

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

***LOG Commercial Properties e
Participações S.A. (formerly MRV
Logística e Participações S.A.)***

*Individual and Consolidated Financial Statements
for the Year Ended December 31, 2011 and
Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of
LOG Commercial Properties e Participações S.A.
Belo Horizonte - MG

We have audited the accompanying individual and consolidated balance sheets of LOG Commercial Properties e Participações S.A. (the "Company"), formerly MRV Logística e Participações S.A., denominated Company and Consolidated, respectively, as of December 31, 2011, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended, as well as a summary of significant accounting practices and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the accounting practices adopted in Brazil and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and the accounting practices adopted in Brazil, as well as the internal controls deemed necessary for preparing financial statements that are free of material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which was conducted in accordance with Brazilian and international audit standards. 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 of material misstatements.

An audit involves performing selected 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 misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 taken as a whole.

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 financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of LOG Commercial Properties e Participações S.A. as of December 31, 2011, the results of its operations and its cash flows for the year then ended, in conformity with the accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the financial statements referred above present fairly, in all material respects, the consolidated financial position of LOG Commercial Properties e Participações S.A. as of December 31, 2011, the consolidated results of operations and consolidated cash flows for the year then ended, in conformity with the international financial reporting standards (IFRS) issued by the *International Accounting Standards Board - IASB* and the accounting practices adopted in Brazil.

Emphasis of matter

As described in note 2, the consolidated financial statements have been prepared in accordance with the accounting practices adopted in Brazil. For LOG Commercial Properties e Participações S.A., these practices differ from IFRS, which is applicable to the separate financial statements only with respect to the accounting for investments under the equity method, whereas for IFRS purposes, these investments would be stated at cost or fair value.

Other issues

Statements of Value Added

Also, we have audited the individual and consolidated statements of value added (DVA) for the year ended December 31, 2011, prepared under the responsibility of the Company's management, whose presentation is required for publicly-held companies by the Brazilian corporate law, and as supplementary information for IFRS, which does require the presentation of such statement. Such information has been subjected to the auditing procedures above mentioned and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Belo Horizonte, March 07, 2012

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Walmir Bolgheroni
Walmir Bolgheroni
Engagement Partner

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R\$)

ASSETS	Notes	Individual		Consolidated		LIABILITIES AND EQUITY	Notes	Individual		Consolidated	
		12/31/2011	12/31/2010	12/31/2011	12/31/2010			12/31/2011	12/31/2010	12/31/2011	12/31/2010
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	4	182,758	16,522	200,526	33,120	Trade accounts payable		5,656	121	10,683	4,963
Lease receivables	5	-	-	1,620	247	Borrowings and debentures	11	117,342	942	117,342	942
Recoverable taxes		1,334	604	1,378	614	Payroll, related taxes and benefits		1,214	63	1,549	399
Prepaid expenses		106	-	444	-	Taxes payable		515	55	1,327	369
Inventories	6	-	-	4,780	-	Land payables	9	61,413	108,749	61,413	108,749
Other		1	84	34	84	Advances - barbers	10	15,078	-	15,078	-
Total current assets		184,199	17,210	208,782	34,065	Dividends payable	13	624	364	624	364
						Due to related parties	17	105	185	105	185
NONCURRENT ASSETS						Other		204	-	313	-
Prepaid expenses		-	-	600	-	Total current liabilities		202,151	110,479	208,434	115,971
Inventories	6	-	-	4,252	-						
Deferred income tax and social contribution	12	1,822	586	1,822	586	NONCURRENT LIABILITIES					
Other		3	-	15	6	Borrowings and debentures	11	128,336	108,374	128,336	108,374
Investments in subsidiaries and jointly controlled entities	7	393,470	164,813	-	-	Land payables	9	6,027	26,046	6,027	26,046
Investment property	8	210,292	136,695	582,292	293,516	Advances - barbers	10	26,282	-	26,282	-
Property and equipment		38	27	55	61	Deferred taxes	12	-	-	1,151	288
Total noncurrent assets		605,625	302,121	589,036	294,169	Other		5	-	514	-
						Total noncurrent liabilities		160,650	134,420	162,310	134,708
						EQUITY					
						Issued capital	13	134,250	71,372	134,250	71,372
						Reserves	13	292,773	3,060	292,773	3,060
						Equity attributable to owners of the Company		427,023	74,432	427,023	74,432
						Noncontrolling interests		-	-	51	3,123
						Total equity		427,023	74,432	427,074	77,555
TOTAL ASSETS		789,824	319,331	797,818	328,234	TOTAL LIABILITIES AND EQUITY		789,824	319,331	797,818	328,234

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

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R\$, except earnings per share)

	Notes	Individual		Consolidated	
		2011	2010	2011	2010
NET LEASE REVENUE	15	-	-	7,210	1,976
COST OF LEASES	16	-	-	(1,511)	(479)
GROSS PROFIT		-	-	5,699	1,497
OPERATING INCOME (EXPENSES)					
Selling expenses	16	(274)	(42)	(701)	(50)
General and administrative expenses	16	(4,673)	(1,296)	(4,702)	(1,351)
Management compensation	16	(723)	(234)	(723)	(234)
Other operating expenses, net	16	(84)	(80)	(103)	(82)
Equity in subsidiaries and jointly controlled entities	7	5,692	1,601	-	-
OPERATING LOSS BEFORE FINANCE INCOME (EXPENSES)		(62)	(51)	(530)	(220)
FINANCIAL INCOME (EXPENSES)					
Financial expenses	11	(961)	(2,602)	(1,088)	(2,659)
Financial income		8,402	2,531	10,477	3,367
INCOME (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		7,379	(122)	8,859	488
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	12	-	-	(644)	(214)
Deferred	12	(809)	586	(1,613)	298
		(809)	586	(2,257)	84
PROFIT FOR THE YEAR		6,570	464	6,602	572
PROFIT ATTRIBUTABLE TO					
Owners of the Company				6,570	464
Noncontrolling interests				32	108
				6,602	572
EARNINGS PER SHARE					
Basic (cents per share)	14	0.0694	0.008		
Diluted (cents per share)	14	0.0692	0.008		

The Company does not have other comprehensive income for the current and previous year and, therefore, the related statement is not presented.

