiaries:								
LOG I	**65,935**	60,856	**6,200**	2,724	**65,928**	60,856	**6,199**	2,691
LOG II	**20,128**	20,425	**1,760**	1,026	**20,126**	20,425	**1,760**	1,026
LOG Jundiaí	**36,399**	42,935	**2,759**	749	**36,395**	42,931	**2,759**	750
LOG Goiânia	**31,236**	33,116	**(621)**	(40)	**31,205**	33,083	**(620)**	(40)
LOG Hortolândia	**67,066**	13,856	**(122)**	(2)	**67,066**	13,856	**(122)**	(2)
LOG SJC Sony	**53,871**	53,844	**(2)**	2	**53,871**	53,844	**(2)**	2
LOG Campos	**29,009**	5,041	**(21)**	-	**28,980**	5,036	**(21)**	-
Office Park Pirituba	**98,046**	90,067	**(9)**	-	**98,036**	90,058	**(9)**	-
LOG Fortaleza	**18,306**	-	**(25)**	-	**18,304**	-	**(25)**	-
LOG Sumaré	**363**	-	**2**	-	**363**	-	**2**	-
LOG SJRP	**9,262**	-	**-**	-	**9,261**	-	**-**	-
LOG Juiz de Fora	**24,602**	-	**(7)**	-	**24,600**	-	**(7)**	-
LOG Feira de Santana	**8,393**	-	**-**	-	**8,392**	-	**-**	-
LOG Macaé	**12,073**	-	**-**	-	**12,072**	-	**-**	-
LOG RP	**18,389**	-	**(1)**	-	**18,387**	-	**(1)**	-
LOG SJP	**20,501**	-	**(4)**	-	**20,499**	-	**(4)**	-
LOG Viana	**30,118**	-	**-**	-	**30,115**	-	**-**	-
LOG Londrina	**17,292**	-	**-**	-	**17,290**	-	**-**	-
LOG Curitiba	**26,324**	-	**-**	-	**26,321**	-	**-**	-
LDI	**44**	-	**7**	-	**44**	-	**7**	-
SPEs – jointly controlled:								
Cabral (a)	**70,911**	68,942	**1,968**	2,570	**36,096**	35,111	**984**	1,285
Betim subdivision	**58,034**	51,100	**(34)**	(113)	**15,977**	9,030	**(9)**	(20)
Capitalized charges (b)	**-**	-	**-**	-	**55,832**	29,240	**-**	-
Total	**716,302**	440,182	**11,850**	6,916	**695,160**	393,470	**10,891**	5,692

(a) Cabral's investment of R$640 refers to the goodwill paid by the Company upon the Cabral's capital increase.

(b) Amount related to the capitalized financial charges on borrowings, financing and debentures, realization of adjustment to present value and inflation adjustment of land payables taken by the Company for the acquisition/development of its investees' investment properties.

The balances of assets and liabilities of jointly controlled entities are as follows:

	Total assets		Total liabilities	
	12/31/12	12/31/11	12/31/12	12/31/11
Cabral	**72,707**	70,824	**1,796**	1,882
Betim subdivision	**58,110**	51,143	**76**	43

The changes in the balances of investments in subsidiaries and jointly controlled entities for the years ended December 31, 2012 and 2011 are as follows:

	Individual						
	Opening balances	Capital contributions (reversals)	Purchase of equity interest	Equity in investees	Dividends	Other	Closing balances
Year ended December 31, 2012:							
SPEs/SCPs - subsidiaries:							
LOG I	60,856	5,410	-	6,199	(6,537)	-	65,928
LOG II	20,425	(166)	-	1,760	(1,893)	-	20,126
LOG Jundiaí	42,931	(6,352)	-	2,759	(2,943)	-	36,395
LOG Goiânia	33,083	(1,258)	-	(620)	-	-	31,205
LOG Hortolândia	13,856	53,332	-	(122)	-	-	67,066
LOG SJC Sony	53,844	31	-	(2)	(2)	-	53,871
LOG Campos	5,036	23,965	-	(21)	-	-	28,980
Office Park Pirituba	90,058	7,987	-	(9)	-	-	98,036
LOG Fortaleza	-	18,329	-	(25)	-	-	18,304
LOG Sumaré	-	361	-	2	-	-	363
LOG SJRP	-	9,261	-	-	-	-	9,261
LOG Juiz de Fora	-	24,607	-	(7)	-	-	24,600
LOG Feira de Santana	-	8,392	-	-	-	-	8,392
LOG Macaé	-	12,072	-	-	-	-	12,072
LOG RP	-	18,388	-	(1)	-	-	18,387
LOG SJP	-	20,503	-	(4)	-	-	20,499
LOG Viana	-	30,115	-	-	-	-	30,115
LOG Londrina	-	17,290	-	-	-	-	17,290
LOG Curitiba	-	26,321	-	-	-	-	26,321
LDI	-	38	-	7	(1)	-	44
SPEs - jointly controlled:							
Cabral	35,111	1	-	984	-	-	36,096
Betim subdivision	9,030	6,956	-	(9)	-	-	15,977
Capitalization of financial charges	29,240	-	-	-	-	26,592	55,832
Total	393,470	275,583	-	10,891	(11,376)	26,592	695,160
Year ended December 31, 2011:							
Total	164,813	196,343	5,316	5,692	(1,982)	23,288	393,470

