

# TERRAFINA INVESTOR PRESENTATION

*FEBRUARY 2014*



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# Terrafina 2013... A story of delivery

## Objectives communicated to the market at IPO<sup>1</sup>

- Acquisitions of 3-4 mm sq.ft. and ≈ \$180 mm
- 1.2 mm sq.ft. of adjacent land for expansions
- Enhance the quality of the portfolio

## Achievements as of 3Q13

- Accretive acquisition of 11mm sq.ft. and \$600 mm
- ≈ 450 k sq.ft. in expansions: adds \$1.9 mm of estimated NOI (N12M)
- Increased occupancy rate and diversification of the portfolio

## Main Results

- **At six months from the date of IPO closed an accretive portfolio acquisition of 84 properties<sup>3</sup> from American Industries – Kimco at a 8.7% cap rate**
- **Increase in NOI ≈\$50 mm ( ≈\$125 mm estimated NOI for 2014) having a diversified tenant base located in growing regions**
- **Increase distributions ≈40% from \$.10 to \$.14 per CBF<sup>2</sup>**

**Our Priority: focus on delivering value added to investors with the execution of our organic and inorganic growth strategy**

(1) IPO on March 19, 2013. (2) Forward Distribution per CBF. (3) The total amount of properties acquired were 85 and 1 was sold in the transaction. Terrafina presents the net number of properties at the end of the transactions.

Past performance is not a guarantee or reliable indicator of future results.

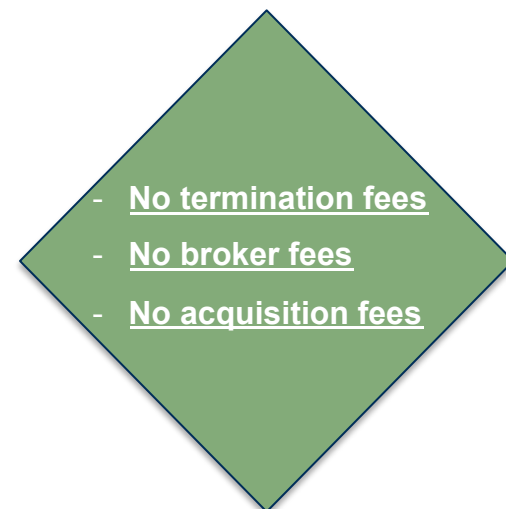
## Investment Highlights

- **Pure Play Industrial Fibra – 96% U.S. Denominated Contracts**
- **Predictable Cash Flows from a Diversified Tenant Base with a Low Rollover**
- **Solid Growth Strategy Focused on a Selective Development Activity and Accretive Acquisitions**
- **Stable and Growing Cash Distributions through a Sound Financial Management**
- **Efficient Operating Structure with a Dedicated and Experienced Internal Management Team and External Advisor**

- Terrafina is a Mexican Real Estate Investment Trust (FIBRA)
  - IPO March 2013 – Listed in the Mexican Stock Exchange (BMV): Terra13
- Main Activities: acquire, own, develop and manage large-scale industrial real estate properties in Mexico
- Investment Focus: accretive acquisitions and development of industrial properties in key markets which have a relevant exposure in manufacturing for exports and logistic and distribution activities
- Most geographically diversified industrial portfolio with presence in all the high growth potential markets

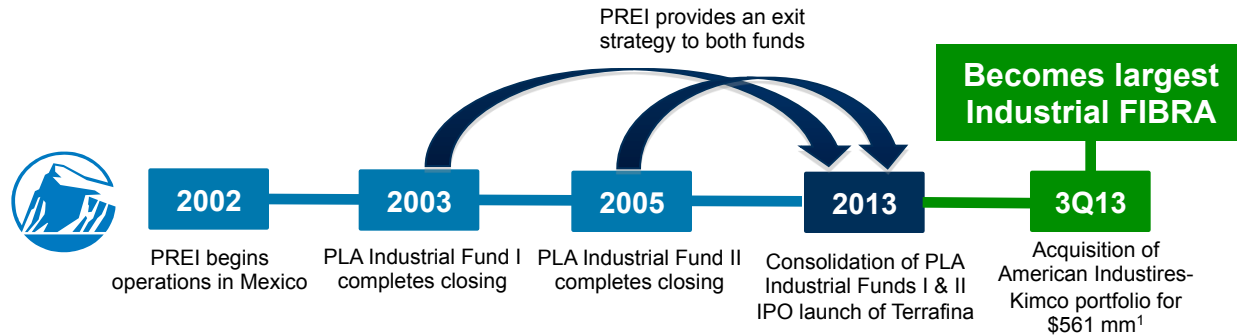


## Transparent Fee Structure



(1) Assets Under Management as of September 30, 2013.  
Past performance is not a guarantee or reliable indicator of future results.