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

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LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R\$)

	Share capital	Capital reserves	Regnized options granted	Earnings reserves	Legal	Earnings retention	Retained earnings	Advances for future capital increase	Equity attributable to owners of the Company	Noncontrolling interests	Total
BALANCE AT JANUARY 1, 2010	36,954	545	-	53	759	-	-	-	38,311	2,865	41,176
Advance for future capital increase	-	-	-	-	-	-	-	9,231	9,231	-	9,231
Payment of capital	23,046	-	-	-	-	-	-	-	23,046	150	23,196
Capital increase - ESM of Sep 11, 2010 (9,230,770 shares)	9,231	-	-	-	-	-	-	(9,231)	-	-	-
Capital increase - ESM of Nov 17, 2010 (2,141,158 shares)	2,141	1,349	-	-	-	-	-	-	3,490	-	3,490
Profit for the year	-	-	-	-	-	-	464	-	464	108	572
Allocation of profit for the year:											
Recognition of legal reserve	-	-	-	23	-	(23)	-	-	-	-	-
Dividends payable	-	-	-	-	-	(110)	-	-	(110)	-	(110)
Recognition of earnings retention reserve	-	-	-	-	331	(331)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2010	71,372	1,894	-	76	1,090	-	-	-	74,432	3,123	77,555
Capital increase - ESMs of Apr 30, 2011, Jun 2, 2011 and Aug 18, 2011 (62,878,093 shares)	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)
Purchase of equity interest in subsidiaries	-	-	-	-	-	-	-	-	-	(5,316)	(5,316)
Recognition of stock options 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

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R\$)

		Individual		Consolidated	
	Notes	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		6,570	464	6,602	572
Adjustments to reconcile profit for the year to net cash generated by operating activities:					
Depreciation	8	-	-	1,511	479
Equity in subsidiaries and jointly controlled entities	7	(5,692)	(1,601)	-	-
Incurred and not paid interest and charges		875	2,460	875	2,460
Deferred taxes		809	(586)	1,672	(298)
Stock options		243	-	243	-
		2,805	737	10,903	3,213
(Increase) decrease in operating assets:					
Lease receivables		-	-	(1,373)	(79)
Recoverable taxes		(730)	(539)	(764)	(549)
Inventories		-	-	(6,415)	-
Prepaid expenses		-	-	(1,044)	-
Other assets		(26)	(78)	48	(84)
Increase (decrease) in operating liabilities:					
Payroll, related taxes and benefits		1,151	44	1,150	380
Taxes payable		273	41	1,303	454
Other liabilities		130	-	748	-
Income tax and social contribution paid		-	-	(532)	(157)
Dividends received from subsidiary	7	1,982	1,096	-	-
Net cash generated by operating activities		5,585	1,301	4,024	3,178
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in/acquisition of investments		(81,215)	(68,295)	-	-
Purchase of equity interest in subsidiaries	7	(5,316)	-	-	-
Decrease (increase) with related parties		-	1,584	-	1,584
Acquisition of investment propriety		(193,961)	(58,852)	(274,666)	(112,966)
Other		(10)	(25)	(1)	(59)
Net cash used in investing activities		(280,502)	(125,588)	(274,667)	(111,441)
CASH FLOWS FROM FINANCING ACTIVITIES					
Amortization of borrowings		(62,023)	-	(62,023)	-
Borrowings and debentures, net		186,945	105,740	186,945	105,740
Interest payment		(27,762)	(3,866)	(27,762)	(3,866)
Shareholders' contributions		350,036	26,536	350,036	26,536
Share issuance costs		(6,014)	-	(6,014)	-
Advance for future capital increase		-	9,231	-	9,231
Increase in due to related parties		75,146	(102)	75,146	(102)
Payment of due to related parties		(75,146)	-	(75,146)	-
Contributions from (acquisition of) noncontrolling interests		-	-	(3,104)	150
Payment of dividends		(29)	-	(29)	-
Net cash generated by financing activities		441,153	137,539	438,049	137,689
INCREASE IN CASH AND CASH EQUIVALENTS					
		166,236	13,252	167,406	29,426
CASH AND CASH EQUIVALENTS					
At beginning of year		16,522	3,270	33,120	3,694
At end of year		182,758	16,522	200,526	33,120
INCREASE IN CASH AND CASH EQUIVALENTS					
		166,236	13,252	167,406	29,426
SUPPLEMENTAL INFORMATION:					
Capital contribution to investee with investment property		(115,128)	(61,440)	-	-
Interest capitalization - Individual	7	(23,288)	(5,952)	-	-
(Payments of prior periods' outstanding balances) acquisition of investment property not paid in the period, net		(5,236)	(130,680)	15,621	(141,284)

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A.

STATEMENT OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R\$)

	Notes	Individual		Consolidated	
		2011	2010	2011	2010
REVENUES					
Lease revenue	15	-	-	7,465	2,057
Other income		(5)	(5)	(7)	(10)
Revenues related to construction of own assets		76,099	8,124	163,492	35,803
		<u>76,094</u>	<u>8,119</u>	<u>170,950</u>	<u>37,850</u>
INPUTS PURCHASED FROM THIRD-PARTIES (includes ICMS, IPI, PIS and COFINS)					
Supplies, power, outside services and other		(34,125)	(3,620)	(109,021)	(28,069)
		<u>(34,125)</u>	<u>(3,620)</u>	<u>(109,021)</u>	<u>(28,069)</u>
GROSS VALUE ADDED		41,969	4,499	61,929	9,781
DEPRECIATION	16	-	-	(1,511)	(479)
NET WEALTH CREATED		<u>41,969</u>	<u>4,499</u>	<u>60,418</u>	<u>9,302</u>
VALUE ADDED RECEIVED AS TRANSFER					
Equity in subsidiaries and jointly controlled entities	7	5,692	1,601	-	-
Financial income		8,402	2,531	10,477	3,367
		<u>14,094</u>	<u>4,132</u>	<u>10,477</u>	<u>3,367</u>
TOTAL WEALTH FOR DISTRIBUTION		<u>56,063</u>	<u>8,631</u>	<u>70,895</u>	<u>12,669</u>
WEALTH DISTRIBUTED					
Personnel:		4,405	400	8,477	1,970
Salaries and wages		3,900	382	7,027	1,636
Benefits		305	6	940	218
Severance pay fund (FGTS)		200	12	510	116
Taxes and fees:		2,471	342	9,007	1,399
Federal		1,722	82	4,228	1,028
State		2	-	14	9
Municipal		747	260	4,765	362
Lenders and lessors:		42,617	7,425	46,809	8,728
Interest		40,795	7,402	40,922	7,463
Rents		1,818	23	5,883	1,265
Leases		4	-	4	-
Shareholders:		6,570	464	6,602	572
Dividends	13 (e)	624	110	624	110
Retained earnings		5,946	354	5,946	354
Noncontrolling interests in retained earnings		-	-	32	108
WEALTH DISTRIBUTED		<u>56,063</u>	<u>8,631</u>	<u>70,895</u>	<u>12,669</u>

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

LOG COMMERCIAL PROPERTIES E PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

(Amounts in thousands of Brazilian Reais - R\$)

1. GENERAL INFORMATION

LOG Commercial Properties e Participações S.A. (“Company”), formerly MRV Logística e Participações S.A. (see note 22), 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 (note 8). See the list of and supplemental information on and jointly controlled entities in note 7.

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. Aligned with its growth strategy, the Company’s shareholders and the investment fund Starwood made a capital contribution in 2011 amounting to R\$350,000 (see note 13).