8. Investment property

	Annual weighted depreciation rates	12/31/12 Cost	12/31/12 Accumulated depreciation	12/31/12 Net	12/31/11 Net
Individual:					
Buildings	4%	**86,103**	**(1,775)**	**84,328**	-
Land	-	**141,308**	**-**	**141,308**	155,906
Works in progress	-	**32,564**	**-**	**32,564**	54,386
Total		**259,975**	**(1,775)**	**258,200**	210,292
Consolidated:					
Buildings	4%	**272,934**	**(6,640)**	**266,294**	69,687
Land	-	**537,747**	**-**	**537,747**	375,152
Works in progress	-	**198,591**	**-**	**198,591**	137,453
Total		**1,009,272**	**(6,640)**	**1,002,632**	582,292

Changes in investment property for the years ended December 31, 2012 and 2011 are as follows:

	Individual 2012	Individual 2011	Consolidated 2012	Consolidated 2011
Opening balance	**210,292**	136,695	**582,292**	293,516
Additions	**212,243**	188,725	**426,980**	292,113
Contributions to investees	**(121,200)**	(115,128)	**-**	-
Transfer of barters (*)	**(41,360)**	-	**-**	-
Transfer to inventory	**-**	-	**-**	(1,826)
Depreciation	**(1,775)**	-	**(6,640)**	(1,511)
Closing balance	**258,200**	210,292	**1,002,632**	582,292

(*) During the year of 2012, the Company transferred the assets and liabilities relating to barters to its subsidiaries.

The table below shows the net balances as compared to the fair values of the investment properties as at December 31, 2012, broken down into Individual and Consolidated:

	Net balance Land	Net balance Buildings	Net balance Works in progress	Net balance Total	Fair value
Individual:					
Industrial warehouses	122,218	84,328	25,580	232,126	367,112
Shopping mall	10,999	-	2,479	13,478	22,999
Strip mall	8,091	-	4,505	12,596	29,371
Total Individual	141,308	84,328	32,564	258,200	419,482
Consolidated:					
Industrial warehouses	416,510	266,294	153,576	836,380	1,316,178
Offices	84,354	-	27,600	111,954	157,349
Shopping mall	28,790	-	12,911	41,701	62,777
Strip mall	8,093	-	4,504	12,597	29,371
Total consolidated	537,747	266,294	198,591	1,002,632	1,565,675

The fair value of investment property has been estimated as described in note 3 (e) – Investment Propriety.

Out of the total R$1,002,632 in investment properties, R$358,451 has been pledged as collateral of borrowings, financing and debentures entered into by the Company and its subsidiaries (R$125,862 at December 31, 2011).

9. Land payables

	Individual and consolidated	
	12/31/12	12/31/11
Land payables	**82,648**	68,899
Present value adjustment	**(72)**	(1,459)
Net	**82,576**	67,440
Current	**73,322**	61,413
Noncurrent	**9,254**	6,027
Total	**82,576**	67,440

As at December 31, 2012, land payable, by maturity and adjustment index, are broken down as follows:

Period	Savings (*)	IGP-M (**)	CDI (***)	Fixed rate	Total
2013	20,495	17,142	13,881	21,804	73,322
2014	-	-	9,254	-	9,254
Total	20,495	17,142	23,135	21,804	82,576

(*) Benchmark interest rate plus 0.50% per month
(**) General Market Price Index
(***) Interbank deposit rate

Present value adjustment:

The present value adjustment was calculated for the land payments according to the criteria described in note 3 (n). The adjustment was calculated as the difference between the contractual rates and the Company's weighted funding rate. The table below shows the breakdown and the realization of the present value ("PVA"):

	Individual and consolidated	
	2012	2011
Opening balance of PVA on land payables	**1,459**	5,575
Present value adjustment of land payables	**-**	1,817
Realization in the period:		
- capitalized in investment property	**(1,387)**	(5,933)
- recognized in profit or loss	**-**	-
Closing balance of PVA	**72**	1,459

10. Advances - barters

This balances refers to commitments arising from agreed upon barters under which the Company purchased land in exchange for industrial wharehouses. The balances were recognized at fair value on transaction date, measured based on the sales price of the land obtained in technical reports. The commitments will be discharged by handing over the completed industrial warehouses.

In the first quarter of 2012, the Company transferred the assets and liabilities related to barters to its subsidiaries due to the start of project construction.

11. Borrowings, financing and debentures

The position of borrowings, financing and debentures at December 31, 2012 and 2011 is as follows:

			12/31/12			12/31/11
Type	Maturity of principal	Effective financial charges (p.y.)	Current	Noncurrent	Total	Total
Company:						
Working capital	Jul 12 to Jul 15	CDI + 3.50%	**5,928**	**19,665**	**25,593**	-
Working capital	Nov 12 to Nov 14	CDI + 2.59%	**-**	**88,682**	**88,682**	-
Working capital	Oct 10 to Oct 12	CDI + 1.80%	**40,013**	**-**	**40,013**	47,222
Working capital	Jul 11 to Jun 16	CDI + 2.57%	**6,767**	**16,387**	**23,154**	20,781
Working capital	Mar 12 to Mar 17	CDI + 2.32%	**-**	**13,014**	**13,014**	-
Working capital	Jun 12 to May 17	CDI + 2.20%	**-**	**9,272**	**9,272**	-
Working capital	Apr 10 to Apr 12	CDI + 1.80%	**-**	**-**	**-**	68,966
1st issuance of debentures	Feb 14	CDI + 2.20%	**674**	**107,922**	**108,596**	108,709
2nd issuance of debentures	Dec 12 to Jun 19	CDI + 2.17%	**8,789**	**66,890**	**75,679**	-
Construction financing	Dec 13 to Oct 24	CDI + 1.98%	**21**	**9,272**	**9,293**	-
Construction financing	Dec 13 to Nov 23	TR + 11.62%	**146**	**23,450**	**23,596**	-
Construction financing	Dec 13 to Nov 23	TR + 11.63%	**68**	**11,075**	**11,143**	-
Construction financing	Jul 14 to Jun 22	TR + 11.16%	**-**	**21,241**	**21,241**	-
Construction financing	Oct 14 to Sep 22	TR + 10.95%	**-**	**11,783**	**11,783**	-
Construction financing	Aug 14 to Jul 22	TR + 11.28%	**-**	**11,102**	**11,102**	-
Total Company			**62,406**	**409,755**	**472,161**	245,678
Subsidiaries:						
Construction financing	Dec 13 to Nov 23	TR + 11.63%	**71**	**11,913**	**11,984**	-
Construction financing	Feb 14 to Jan 22	TR + 11.73%	**-**	**16,004**	**16,004**	-
Construction financing	Aug 14 to Jul 22	TR + 11.01%	**-**	**7,575**	**7,575**	-
Construction financing	Nov 14 to Oct 22	TR + 10.73%	**-**	**1,022**	**1,022**	-
Total subsidiaries			**71**	**36,514**	**36,585**	-
Total consolidated			**62,477**	**446,269**	**508,746**	245,678

The table below shows the borrowings, financing and debentures repayment schedule at December 31, 2012 and 2011:

	Individual		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Maturity				
2012	**-**	117,342	**-**	117,342
2013	**62,406**	4,027	**62,477**	4,027
2014	**235,201**	114,475	**238,578**	114,475
2015	**44,213**	6,553	**48,482**	6,553
2016	**32,273**	3,281	**36,542**	3,281
After 2016	**98,068**	-	**122,667**	-
Total	**472,161**	245,678	**508,746**	245,678

Changes in borrowings, financing and debentures are as follows:

	Individual	Consolidated
Balance at December 31, 2011	245,678	245,678
Funds raised	302,797	337,600
Accrued financial charges	32,325	34,783
Borrowing costs	(7,310)	(8,037)
Amortization of borrowing costs	1,517	1,568
Repayment of principal	(70,965)	(70,965)
Payment of financial charges	(31,881)	(31,881)
Balance at December 31, 2012	472,161	508,746

The funds raised during 2012 are as follows:

Type	Maturity of principal	Effective financial charges	Amount raised
Company:			
Working capital	Jul 12 to Jul 15	CDI + 3.50%	25,000
Working capital	Nov 12 to Nov 14	CDI + 2.59%	90,000
Working capital	Mar 12 to Mar 17	CDI + 2.32%	12,229
Working capital	Jun 12 to May 17	CDI + 2.20%	9,022
2nd issuance of debentures	Dec 12 to Jun 19	CDI + 2.17%	80,000
Construction financing	Dec 13 to Oct 24	CDI + 1.98%	10,000
Construction financing	Dec 13 to Nov 23	TR + 11.62%	22,000
Construction financing	Dec 13 to Nov 23	TR + 11.63%	10,409
Construction financing	Jul 14 to Jun 22	TR + 11.16%	21,124
Construction financing	Oct 14 to Sep 22	TR + 10.95%	11,883
Construction financing	Aug 14 to Jul 22	TR + 11.28%	11,130
Total Company			302,797
Subsidiaries:			
Construction financing	Dec 13 to Nov 23	TR + 11.63%	11,148
Construction financing	Feb 14 to Jan 22	TR + 11.73%	15,095
Construction financing	Aug 14 to Jul 22	TR + 11.01%	7,524
Construction financing	Nov 14 to Oct 22	TR + 10.73%	1,036
Total subsidiaries			34,803
Total consolidated			337,600

The issued debentures are simple, nonconvertible, unsecured type and without guarantee.

The table below shows the types of guarantee for borrowings, financing and debentures at December 31, 2012:

	Working capital	Corporate plan	Debentures	Total
Collateral/surety	88,682	-	-	88,682
Collateral/receivables	22,286	124,743	75,679	222,708
Unsecured	25,593	-	-	25,593
Surety/bond	40,013	-	108,596	148,609
Collateral/surety/receivables	23,154	-	-	23,154
Total	199,728	124,743	184,275	508,746

Collaterals consist of the land, improvements and properties of the financed projects.

Receivables consist of future inflows generated by the financed projects, pledged as collateral in the event of nonpayment to the financial institutions.

Borrowings, financial and debentures have no restrictive covenants required to compliance with financial ratios.