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 (“IFRS”), issued by the International Accounting Standards Board (“IASB”) and also in accordance with accounting practices adopted in Brazil (BR GAAP); and
- The Company’s individual financial statements prepared 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 Brazilian Securities and Exchange Commission (CVM).

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' certain financial instruments 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 an asset.

(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 at the end of the reporting period 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.

(b) Lease receivables

Refer to the amounts receivable on lease transactions, net of the allowance for doubtful debts, which is recognized based on management's assessment, considering the involved risks, where applicable. These amounts are not adjusted to present value since they have a short-term maturity and 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 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 took into consideration the operating stage of each asset, as detailed below:

- Land: valuation conducted by in-house 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 flow 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 12.15% per annum.
- Completed projects: direct capitalization. The rates used range from 9% to 10%.

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 in 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, where 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 Company'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, 2011, 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, a reliable estimate can be made of the amount of the obligation 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 and debentures

Initially recognized when funds are received, net of transaction costs. At the end of the reporting period they 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 Company 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 (g)).

(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 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, the 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 deemed income, plus a 10% surtax on income exceeding R\$240 per year, and for social contribution the rate levied is 9%. 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.

As permitted by the prevailing tax law, the subsidiaries and the jointly controlled entities 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 losses carryforward 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.

Current and deferred taxes

Current and deferred income tax and social contribution are recognized in profit or loss 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.

(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, i.e., less the taxes levied thereon.

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: 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 its financial assets, which are classified into categories described below:

<u>CATEGORY</u>	<u>FINANCIAL ASSETS</u>
At fair value through profit or loss	- Cash and cash equivalents:
Loans and receivables	- Lease receivables

- 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 Company are as follows: payable for the purchase of land, borrowings, 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 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) Discount to present value

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 Company's financial statements are presented in Brazilian Reais (R\$), which is the Company's, subsidiaries and jointly controlled entities functional currency.

(q) Statements 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) New and revised standards and interpretations issued and not yet adopted

IASB's standards described below have been issued or revised but not yet effective, and have not yet been issued by the CPC and approved by the CFC; therefore, these new and revised standards have not been early adopted by the Group in its financial statements for the year ended December 31, 2011. The Group will implement such standards as they become effective, although it does not expect any material effect 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
IAS 12 <i>Income Taxes</i>	Assumes that the residual value of an intangible asset measured at fair value pursuant IAS 40 will usually be realized through its sale.	Annual periods beginning on or after January 1, 2012.
Amendments to IFRS 7	Addresses the disclosures of transfers of financial assets.	Annual periods beginning on or after January 1, 2013.
IFRS 9 <i>Financial Instruments</i>	Refers to the first stage of the project for replacement of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .	
IFRS 10 <i>Consolidated Financial Statements</i>	Replaces the parts of IAS 27 that addressed when and how an investor shall prepare consolidated financial statements, and replaces SIC 12.	
IFRS 11 <i>Joint Arrangements</i>	Requires the use of the equity method of accounting to recognize interests in joint ventures and eliminates the proportionate consolidation method.	
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	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 <i>Fair Value Measurement</i>	Establishes a single fair value measurement model when required by other standards.	
IAS 27 (R) <i>Consolidated and Separate Financial Statements</i>	IAS 27 requirements related to consolidated financial statements are replaced by IFRS 10. The requirements for separate financial statements are maintained.	
IAS 19 (revised in 2011) <i>Employee Benefits</i>	Revises the accounting of defined benefit and severance benefit plans.	Annual periods beginning on or after July 1, 2012.
IAS 28 (R) <i>Investments in Associates</i>	Includes the amendments introduced by IFRSs 10, 11 and 12. Clarifies the concepts of 'significant influence', examples for the application of the equity method of accounting and how to conduct impairment tests for associates and jointly owned associates.	
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	Permit presenting profit or loss and other comprehensive income in a single statement or in two consecutive statements.	Annual periods beginning on or after July 1, 2012.

Additionally, the standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) listed below are effective for the current year and have, therefore, been adopted by the Group for all its financial statements for the year ended December 31, 2011. These standards did not have any significant impact on the present financial statements.

Standard/Interpretation	Description
Amendments to IAS 1 <i>Presentation of Financial Statements</i> (as part of the Improvement to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity can elect to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in notes to the financial statements.
IAS 24 <i>Related Party Disclosures</i> (already adopted by CPC)	Clarifies the definition of related parties and, in addition, includes and outlines the disclosure requirements if commitments involving related parties.
Amendments to IAS 32 <i>Classification of Rights Issues</i>	Addresses the classification of certain foreign currency-denominated rights as equity instruments or financial liabilities.
Amendments to IFRS 1 <i>First-time Adoption of IFRSs</i>	Refers to limited exemptions to comparative disclosures under IFRS 7 for first-time adopters.
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Sets out the procedures for the recognition and disclosure of equity instrument issuance transactions.
Amendment to IFRIC 14 <i>Prepayments of Minimum Funding Requirements</i>	Eliminates the unintended consequence arising from the prepayment that involves a minimum funding requirement. Under certain circumstances, the results of prepayments are recognized as assets instead of an expense.
Improvements to IFRSs issued in 2010	The adoption of the Improvements to IFRSs issued in 2010 did not have a significant impact on the Company's financial statements.

CPC has not yet issued the pronouncements (except for the amendment to IAS 1 and IAS 24, already adopted by the CPC) and amendments related to the new and revised IFRSs above. Because of the CPC's commitment to keep the set of standards issued updated according to the changes made by the IASB, is expect that such pronouncements and amendments be issued by the CPC and approved by the CFC by the date they become effective.

4. CASH AND CASH EQUIVALENTS

Broken down as follows:

	Individual		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Cash	17	5	26	13
Bank accounts	183	13	320	220
Short-term investments:				
Bank certificates of deposit (CDBs)	87,133	6,929	104,755	23,312
Repurchase agreements backed by debentures	95,425	9,575	95,425	9,575
Total	<u>182,758</u>	<u>16,522</u>	<u>200,526</u>	<u>33,120</u>

Short-term investments, classified as held for trading, have daily liquidity, are immediately redeemable and subject to an immaterial risk of change in value and are carried at cost plus income earned, which is approximately 104.5% of the interbank deposit rate (CDI) at December 31, 2011 in Individual and 104.6% of CDI on a consolidated basis (104.4% of CDI in Individual and 105.2% of CDI on a consolidated basis at December 31, 2010); any gains or losses are recognized in profit or loss to measure the short term investment at 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.

5. LEASE RECEIVABLES

This balance refers to the lease of industrial warehouses, under operating leases, of subsidiaries LOG I, LOG II and LOG Jundiá. The lease agreements are adjusted on an annual basis using the using the General Market Price Index (IGPM).

The aging list of future receivables is as follows:

	Amount
2012	13,477
2013	12,696
2014	8,150
2015	4,751
2016	412
Total	<u>39,486</u>

The outstanding balances, amounting to R\$1,620 at December 31, 2011 (R\$247 at December 31, 2010) refer to current operating lease and matured within 30 days.

No allowance for doubtful debts was recognized since we do not expect any losses of the recovery of these balances.

6. INVENTORIES

As at December 31, 2011, this line item includes, in consolidated, the industrial subdivisions for sale, owned by jointly controlled entity Betim I Incorporações SPE Ltda., as shown below:

	Individual		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Urbanization in progress	-	-	267	-
Land bank	-	-	8,765	-
Total	-	-	9,032	-
Current	-	-	4,780	-
Noncurrent	-	-	4,252	-

7. INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

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

Project	Incorporation date	Startup date	Location
<u>Subsidiaries in operation:</u>			
Contagem I SPE Ltda. ("LOG I")	6/13/2008	February 2009	Contagem, Minas Gerais
Contagem II Incorporações SPE Ltda. ("LOG II")	8/27/2008	March 2011	Contagem, Minas Gerais
Jundiaí Incorporações SPE Ltda. ("LOG Jundiaí")	9/1/2009	April 2011	Jundiaí, São Paulo
<u>Subsidiaries and jointly controlled entities in start-up stage:</u>			
Hortolândia Incorporações SPE Ltda. ("LOG Hortolândia")	4/22/2010	-	Hortolândia, São Paulo
Cabral Investimentos SPE Ltda. ("Cabral")	4/22/2010	-	Contagem, Minas Gerais
MRV LOG MDI SJC I Incorporações SPE Ltda. ("LOG SJC Sony")	9/28/2010	-	São José dos Campos, São Paulo
Betim I Incorporações SPE Ltda. ("Betim subdivision")	11/8/2010	-	Betim, Minas Gerais
Goiânia I Incorporações Imobiliárias SPE Ltda. ("LOG Goiânia")	3/10/2011	-	Goiânia, Goiás
Campos Sociedade em Conta de Participação ("LOG Campos")	4/25/2011	-	Campo dos Goytacazes, Rio de Janeiro
MRV LOG SP I Incorporações SPE Ltda. ("Office Park Pirituba")	5/20/2011	-	São Paulo, São Paulo

The main information on each investment is summarized below:

	Information on investees		Information on Company				
	Issued capital		Equity interest				
	12/31/11		12/31/11			12/31/10	
	Amount	Number of shares	Number of shares	Contractual percentage	Actual percentage (*)	Contractual percentage	Actual percentage (*)
<u>SPEs/SCPs - subsidiaries:</u>							
LOG I	58,567	50,000,000	50,000,000	100.00%	100.00%	90.90%	93.41%
LOG II	19,986	18,000,000	18,000,000	100.00%	100.00%	90.90%	97.74%
LOG Jundiaí	42,189	22,437,065	22,434,621	99.99%	99.99%	90.90%	95.98%
LOG Hortolândia	13,858	13,000,000	12,999,999	100.00%	100.00%	99.99%	99.99%
LOG SJC Sony	53,842	52,500,000	52,499,999	100.00%	100.00%	99.99%	99.99%
LOG Goiânia	33,157	10,000	9,990	99.90%	99.90%	-	-
LOG Campos	5,041	10,000	9,990	99.90%	99.90%	-	-
Office Park Pirituba	90,067	10,000	9,999	99.99%	99.99%	-	-
<u>SPEs - jointly controlled:</u>							
Cabral	64,054	64,054,000	32,027,000	50.00%	50.00%	50.00%	50.00%
Betim subdivision	51,213	84,325,968	42,162,984	50.00%	17.67%	-	-

(*) Percentage interest actually contributed by the shareholders on the related reporting dates.

LOG Commercial Properties e Participações S.A. and Subsidiaries

	Information on investees				Information on Company			
	Equity		Profit (loss) for the year		Investment		Equity in investees	
	12/31/11	12/31/10	2011	2010	12/31/11	12/31/10	2011	2010
<u>SPEs - subsidiaries:</u>								
LOG I	60,856	32,578	2,724	1,221	60,856	30,432	2,691	1,110
LOG II	20,425	11,972	1,026	(26)	20,425	11,702	1,026	(24)
LOG Jundiaí	42,935	17,606	749	(3)	42,931	16,898	750	(3)
LOG Hortolândia	13,856	13,418	(2)	-	13,856	13,418	(2)	-
LOG SJC Sony	53,844	52,586	2	-	53,844	52,586	2	-
LOG Goiânia	33,116	-	(40)	-	33,083	-	(40)	-
LOG Campos	5,041	-	-	-	5,036	-	-	-
Office Park Pirituba	90,067	-	-	-	90,058	-	-	-
<u>SPEs - jointly controlled:</u>								
Cabral (*)	68,942	65,089	2,570	1,035	35,111	33,825	1,285	518
Betim subdivision	51,100	-	(113)	-	9,030	-	(20)	-
Capitalized interest (**)	-	-	-	-	29,240	5,952	-	-
Total	440,182	193,249	6,916	2,227	393,470	164,813	5,692	1,601

(*) The investment amount of R\$640 refers to the goodwill paid by the Company upon the payment of capital of Cabral.

(**) Amount related to the financial charges on borrowings, debentures, discount to present value, and inflation adjustment of land payables of the Company (see note 11).

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

	Total assets		Total liabilities	
	12/31/11	12/31/10	12/31/11	12/31/10
Cabral	70,824	65,627	1,882	538
Betim subdivision	51,143	-	43	-

The changes in the balances of investments in subsidiaries and jointly controlled entities for the years ended December 31, 2011 and 2010 are as follows:

	Individual						
	Opening balances	Contributions	Purchase of equity interest	Equity in investees	Dividends	Other	Closing balances
<u>Year ended December 31, 2011:</u>							
<u>SPEs/SCPs - subsidiaries:</u>							
LOG I	30,432	25,688	2,748	2,691	(703)	-	60,856
LOG II	11,702	7,617	1,250	1,026	(1,170)	-	20,425
LOG Jundiaí	16,898	23,965	1,318	750	-	-	42,931
LOG Hortolândia	13,418	457	-	(2)	(17)	-	13,856
LOG SJC Sony	52,586	1,348	-	2	(92)	-	53,844
LOG Goiânia	-	33,123	-	(40)	-	-	33,083
LOG Campos	-	5,036	-	-	-	-	5,036
Office Park Pirituba	-	90,058	-	-	-	-	90,058
<u>SPEs - jointly controlled:</u>							
Cabral	33,825	1	-	1,285	-	-	35,111
Betim subdivision	-	9,050	-	(20)	-	-	9,030
Capitalization of financial charges (*)	5,952	-	-	-	-	23,288	29,240
Total	164,813	196,343	5,316	5,692	(1,982)	23,288	393,470
<u>Year ended December 31, 2010:</u>							
Total	28,621	129,190	-	1,601	(1,096)	6,497	164,813

(*) Amount related to the financial charges basically on borrowings, debentures, realization of discount to present value and inflation adjustment of payables for the purchase of land of the Company (see note 11).