Allocation of financial charges

Finance charges are capitalized as follows:

	Individual	
	2012	**2011**
Finance charges:		
Borrowings, financing and debentures	**(33,842)**	(29,022)
Charges due to related parties	**(255)**	-
Realization of DPV and adjustment of land payable	**(7,727)**	(11,687)
Total finance charges	**(41,824)**	(40,709)
Interest capitalized in investment property:		
Company	**9,446**	16,546
Subsidiaries	**26,861**	23,288
	(5,517)	(875)
Other financial expenses	**(538)**	(86)
Finance charges allocated to profit or loss	**(6,055)**	(961)

	Consolidated	
	2012	**2011**
Finance charges:		
Borrowings, financing and debentures	**(36,351)**	(29,022)
Charges due to related parties	**(255)**	-
Realization of DPV and adjustment of land payable	**(7,727)**	(11,687)
Total finance charges	**(44,333)**	(40,709)
Interest capitalized in investment property	**36,373**	39,834
	(7,960)	(875)
Other financial expenses	**(467)**	(213)
Finance charges allocated to profit or loss	**(8,427)**	(1,088)

Because of the fact that financing activities are centrally coordinated by the Company, interest incurred essentially on the financing of its qualifying assets (basically investment property) are capitalized as follows:

- Interest on financing of the Company's investment property is allocated directly to the cost of the relevant assets.

- Interest incurred on the financing for qualifying assets of subsidiaries and jointly controlled entities is capitalized by the Company and realized together with the depreciation of the relevant assets. In the consolidated, this interest is classified as part of the cost of the relevant assets.

12. Income tax and social contribution

(a) Income tax (IRPJ) and social contribution (CSLL) recognized in the income statement

The income tax and social contribution income (expenses) for the years ended December 31, 2012 and 2011 are reconciled with accounting profit as follows:

	Individual	
	2012	**2011**
Income before income tax and social contribution	**7,488**	7,379
Statutory rate - income tax and social contribution	**34%**	34%
Nominal expense	**(2,546)**	(2,509)
Effect of IRPJ and CSLL on permanent differences:		
Equity in subsidiaries and jointly controlled entities	**3,703**	1,935
Other	**(57)**	(235)
IRPJ and CSLL credits (expenses) in Company's profit or loss	**1,100**	(809)

	Consolidated	
	2012	**2011**
Lease revenue - subsidiaries	**21,599**	7,465
Tax rate on deemed income	**32%**	32%
Deemed income - subsidiaries	**6,912**	2,389
Financial income - subsidiaries	**1,957**	2,075
Other	**93**	-
Taxable basis - subsidiaries	**8,962**	4,464
IRPJ and CSLL tax rate	**34%**	34%
IRPJ and CSLL expenses – subsidiaries	**(3,047)**	(1,518)
Effect of portions not taxed by the IRPJ surtax	**262**	70
Effective IRPJ and CSLL expenses – subsidiaries	**(2,785)**	(1,448)
Individual	**1,100**	(809)
Consolidated	**(1,685)**	(2,257)

(b) Deferred tax balances

Deferred tax assets arise basically from tax loss carryforwards, while deferred tax liabilities arise from temporary differences between the cash basis adopted for tax purposes and the accrual basis for accounting purposes.

The table below shows the breakdown of deferred tax assets (liabilities) disclosed in the balance sheets.

	Individual		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Assets:				
Income tax and social contribution	**2,922**	1,822	**2,922**	1,822
Liabilities:				
Income tax and social contribution	**-**	-	**(886)**	(1,092)
Taxes on revenue (PIS/COFINS)	**-**	-	**(109)**	(59)
	-	-	**(995)**	(1,151)

As at December 31, 2012, deferred tax assets and liabilities will be realized and settled based on the projection of future taxable income, prepared by the Company's management, is as follows:

	Individual		Consolidated	
	IRPJ & CSLL		**IRPJ & CSLL**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Expected realization:				
2013	-	-	-	(995)
2014	-	-	-	-
2015	351	-	351	-
2016 and thereafter	2,571	-	2,571	-
Total	2,922	-	2,922	(995)

The bases to recognize deferred tax assets (liabilities) are as follows:

	Individual		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Tax loss carryforwards	**8,528**	5,197	**8,528**	5,197
Other	**65**	161	**65**	161
	8,593	5,358	**8,593**	5,358
Tax rate	**34%**	34%	**34%**	34%
Income tax and social contribution - noncurrent assets	**2,922**	1,822	**2,922**	1,822
Rentals not received - subsidiaries	**-**	-	**(3,186)**	(1,620)
Tax rate on deemed income	**32%**	32%	**32%**	32%
Deemed taxable base	**-**	-	**(1,020)**	(518)
Finance income taxed on a cash basis	**-**	-	**(1,586)**	(2,694)
Total taxable base	**-**	-	**(2,606)**	(3,212)
Tax rate	**34%**	34%	**34%**	34%
Income tax and social contribution - noncurrent liabilities	**-**	-	**(886)**	(1,092)

The table below shows the reconciliation of deferred tax assets:

	Individual		Consolidated	
	2012	2011	2012	2011
Opening balance	**1,822**	586	**1,822**	586
Tax credit on share issuance costs (note 13 (b))	**-**	2,045	**-**	2,045
Tax credit/(expense) recognized in income statement	**1,100**	(809)	**1,100**	(809)
	2,922	1,822	**2,922**	1,822

13. Equity

(a) Investment Agreement

On July 15, 2011, the Company's shareholders entered into an investment agreement with the Starwood investment fund for the issuance of 62,650,010 new common shares, totaling R$350,000, of which R$250,000 would be paid in by Starwood and R$100,000 by the Company's current shareholders.