8. INVESTMENT PROPERTY

		12/31/11			12/31/10
	Annual weighted depreciation rates	Cost	Accumulated depreciation	Net	Net
<u>Individual:</u>					
Land	-	155,906	-	155,906	134,523
Works in progress	-	54,386	-	54,386	2,172
Total		210,292	-	210,292	136,695
<u>Consolidated:</u>					
Buildings	4%	72,116	(2,429)	69,687	11,212
Land	-	375,152	-	375,152	245,764
Works in progress	-	137,453	-	137,453	36,540
Total		584,721	(2,429)	582,292	293,516

Changes in investment property for the years ended December 31, 2011 and 2010 are as follows:

	Individual		Consolidated	
	2011	2010	2011	2010
Opening balance	136,695	8,603	293,516	39,745
Additions	188,725	189,532	292,113	254,250
Contributions to investees	(115,128)	(61,440)	-	-
Transfer to inventory	-	-	(1,826)	-
Depreciation	-	-	(1,511)	(479)
Closing balance	<u>210,292</u>	<u>136,695</u>	<u>582,292</u>	<u>293,516</u>

As at December 31, 2011 and 2010, there were no indications of impairment and, therefore, it was not necessary to recognize an allowance for impairment losses of these assets.

Investment properties in the estimated amount of R\$125,862 were pledged as collateral of loans received, as described in note 11.

The table below shows the net balances at December 31, 2011, segregated into individual and subsidiaries:

Classification	State	Purpose	Net balance		
			Land	Buildings	Works in progress
<u>Individual:</u>					
LOG Gaiolli (“Guarulhos Dutra”)	São Paulo	Industrial warehouses	13,958	-	25,032
LOG Jacu Pêssego	São Paulo	Industrial warehouses	8,026	-	1,686
LOG Sumaré	São Paulo	Industrial warehouses	6,422	-	8,165
LOG Guarulhos Papa (“Papa”)	São Paulo	Industrial warehouses	5,477	-	13,671
Plaza Top Life (“Vitória CST”)	Espírito Santo	Strip mall	3,991	-	730
LOG Sapucaias (“Contagem Sapucaias”)	Minas Gerais	Industrial warehouses	684	-	130
Shopping Atlantic (“Serra Atlantic”)	Espírito Santo	Shopping mall	10,999	-	1,434
Plaza Betim (“Tapajós Carajás”)	Minas Gerais	Strip mall	210	-	65
Plaza Ribeirão Preto (“Mirante Sul”)	São Paulo	Strip mall	1,283	-	221
Plaza Londrina (“Fatec”)	Paraná	Strip mall	2,401	-	382
Plaza Betim (“Tapajós Tupinambás”)	Minas Gerais	Strip mall	201	-	9
LOG Londrina	Paraná	Industrial warehouses	16,047	-	1,128
LOG Ribeirão Preto (“Ribeirão Preto Area”)	São Paulo	Industrial warehouses	15,850	-	929
LOG Juiz de Fora	Minas Gerais	Industrial warehouses	7,068	-	202
LOG Macaé	Rio de Janeiro	Industrial warehouses	10,896	-	367
LOG Fortaleza	Ceará	Industrial warehouses	24,302	-	-
LOG Sumaré II (“Delta Log”)	São Paulo	Industrial warehouses	17,058	-	83
LOG Feira de Santana	Bahia	Industrial warehouses	2,481	-	36
LOG Juiz de Fora II	Minas Gerais	Industrial warehouses	2,513	-	-
LOG Campos II	Rio de Janeiro	Industrial warehouses	5,199	-	116
Outros			840	-	-
Total do Individual			155,906	-	54,386

Classification	State	Purpose	Net balance		
			Land	Buildings	Works in progress
<u>SPE/SCP:</u>					
LOG I	Minas Gerais	Industrial warehouses	14,552	34,119	17,364
LOG II	Minas Gerais	Industrial warehouses	4,289	15,931	784
LOG Jundiaí	São Paulo	Industrial warehouses	8,864	19,637	18,219
LOG Hortolândia	São Paulo	Industrial warehouses	13,390	-	3,009
LOG Goiânia	Goiás	Industrial warehouses	20,706	-	15,314
Office Park Pirituba (“SP I Incorporações”)	São Paulo	Offices	81,355	-	14,795
Cabral	Minas Gerais	Shopping Mall	17,791	-	3,379
LOG Campos	Rio Janeiro	Industrial warehouses	4,704	-	539
LOG SJC Sony (“MDI SJC”)	São Paulo	Industrial warehouses	53,595	-	9,241
Other			-	-	423
Total SPEs and SCPs			<u>219,246</u>	<u>69,687</u>	<u>83,067</u>
Total consolidated			375,152	69,687	137,453

The table below is a comparative of historical cost net of depreciation and the fair value of investment property at December 31, 2011:

Project description	Individual		Consolidated	
	Net cost	Fair value	Net cost	Fair value
Industrial warehouses	188,366	308,565	443,046	710,123
Offices	-	-	96,150	117,155
Shopping mall	12,433	17,728	33,603	38,546
Strip mall	9,493	12,636	9,493	12,636
Total	<u>210,292</u>	<u>338,929</u>	<u>582,292</u>	<u>878,460</u>

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

9. LAND PAYABLES

	Individual and consolidated	
	12/31/11	12/31/10
Land payables	68,899	140,370
Discount to present value	(1,459)	(5,575)
Net	<u>67,440</u>	<u>134,795</u>
Current	61,413	108,749
Noncurrent	6,027	26,046
Total	<u>67,440</u>	<u>134,795</u>

As at December 31, 2011, land payable, by maturity and adjustment index, are broken down as follows:

Period	TR (*) + 11% p.a.	IGPM (**)	IPCA (***)	Fixed rate	Total
2012	3,535	24,266	6,976	26,636	61,413
2013	-	4,709	-	1,318	6,027
Total	<u>3,535</u>	<u>28,975</u>	<u>6,976</u>	<u>27,954</u>	<u>67,440</u>

(*) Benchmark Interest Rate

(**) General Market Price Index

(***) Extended Consumer Price Index

Discount to present value:

The discount to present value was calculated for the land payments according to the criteria described in note 3 (n). The discount 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 discount to present value ("DPV"):

	Individual and consolidated	
	2011	2010
Opening balance of DPV on land payables	5,575	-
Discount to present value of land payables	1,817	6,031
Realization in the period:		
- capitalized in investment property	(5,933)	(456)
- recognized in profit or loss	-	-
Closing balance of DPV	<u>1,459</u>	<u>5,575</u>

10. ADVANCES - BARTERS

This balances refers to commitments arising from agreed upon barters under which the Company purchased land in exchange for industrial warehouses. 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.