(b) Common shares and issued capital

	Number of shares in thousands	Issued capital	Share issuance premium
Balance at December 31, 2010	71,372	71,372	1,894
Share issuance – ESMs of 4/30/11 and 6/2/11			
Paid-in in cash	22	22	14
Paid-in with dividends	206	206	129
Share issuance – ESM of 8/18/11			
Paid-in in cash	62,650	62,650	287,350
Share issuance costs	-	-	(3,969)
Balance at December 31, 2011	134,250	134,250	285,418
Share issuance – ESM of 7/26/12			
Paid-in in cash	112	112	512
Balance at December 31, 2012	134,362	134,362	285,930

Each common share is entitled to one vote in decisions at the shareholders' meeting and the shareholders' meeting can create new classes of shares, such as preferred shares, limited to 50 percent of total shares issued.

The holders of Company shares have preemptive rights, proportionally to their interests, in the subscription of new shares or their partial or total transfer to third parties. These rights can be exercised within the statutory period of thirty days.

The Extraordinary Shareholders' Meetings (ESMs) held on April 30 and June 2, 2011 approved the capital increases totaling R$228, through the issuance of 228,083 registered common shares without par value, of which R$22 was paid-in in cash and R$206 was paid-in with dividends, generating a share premium of R$143.

The Extraordinary Shareholders' Meeting held on August 18, 2011 approved: (i) a capital increase amounting to R$62,650 through the issuance of 62,650,010 registered common shares without par value, at the issuance price of R$5.5866, of which R$1.00 per share was allocated to the capital increase and R$4.5866 to the share premium reserve, totaling R$62,250 to the capital increase and R$287,350 to the capital reserve. In this act, Starwood subscribed 44,750,007 common shares, with the express waiver by all other Company shareholders of their preemptive rights; (ii) the increase of the Company's authorized capital to R$2 billion.

The share issuance described in paragraph (i) above generated issue costs totaling R$6,014 (R$3,969 net of taxes) consisting of funding commission and legal advisory services, recognized in equity and absorbed by the share premium.

The Extraordinary Shareholders' Meeting, held on July 26, 2012, approved the increase of the Company's capital to R$134,362, through the issuance of 111,654 registered common shares without par value, under following terms and conditions: 111,654 new common shares, placed at the issuance price of R$5.59 per share, totaling R$624, of which R$112 are allocated to capital increase and R$512 to the capital reserve.

(c) Capital reserve – share subscription premium

It is the amount contributed by the shareholders that exceeds the amount allocated to the capital increase, net of costs incurred in the share issuances described in (b) above.

(d) Earnings reserves

Legal reserve

The legal reserve is recognized based on the allocation of 5% of profit for the year, up to a ceiling of 20% of share capital. The allocation of part of profit for the year to this line item is not mandatory in years where the balance of this reserve, plus the amount of capital reserves, exceeds 30% of shares capital. The objective of the legal reserve is to ensure the integrity of capital and can only be utilized to

offset losses or increase capital. The calculation schedule for the recognition of the 2012 and 2011 legal reserve is detailed in (e) below.

Earnings retention

The earnings retention reserves refer to profits not distributed to shareholders basically because of the Company's need for funds to be used in investments. As at December 31, 2012, the Company's management recognized an earnings retention reserve, pursuant to Article 196 of Law 6404/76, totaling R$7,343 (R$5,618 at December 31, 2011).

(e) Mandatory minimum dividend payable to shareholders

Under the Company's bylaws, the executive committee can decide to prepare interim financial statements for six-month periods, quarters or shorter periods of time and declare dividends based on net income recorded in such financial statements. The shareholders' meeting can suspend or change the percentage of dividends to be paid to shareholders.

The Extraordinary Shareholders' Meeting held on August 18, 2011 approved the change of the minimum dividend from 25% to 10%, as follows: shareholders are entitled to an annual mandatory minimum dividend of not less than 10% of profit for the year, which can be decreased or increased by the following amounts: (i) amount to be allocated to the legal reserve; (ii) amount allocated to recognition of a reserve for contingencies and reversal of reserves recognized in prior years; and (iii) amount derived from the reversal of unrealized prior years' earnings reserve, pursuant to article 202, II, of Corporate Law. Under the law, the payment of the mandatory dividend can be limited to realized profit.

According to management's proposal, to be approved at the Annual Shareholders' Meeting, 2012 dividends are as follows (2011 dividends are presented for comparative purposes):

	2012	2011
Profit for the year	**8,588**	6,570
Legal reserve – 5% of profit for the year	**(429)**	(328)
Profit available for distribution	**8,159**	6,242
Proposed dividends – 10% of profit available for distribution	**816**	624
Proposed dividend per share (cents per share)	**0.0061**	0.0046

Dividends related to the year of 2011, totaling R$624, were approved by the Annual Shareholders' Meeting (ASM) held on April 27, 2012 and paid in the third quarter of 2012.

(f) Stock option plan

The Stock Option Plan approved by the Company, pursuant to the related regulation, shall correspond to a ceiling of 3,568,596 shares, equivalent to 5% of total Company shares in November 2010. The plan's charter also establishes the exercise terms and conditions. Once an option is exercised by its beneficiary, the corresponding shares will be issued through an increase of the Company's

capital. The strike price in the Stock Option Plan will be equivalent to the amount of the share's net equity determined by the Board of Directors upon the definition on and approval of each program.

The Company's officers and employees, including of direct and indirect subsidiaries, may be eligible for the plan. Should the employment agreement or mandate of the employee or officer terminates due to (a) respectively, quitting or resignation; or (b) dismissal (with or without just cause) or removal from office (with or without fair reason), providing the definition of fair reason is provided for in corporate law or of cause is provided for in labor law, as applicable is observed, the options whose exercise right (i) had not been vested until such date will be cancelled; and (ii) had already been vested by such date, may be exercised within ninety day of the date of the termination of said employment agreement or mandate, by means of a written notice sent to the Chairman of the Company´s Board and, after this period, they will be cancelled.

In case of death or permanent disability of the beneficiary, his or her successors shall have the right to exercise any unexercised stock options, regardless of the share sale restrictions periods set out in the Plan and even if such stock options are unvested, immediately and during the exercise period set out in the related program, where the number of shares to which the beneficiary's successors are entitled will be calculated on a prorated basis, according to the Plan.

In 2011, the Company approved the grant of options equivalent to 280,000 common shares, at the strike price of R$1.00. No amount is paid by the beneficiary when the option is granted. The stock options granted correspond to 7.8% of total approved for the plan. The options' vesting period is up to four years and options can be exercised within three years after the vesting date. As at December 31, 2012, 28,000 granted options were vested (2011 at December 31, 14,000).

On June 28, 2012, the Company approved the second stock option plan, equivalent to 89,774 common shares, at the exercise price of R$5.59. No amount is paid by the beneficiary when the option is granted. The stock options granted correspond to 2.52% of total approved for the plan. The options' vesting period is up to four years and options can be exercised within three years after the vesting date. As at December 31, 2012, 4,489 options granted were vested.

Under Article 171, Par. 3, of the Brazilian Corporate Law, the Company's shareholders do not have preemptive rights on the exercise of stock options.

The Company records the employees' share-based compensation in the financial statements based on its fair value. The fair value of the stock option program was estimated based on the Black & Scholes stock option pricing model, considering the following weighed average assumptions:

	1st plan	2nd plan
Risk-free rate	12.08%	8.66%
Vesting period in years	4	4
Expected annualized volatility	45.73%	42.26%
Expected dividends	5%	5%
Stock options fair value on grant date per share	R$4.04	R$2.73

The compensation costs arising from the stock options granted totaled R$348 for the year ended December 31, 2012 (R$243 for the year ended December 31, 2011). As at December 31, 2012, compensation costs of the stock options granted to be recognized over the remaining average vesting period of 2.7 years, total approximately R$787 (R$889 at December 31, 2011).

In 2012 and 2011, there were no cancelled, exercised or expired stock options.

14. Earnings per share

Profit and the weighted average number of common used to calculate basic and diluted earnings per share are as follows:

	Individual and consolidated	
	2012	**2011**
Basic earnings per share:		
Profit for the year	**8,588**	6,570
Weighted average number of outstanding common shares (thousands)	**134,306**	94,691
Basic earnings per share - in R$	**0.0639**	0.0694
Diluted earnings per share:		
Profit for the year	**8,588**	6,570
Weighted average number of outstanding common shares (thousands)	**134,306**	94,691
Dilutive effect of stock options (thousands)	**251**	230
Weighted average number of outstanding common shares (thousands)	**134,557**	94,921
Diluted earnings per share - in R$	**0.0638**	0.0692

15. Net lease revenue

	Individual		Consolidated	
	2012	**2011**	**2012**	**2011**
Lease revenue	**7,591**	-	**29,190**	7,465
PIS/COFINS on lease revenue	**(704)**	-	**(1,534)**	(255)
Net lease revenue	**6,887**	-	**27,656**	7,210

16. Costs and expenses by nature

	Individual		Consolidated	
	2012	2011	2012	2011
Depreciation	**(1,775)**	-	**(6,640)**	(1,511)
Advertising	**(467)**	(221)	**(476)**	(387)
Salaries and employee benefits	**(4,099)**	(2,700)	**(4,099)**	(2,700)
Management compensation	**(838)**	(723)	**(838)**	(723)
Outside services	**(2,908)**	(1,159)	**(3,528)**	(1,310)
General expenses	**(1,374)**	(625)	**(1,394)**	(763)
Stock options	**(348)**	(243)	**(348)**	(243)
Vacancy expenses	**(221)**	-	**(564)**	-
Other	**(25)**	(83)	**(846)**	(103)
	(12,055)	(5,754)	**(18,733)**	(7,740)
Classified as:				
Cost of leases	**(1,775)**	-	**(6,640)**	(1,511)
Selling expenses	**(1,766)**	(274)	**(2,765)**	(701)
General and administrative expenses	**(7,651)**	(4,673)	**(7,644)**	(4,702)
Management compensation	**(838)**	(723)	**(838)**	(723)
Other operating expenses, net	**(25)**	(84)	**(846)**	(103)
	(12,055)	(5,754)	**(18,733)**	(7,740)

17. Related parties

Related-party balances and transactions are as follows:

	Individual		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Balance sheets:				
Short-term investments:				
Banco Intermedium (a)	**11,953**	36,259	**18,160**	45,079
Banco BMG (b)	**-**	-	**6,417**	8,803
Lease receivables (c)	**-**	-	**339**	-
Due to related parties:				
MRV Engenharia e Participações S.A. (d)	**405**	105	**405**	105
PSO Engenharia de Infraestrutura Ltda. (e)	**-**	-	**209**	-
Land payables:				
MDI Desenvolvimento Imobiliário Ltda. (f)	**10,934**	26,828	**10,934**	26,828