11. BORROWINGS AND DEBENTURES

The position of borrowings and debentures at December 31 2011 and 2010 is as follows:

	Individual and consolidated		
	12/31/11		12/31/10
	Current	Noncurrent	Total
Local currency bank loans:			
Working capital (a)	116,651	21,288	137,939
Debentures (b)	1,748	108,000	109,748
(-) Borrowing costs	(1,057)	(952)	(2,009)
Total	<u>117,342</u>	<u>128,336</u>	<u>245,678</u>

Borrowing costs are amortized over the agreement term, based on the effective interest rate.

Summary of the main features of borrowings and debentures:

- (a) In 2010, the Company entered into working capital loan agreements with financial institutions. The agreements provide for interest equivalent to 100% of the CDI (interbank deposit rate) plus 1.8% per annum (effective interest rate equivalent to 100% of CDI plus 2.75% per annum). The maturities of principal and interest will be in 2012. These agreements do not contain any restrictive covenants requiring compliance with financial ratios. The Company's shareholders guarantee the transactions.

In July 2011, the Company entered into a R\$20,000 working capital loan agreement with a financial institution. The agreement provides for interest equivalent to 100% of the CDI plus 2.0% spread per annum (effective interest rate equivalent to 100% of CDI plus 2.57% per annum). Principal and interest will be paid in 36 monthly installments, commencing in July 2013. This agreement does not contain any restrictive covenants requiring compliance with financial ratios. This transaction is collateralized by the land and property of LOG II and the receivables from the lease of industrial warehouses.

- (b) In May 2011, the Company issued simple, nonconvertible, registered, book-entry, unsecured debentures, in a single series, with unsecured guarantees (bond), with face value of R\$1,000 (one million Brazilian reais) amounting to, on issuance date, R\$108,000, which pay equivalent to 100% of the CDI fluctuation plus spread of 2.20% per annum (effective interest rate of 100% of CDI fluctuation plus 2.69% per annum). These debentures mature on February 16, 2014 and interest is payable semiannually. These debentures do not contain any restrictive covenants requiring compliance with financial ratios. The Company's shareholders guarantee the transaction.

In November 2011, the Company and subsidiary LOG Jundiaí entered into financing agreements with a financial institution totaling R\$45,000 to finance the construction of industrial warehouses. The funds will be disbursed in installments, according to the construction percentage-of-completion. The agreements provide for a 23-month grace period for principal and interest, which will be paid in 120 installments, commencing after the grace period. Borrowing costs will be calculated at the rate of 11.5% per annum plus monthly fluctuation of TR (a managed prime rate). These transactions are collateralized by the land, improvements and receivables generated by the financed projects. These agreements do not contain any restrictive covenants requiring compliance with financial ratios. By December 31, 2011, no funds had been released because the relevant documentation was being registered.

The table below shows the bank loans and debentures payment schedule at December 31, 2011:

Maturity	Individual and consolidated
	12/31/11
2012	117,342
2013	4,027
2014	114,475
Begging 2015	9,834
Total	<u>245,678</u>

Allocation of financial charges

Finance charges are allocated as follows:

	Individual	
	2011	2010
<u>Finance charges:</u>		
Borrowings and debentures	(29,022)	(7,442)
Realization of DPV and adjustment of land payable	(11,687)	(1,556)
Total financial charges	(40,709)	(8,998)
Interest capitalized in investment property		
Company	16,546	586
Subsidiaries (note 7)	23,288	5,952
	(875)	(2,460)
Other finance costs	(86)	(142)
Finance charges allocated to profit or loss	(961)	(2,602)

	Consolidated	
	2011	2010
<u>Finance charges:</u>		
Borrowings and debentures	(29,022)	(7,442)
Realization of DPV and adjustment of land payables	(11,687)	(1,556)
Total financial charges	(40,709)	(8,998)
Interest capitalized in investment property	39,834	6,538
	(875)	(2,460)
Other finance costs	(213)	(199)
Finance charges allocated to profit or loss	(1,088)	(2,659)

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

- Interests on financing of the Company's investment property are allocated directly to the cost of the relevant assets.
- Interests incurred of the financing of qualifying assets of subsidiaries and jointly controlled entities are 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 income statement

	Individual		Consolidated	
	2011	2010	2011	2010
Income tax and social contribution income (expense)				
Current	-	-	(644)	(214)
Deferred	(809)	586	(1,613)	298
Total IRPJ and CSLL (expense) credit for the year	(809)	586	(2,257)	84

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

	Individual	
	2011	2010
Income (loss) before income tax and social contribution	7,379	(122)
Statutory rate - income tax and social contribution	34%	34%
Nominal (expense) credit	(2,509)	41
Effect of IRPJ and CSLL on permanent differences		
Equity in subsidiary and jointly controlled entity	1,935	544
Other	(235)	1
IRPJ and CSLL credits (expenses) in Company's income	(809)	586

	Consolidated	
	2011	2010
Lease revenue - subsidiaries	7,465	2,057
Tax rate on deemed income	32%	32%
Deemed income - subsidiaries	2,389	658
Finance income - subsidiaries	2,075	836
Taxable basis - subsidiaries	4,464	1,494
Income tax - 15%	(670)	(224)
Income tax - 10% (*)	(422)	(125)
Social contribution - 9%	(402)	(134)
Other	46	(19)
IRPJ and CSLL credit (expense) in income statement:		
Subsidiaries (deemed income)	(1,448)	(502)
Individual (actual income - see calculation above)	(809)	586
Consolidated	(2,257)	84

(*) The 10% surtax is levied only on annual income exceeding R\$240. Please refer to note 3, (k) 'Taxation' for further information.

(b) Deferred tax balances

Deferred tax assets arise from tax loss carry forwards, 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	
	12/31/11	12/31/10	12/31/11	12/31/10
<u>Assets:</u>				
Income tax and social contribution	1,822	586	1,822	586
<u>Liabilities:</u>				
Income tax and social contribution	-	-	(1,092)	(288)
Taxes on revenue (PIS/COFINS)	-	-	(59)	-
	-	-	(1,151)	(288)

As at December 31, 2011, 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	
Expected realization	Assets	Liabilities	Assets	Liabilities
2012	-	-	-	1,151
2013	1,822	-	1,822	-
Total	1,822	-	1,822	1,151

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

	Individual		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
Tax loss carry forwards	5,197	1,723	5,197	1,723
Other	161	-	161	-
	5,358	1,723	5,358	1,723
Tax rate	34%	34%	34%	34%
Income tax and social contribution - noncurrent assets	1,822	586	1,822	586
Rentals not received - subsidiaries	-	-	(1,620)	(247)
Tax rate on deemed income	32%	32%	32%	32%
Deemed taxable base	-	-	(518)	(79)
Finance income taxed on an accrual basis	-	-	(2,694)	(769)
Total taxable base	-	-	(3,212)	(848)
Tax rate	34%	34%	34%	34%
Income tax and social contribution - noncurrent liabilities	-	-	(1,092)	(288)