	Individual		Consolidated	
	2012	2011	2012	2011
Transactions:				
Income from short-term investments:				
Banco Intermedium (a)	**2,552**	1,486	**3,296**	2,468
Banco BMG (b)	**-**	-	**734**	967
Lease revenue (c)	**-**	-	**339**	-
Provision of administrative services (d)	**2,252**	877	**2,252**	877
Acquisition of services (g)	**-**	-	**-**	1,246
Provision of services (e)	**-**	-	**1,702**	-
Financial expenses - due to related parties:				
MRV Engenharia e Participações S.A. (h)	**111**	935	**111**	935

(a) Refers to short-term investments in CDBs with Intermedium Crédito Financiamento e Investimento S.A. ("Intermedium"), which is controlled by the controlling shareholder of MRV Engenharia e Participações S.A.. As at December 31, 2012, short-term investments yielded approximately 110.0% of CDI in

Individual and 108.6% of CDI on a consolidated basis (at December 31, 2011, 111.4% of CDI in Individual and 110.4% of CDI on a consolidated basis).

(b) Refers to an investment in CDBs with Banco BMG, which has the same controlling shareholders as Agrícola São Gabriel Ltda., which in turn is a shareholder of SPE Cabral. As at December 31, 2012, this investment yields approximately 106.0% of CDI (106.0% of CDI at December 31, 2011).

(c) Refers to the lease agreement entered into by Hortolândia Incorporação SPE Ltda. and a company related to one of the Company's noncontrolling shareholders.

(d) Amounts payable consisting of expenses on administrative services provided by MRV Engenharia e Participações S.A., which are calculated by applying a 7.5% rate on the Company's projected revenue. The agreement is effective for an indefinite period.

(e) Refers to earth-moving, paving and drainage services provided by a company related to one of SPE Betim's shareholders.

(f) Refers to payables for the land acquired in December 2010 from a subsidiary of MRV Engenharia e Participações S.A.

(g) Refers to the building and construction management services provided by a company related to the noncontrolling shareholder related to the construction of warehouses at LOG I, LOG II and LOG Jundiaí. At the beginning of the second quarter of 2011, the Company acquired the interest held by these shareholders.

(h) Refers to financial expenses as arising on the loan agreement entered into by these companies, which bears interest equivalent to CDI + a fixed rate of 3.30% for the year ended December 31, 2012 (CDI + 2.79% per year for the first half of 2011 and CDI + 3.29% per year for the second half of 2011).

MRV Engenharia de Participações S.A. and some Company shareholders are the guarantors of R$148,609 in Company borrowings at December 31, 2012 (R$155,931 at December 31, 2011).

18. Financial instruments and risk management

(a) Financial instruments

Financial instruments are represented by the balances of: cash, banks, short-term investments, lease receivables, trade accounts receivable, due to related parties, trade accounts payable, borrowings, financing, debentures, and land payables. All financial instruments held by the Group were recorded as at December 31, 2012 and 2011. Management believes that the amounts of these financial instruments do not differ significantly from their market values as a significant portion of the balances matures on dates close to the end of the reporting periods. Specifically for borrowings, financing and debentures, management believes that there are no significant differences between their carrying amount and the fair values, and the

funding terms and conditions for similar instruments are not materially different from does effectively agreed by the Company. As for the balance of land payables, management believes that as they are discounted to present value (note 9), where applicable, there are no significant differences between their carrying amount and the fair values.

The Group does not operate with derivatives or other speculative financial instruments and has the policy of investing funds in highly-liquid short-term investments with low exposure to risk.

(b) Exposure to foreign exchange risks

The Group is not exposed to foreign exchange as its does not hold monetary assets or monetary liabilities denominated in a currency other than its functional currency, the Brazilian real.

(c) Exposure to interest rates and inflation adjustment indices

The Group is exposed to interest rates on its short-term investments, due to related parties and borrowings, financing and debentures, as described in notes 4, 11 and 17, and it is also exposed to inflation adjustment indices related to land payables (note 9).

Sensitivity analysis

The Group is exposed to normal market risks arising from changes in interest rates and inflation adjustment indices. The sensitivity analysis was developed considering the exposure to changes in CDI, IGP-M and the savings accounts adjustment index ("TR") because the Group's main financial instruments are pegged to such indices, as detailed below.

The change between the estimated rate for 2013 ("probable scenario") and the effective rate for 2012, multiplied by the exposed net balance as at December 31, 2012 was used to calculate the financial effect, should the probable scenario materialize in 2012. In conformity with the information required by CVM Instruction 475/08, we have also calculated scenarios I and II, considering a 25% and 50% increase in the rates estimated for 2013, respectively.

Exposure to CDI

CDI is the main index to which the Group's borrowings, financing, debentures and short-term investments are pegged.

Market expectations, based Central Bank of Brazil inputs at December 31, 2012, indicated an effective mean CDI rate estimated at 7.14% as the probable scenario for 2013, against an effective rate of 8.40% incurred in the twelve-month period ended December 31, 2012.

Exposure to IGPM and TR

The main financial instruments pegged to IGPM and TR (a managed prime rate) fluctuations are land payables.

Market expectations, based on indicators released by the BM&F (Commodities and Futures Exchange) and the Central Bank of Brazil at December 31, 2012, pointed to an estimated IGPM and TR of 4.34% and 0.01%, respectively, as the probable scenario or 2013, against effective rates of 7.81% and 0.29% incurred in the twelve-month period ended December 31, 2012.

Accordingly, the financial effects for the scenarios and indices described above would be as follows in consolidated:

Indicators	Financial asset	Financial liability	Net exposed financial liability	Effective rate for the 12-month period ended 12/31/2012	Estimated annual rate for 2013 (*)		Change in effective rate for the relevant scenario	Total estimated effect
Probable scenario:								
CDI	35,923	(422,493)	(386,570)	8.40%	7.14%	(i)	-1.26%	4,871
IGPM	-	(17,214)	(17,214)	7.81%	4.34%	(ii)	-3.47%	597
TR	-	(138,365)	(138,365)	0.29%	0.01%	(iii)	-0.28%	387
								5,855
Scenario I:								
CDI	35,923	(422,493)	(386,570)	8.40%	8.93%		0.53%	(2,049)
IGPM	-	(17,214)	(17,214)	7.81%	5.43%		-2.38%	410
TR	-	(138,365)	(138,365)	0.29%	0.01%		-0.28%	387
								(1,252)
Scenario II:								
CDI	35,923	(422,493)	(386,570)	8.40%	10.71%		2.31%	(8,930)
IGPM	-	(17,214)	(17,214)	7.81%	6.51%		-1.30%	224
TR	-	(138,365)	(138,365)	0.29%	0.02%		-0.27%	374
								(8,332)

(i) Data obtained on the Central Bank of Brazil website.
(ii) Data obtained on the Central Bank of Brazil website, Focus Bulletin.
(iii) Data obtained on the BM&F Bovespa website.
(*) Projection for the twelve months in 2013.

As required by IFRS 7, management believes that the estimated annual rates presented in the probable scenarios above reflect the reasonable possible scenario for 2013.

(d) Capital risk management

The Company is currently at a stage of significant expansion, purchasing land and building warehouses, as well as other projects to be leased and/or sold in the future. However, the continuity of its expansion plan will depend on obtaining third-party funds (either as capital contributions or borrowings), own capital and/or cash generated by our operations.

(e) Liquidity and interest rate risk table

The tables below detail the remaining contractual maturity of the Group's non-derivative financial liabilities and the contractual amortization periods. These tables have been prepared using the undiscounted cash flows of the financial liabilities based on the nearest date on which the Group should settle the related obligations.

The tables include interest and principal cash flows. As the interest flows refer to floating rates, the undiscounted was obtained based on the index projections from December 31, 2012 to the contractual maturity, which is based on the nearest date on which the Group should settle the related obligations.

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Individual:					
Floating rates	144,733	272,968	56,035	216,379	690,115
Fixed rates	21,906	-	-	-	21,906
Non-interest bearing securities	5,530	-	-	-	5,530
Total	172,169	272,968	56,035	216,379	717,551

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Consolidated:					
Floating rates	145,695	277,905	62,606	282,179	768,385
Fixed rates	21,906	-	-	-	21,906
Non-interest bearing securities	20,484	-	-	-	20,484
Total	188,085	277,905	62,606	282,179	810,775

(f) Credit risk

Credit risk refers to the risk of a counterparty not complying with its contract obligations, which would result in financial losses for the Group. The Group has the policy of only negotiating with counterparties with creditworthiness and obtaining adequate guarantees, when appropriate, as a way to mitigate the risk of financial loss due to default.

19. Guarantees

Except for the guarantees described in notes 8 and 11, the Group does not collateralize any of its assets and is not the guarantor of any other types of third-party transactions.

20. Commitments

SPE Betim:

The Company entered into a shareholders' agreement with Agropecuária Aroeiras Ltda. mainly aimed at establishing how this SPE's capital will be paid in, and other relationships between the shareholders. As Agropecuária Aroeiras Ltda. paid in the capital through the assignment of own land on the establishment of the SPE and the Company is paying in capital basically in cash over time, the unpaid balance will be adjusted using a rate equivalent to 66% of CDI fluctuation, which will be the amount contributed by the Company as capital increase in SPE Betim. As at December 31, 2012, the amount to be paid in by the Company is R$31,061.

21. Noncash transactions

During the years ended December 31, 2012 and 2011, the Company and its subsidiaries conducted the following investment and financing transactions that did not involve cash, which, therefore, are not reflected in the statement of cash flows:

	Individual		Consolidated	
	2012	2011	2012	2011
Capital contribution to investee with investment properties	**79,840**	115,128	**-**	-
Capital contribution to investee with investment properties – barter – and realization	**41,360**	-	**4,533**	-
Interest capitalization	**36,307**	23,288	**36,373**	-

22. Insurance

The Company has an insurance policy that considers primarily risk concentration and their materiality, taking into consideration the nature of its business, and advice of the insurance brokers. As at December 31, 2012, insurance coverage is as follows:

Items	Type of coverage	Insured amount
-Construction insurance (engineering risk)	- Coverage during construction for involuntary damages caused during construction, installation and assembling work on the insured sites.	173,679
- Real property delivery insurance	- Guarantees delivery of the works to committed buyers and barterers.	30,000
- Group life and personal injury insurance	- Bodily injury involuntarily caused to employees, contractors, interns and engineers.	38,299
- Corporate	- Fire, lightening, explosion, windstorm, hail, car crash, RC transactions, and rental loss/payment.	54,050

23. Events after the reporting period

In January 2013, the Company and its subsidiaries received R$37,000 to finance the construction of their assets.

24. Approval of the financial statements

These financial statements were approved by the Company's Directors on March 01, 2013.