The table below shows a reconciliation of deferred tax assets:

	Individual		Consolidated	
	2011	2010	2011	2010
Opening balance	586	-	586	-
Tax credit on share issuance costs (note 13 (b))	2,045	-	2,045	-
Tax (expense) credit recognized in profit or loss	(809)	586	(809)	586
	1,822	586	1,822	586

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, issued capital and share premium

	Individual			
	Number of shares in thousand	Unpaid capital	Issued capital	Share issuance premium
BALANCE AT DECEMBER 31, 2009	60,000	(23,046)	36,954	545
Payment of capital in cash	-	23,046	23,046	-
Advance for future capital increase - ESM of Nov 9, 2010	9,231	-	9,231	-
Capital payment in cash - ESM of Nov 17, 2010	2,141	-	2,141	1,349
Balance at December 31, 2010	71,372	-	71,372	1,894
Share issuance - ESMs of Apr 30 and Jun 2, 2011				
Paid-in in cash	22	-	22	14
Paid-in with dividends	206	-	206	129
Share issues paid-in in cash - ESM of Aug 18, 2011	62,650	-	62,650	287,350
Balance at December 31, 2011	134,250	-	134,250	289,387

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' Meeting held on November 9, 2010, approved a capital increase of R\$69,231, through the issuance of 9,230,770 registered common shares without par value.

The Extraordinary Shareholders' Meeting held on November 17, 2010 approved the following actions: (i) amendment of the Company's bylaws to provide for authorized capital of up to 3,568,596 shares, in addition to the other common shares, and allow the grant by the Company of stock option plans; (ii) the Stock Option Plan; (iii) the increase of capital to R\$71,372, through the issuance of 2,141,158 registered common shares without par value, under the following conditions: (1) 2,141,158 new shares were placed at the price of R\$1.63, totaling R\$3,490; (2) from the share issuance price, R\$1.00 was allocated to the capital increase and R\$0.63 was allocated to the capital reserve for future allocation, totaling R\$2,141 to the capital reserve and R\$1,349 to the capital reserve, where the shareholders waived their preemptive rights to allow that a new shareholder subscribes all the common shares; (3) the new shares were paid-in in local currency.

The Extraordinary Shareholders' Meetings 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 (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.

(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 schedules for the recognition of the 2011 and 2010 legal reserve is broken down 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, 2011, the Company's Management recognized an earnings retention reserve, pursuant to Article 196 of Law 6404/76, totaling R\$5,618 (R\$331 at December 31, 2010).

(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 for the year.

According to Management's proposal, to be approved at the Annual Shareholders' Meeting (ASM), 2011 dividends are as follows (2010 dividends are presented for comparative purposes):

	2011	2010
Profit for the year	6,570	464
Legal reserve - 5% of profit for the year	(328)	(23)
Profit available for distribution	6,242	441
Proposed dividends - 10% of profit available for distribution (25% in 2010)	(624)	(110)
Remaining balance - earnings retention	<u>5,618</u>	<u>331</u>

2010 dividends, amounting to R\$110, were approved by the ASM held on April 30, 2011.

Dividends for the period from June 10, 2008 (date of inception) to December 31, 2009 and 2010, amounting to R\$364, were distributed as follows, during the year of 2011:

- R\$29 was distributed to a Company's shareholder;
- R\$206 was allocated to the capital increase, with the issuance of new common shares (see (b) above);
- R\$129 was allocated to the capital reserve.

(f) Advances for future capital increase

In August 2010, advances for future capital increase totaling R\$9,231 were made. These advances were approved as capital increase at the Extraordinary Shareholders' Meeting held on November 9, 2010.

(g) 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 regulation also established 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 exercise 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 exercise 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 must be exercised within three years after the vesting date. As at December 31, 2011, 14,000 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 share-based compensation of the participants 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:

Risk-free rate	12.08%
Vesting period in years	4
Expected annualized volatility	45.73%
Expected dividends	5%
Stock options fair value on grant date per share	R\$4.04

The risk-free rate is based on an average of future CDI (Interbank Deposit x Fixed Rates contracts) for the maximum exercise period of the plan's tranche, using the projection of the São Paulo Mercantile and Stock Exchange (BM&FBOVESPA).

Due to the lack of historical data, the expected volatility was calculated based on the historical volatility for the same industry.

The compensation costs arising from the stock options granted totaled R\$243 for the year ended December 31, 2011 (nil for the year ended December 31, 2010). As at December 31, 2011, compensation costs of the stock options granted to be recognized over the remaining average vesting period of 3.4 years, total approximately R\$889.

In 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 earnings per share are as follows:

	Individual and consolidated	
	2011	2010
Basic earnings per share:		
Profit for the year	6,570	464
Weighted average number of outstanding common shares (*)	94,690,846	55,177,233
Basic earnings per share - in R\$	0.0694	0.008
Diluted earnings per share:		
Profit for the year	6,570	464
Weighted average number of outstanding common shares (*)	94,690,846	55,177,233
Dilutive effect of stock options	229,880	-
Weighted average number of outstanding common shares (*)	94,920,726	55,177,233
Diluted earnings per share - in R\$	0.0692	0.008

(*) Calculation taking into account the balance of shares actually paid-in throughout the financial years.

15. NET LEASE REVENUE

	Individual		Consolidated	
	2011	2010	2011	2010
Lease revenue	-	-	7,465	2,057
PIS/COFINS on lease revenue	-	-	(255)	(81)
Net lease revenue	-	-	7,210	1,976

16. COSTS AND EXPENSES BY NATURE

	Individual		Consolidated	
	2011	2010	2011	2010
Depreciation	-	-	(1,511)	(479)
Advertising	(221)	(42)	(387)	(50)
Payroll, related taxes and benefits	(2,700)	(249)	(2,700)	(249)
Management compensation	(723)	(234)	(723)	(234)
Consulting and other services	(1,159)	(848)	(1,310)	(849)
General expenses	(625)	(192)	(763)	(193)
Stock options	(243)	-	(243)	-
Other	(83)	(87)	(103)	(142)
	(5,754)	(1,652)	(7,740)	(2,196)
Classified as:				
Cost of leases	-	-	(1,511)	(479)
Selling expenses	(274)	(42)	(701)	(50)
General and administrative expenses	(4,673)	(1,296)	(4,702)	(1,351)
Management compensation	(723)	(234)	(723)	(234)
Other operating expenses, net	(84)	(80)	(103)	(82)
	(5,754)	(1,652)	(7,740)	(2,196)

17. RELATED PARTIES

Related-party balances and transactions are as follows:

	Individual		Consolidated	
	12/31/11	12/31/10	12/31/11	12/31/10
<u>Balance sheets:</u>				
Short-term investments -				
Banco Intermedium (a)	36,259	6,929	45,079	14,975
Banco BMG (b)	-	-	8,803	7,892
Trade accounts payable (c)	-	27	-	29
Due to related parties				
MRV Engenharia e Participações S.A. (d)	105	185	105	185
Land payables (f)				
MRV Engenharia e Participações S.A.	-	778	-	778
MDI Desenvolvimento Imobiliário Ltda.	26,828	59,047	26,828	59,047
	Individual		Consolidated	
	2011	2010	2011	2010
<u>Transactions:</u>				
Income from short-term investments:				
Banco Intermedium (a)	1,486	938	2,468	1,365
Banco BMG (b)	-	-	967	793
Acquisition of services (c)	-	-	1,246	3,299
Provision of administrative services (d)	877	309	877	309
Financial expenses - due to related parties:				
MRV Engenharia e Participações S.A. (e)	935	33	935	33
Land purchases (f)	-	111,877	-	111,877
Land purchases - SPE Cabral (f)	-	-	-	16,013

- (a) Refers to short-term investments in CDBs invested 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, 2011, short-term investments yielded approximately 111.4% of CDI in Individual and 110.4% of CDI on a consolidated basis (at December 31, 2010, 109.0% of CDI in Individual and 107.0% of CDI on a consolidated basis).
- (b) Refers to an investment in CDBs with Banco BMG, which is the controlling shareholder of Agrícola São Gabriel Ltda., a shareholder of SPE Cabral. As at December 31, 2011, this investment yields approximately 106.0% of CDI (106.0% of CDI at December 31, 2010).
- (c) Refers to building and construction management services provided by a company related to the non-controlling shareholders 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.
- (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 project revenue. The agreement is effective for an indefinite period.
- (e) Refers to finance costs arising on the loan agreement entered into by these companies, which bears interest equivalent to CDI + 2.79% per annum for the first half of 2011 and 3.29% per annum for the second half of 2011 (CDI + 3.84% per annum in 2010). The loan was settled in August 2011.
- (f) Refers to payables for land purchased in December 2010.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial instruments

Financial instruments are represented by the balances of: cash, banks, short-term investments, lease receivables, due to related parties, trade accounts payable, debentures, and land payables. All financial instruments held by the Group were recorded as at December 31, 2011 and 2010. 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 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 it 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, borrowings 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, IGPM, the Extended Consumer Price Index (IPCA) 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 2012 ("probable scenario") and the effective rate for 2011, multiplied by the exposed net balance as at December 31, 2011 was used to calculate the financial effect, should the probable scenario had materialized in 2011. 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 2012, respectively.

Exposure to CDI

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

Market expectations, based Central Bank of Brazil inputs at December 31, 2011, indicated an effective mean CDI rate estimated at 10.04% as the probable scenario for 2012, against an effective rate of 11.60% incurred in the twelve-month period ended December 31, 2011.

Exposure to IGPM, IPCA, and TR

The main financial instruments pegged to IGPM, IPCA, and TR 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, 2011, pointed to an estimated IGPM, IPCA and TR of 3.73%, 5.61% and 0.47%, respectively, as the probable scenario or 2012, against effective rates of 5.10%, 6.50% and 1.21% incurred in the twelve-month period ended December 31, 2011.

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

Indicators	Financial asset	Financial liability	Net exposed financial liability	Effective rate for the 12-month period ended 12/31/2011	Estimated annual rate for 2012		Change in effective rate for the relevant scenario	Total estimated effect
<u>Probable scenario:</u>								
CDI	200,180	(247,687)	(47,507)	11.60%	10.04%	(i)	-1.56%	741
IGPM	-	(30,320)	(30,320)	5.10%	3.73%	(ii)	-1.37%	415
IPCA	-	(7,060)	(7,060)	6.50%	5.61%	(iii)	-0.89%	63
TR	-	(3,535)	(3,535)	1.21%	0.47%	(iii)	-0.74%	26
								<u>1,245</u>
<u>Scenario I:</u>								
CDI	200,180	(247,687)	(47,507)	11.60%	12.55%		0.95%	(451)
IGPM	-	(30,320)	(30,320)	5.10%	4.66%		-0.44%	133
IPCA	-	(7,060)	(7,060)	6.50%	7.01%		-0.51%	(36)
TR	-	(3,535)	(3,535)	1.21%	0.59%		-0.62%	22
								<u>(332)</u>
<u>Scenario II:</u>								
CDI	200,180	(247,687)	(47,507)	11.60%	15.06%		3.46%	(1,644)
IGPM	-	(30,320)	(30,320)	5.10%	5.60%		0.50%	(152)
IPCA	-	(7,060)	(7,060)	6.50%	8.42%		1.92%	(136)
TR	-	(3,535)	(3,535)	1.21%	0.71%		-0.50%	18
								<u>(1,914)</u>

(i) Data obtained on the Central Bank of Brazil website.

(ii) Data obtained in the website of the Central Bank of Brazil, Focus Bulletin.

(iii) Data obtained on the BM&FBovespa website.

As required by IFRS 7, Management understands that the estimated annual rates presented in the probable scenarios above reflect the reasonable possible scenario for 2012.

(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 were 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, 2011 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
<u>Individual:</u>					
Floating rates	191,420	29,564	119,616	10,949	351,549
Fixed rates	27,593	1,453	-	-	29,046
Non-interest bearing securities	7,593	-	-	-	7,593
Total	<u>226,606</u>	<u>31,017</u>	<u>119,616</u>	<u>10,949</u>	<u>388,188</u>
<u>Consolidated:</u>					
Floating rates	191,420	29,564	119,616	10,949	351,549
Fixed rates	27,593	1,453	-	-	29,046
Non-interest bearing securities	14,385	-	-	-	14,385
Total	<u>233,398</u>	<u>31,017</u>	<u>119,616</u>	<u>10,949</u>	<u>394,980</u>

(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. COMMITMENTSSPE 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 of December 31, 2011, the amount to be paid-in by the Company is R\$38,340.

21. INSURANCEAssets under construction:

The Company and its subsidiaries have insurance coverage for assets subject to risks in amounts considered by management sufficient to cover potential losses. As at December 31, 2011, insurance coverage obtained for properties under construction is R\$85,242.

Assets in use:

The lessees (Group customers) are responsible for obtaining insurance for the leased properties, the reconstruction amounts calculated at market prices, plus guaranteed income for a twelve-month period, stipulating the Company or any its subsidiaries as sole beneficiary of any compensation. As at December 31, 2011, insurance coverage obtained is R\$43,688 and basically refers to: fire, explosion, windstorm, loss of lease revenue, etc..

22. EVENTS AFTER THE REPORTING PERIOD

In February 2012, the Company changed the corporate name of MRV Logística e Participações S.A. to LOG Commercial Properties e Participações S.A..

23. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's Directors on February 10, 2012.