PREI® LATAM has more than 10 years of experience managing funds in the Industrial, Residential, Retail and Mixed Use sectors



## Terrafina's Portfolio Overview

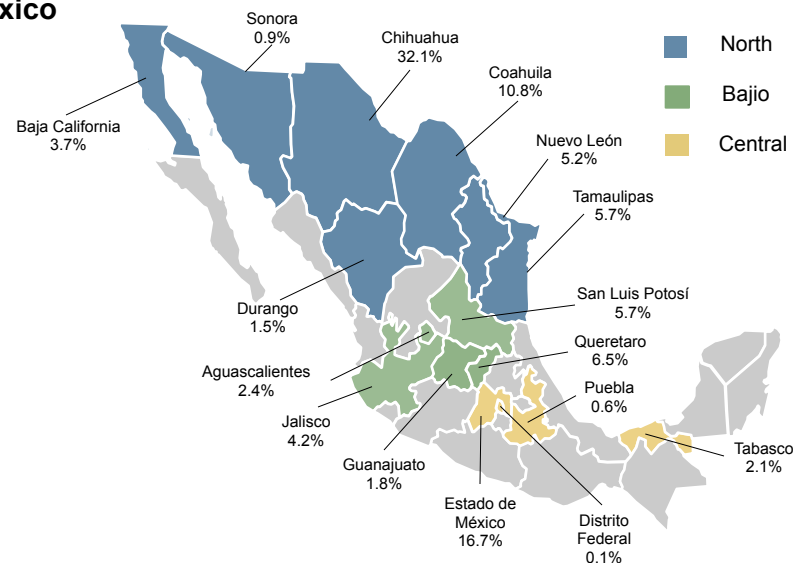
### • Diversified revenue stream located across 16 states in Mexico

- 69% manufacturing / 31% logistics and distribution

### • 96% of leasing contracts are denominated in USD

- Predictable cash flows armored against currency fluctuations
- Triple net leases contracts
- US inflation adjusted contracts
- **Average lease terms ≈ 3 to 5 years for logistic & distribution / ≈ 5 to 7 years for manufacturing**
- Low near term rollover with a high tenant retention
- Average retention ratio of 85%

### % GLA by Region<sup>2</sup>



(1) Terrafina paid \$605 million dollars for the acquisition of 85 properties. Additionally, one property was sold for \$44 million dollars. Net purchase price for the American Industries – Kimco's portfolio totaled \$562 million dollars. (2) Data as of September 30, 2013. North: Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon, Tamaulipas, Durango; Bajío: San Luis Potosi, Jalisco, Aguascalientes, Guanajuato, Queretaro; Central: Estado de Mexico, Distrito Federal, Puebla, Tabasco.

# Portfolio Highlights

- Number of Properties	216
- Total Square Feet	30.7 million
- Number of States	16
- Major Property Type	Manufacturing/Logistics & Distribution
- Remaining Avg. Lease Term	3.2 years
- Occupancy	88.6%
- Avg. Leasing Rate / S.F./yr (dollars)	\$4.77 (up from \$4.67 at IPO)



## Highlights by Region

	North	Bajío	Central
# Buildings	150	39	27
# Tenants	160	38	39
GLA (msf) <sup>1</sup>	18.36	6.32	6
Expansions (msf)	0	0.37	0
Acquisitions (msf)	9.56	1.03	0.02
Land Reserves (msf)	3.72	0.24	3.56
Occupancy Rate	89.0%	81.5%	94.8%
Avg. Leasing Rent / sq.ft. (dollars)	4.62	4.88	5.07

Past performance is not a guarantee or reliable indicator of future results. Data as of September 30, 2013. (1) Million square feet.

North: Baja California, Sonora, Chihuahua, Coahuila, Nuevo Leon, Tamaulipas, Durango; Bajío: San Luis Potosí, Jalisco, Aguascalientes, Guanajuato, Querétaro;

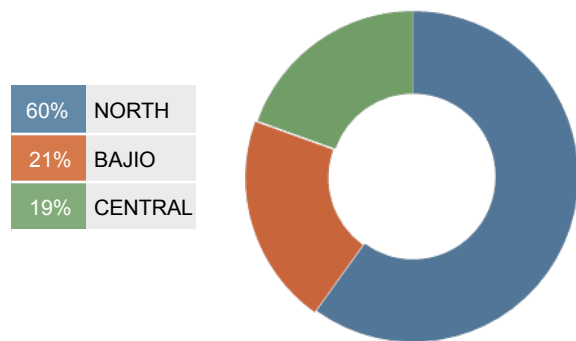
Central: Estado de México, Distrito Federal, Puebla, Tabasco.

Source: Terrafina.

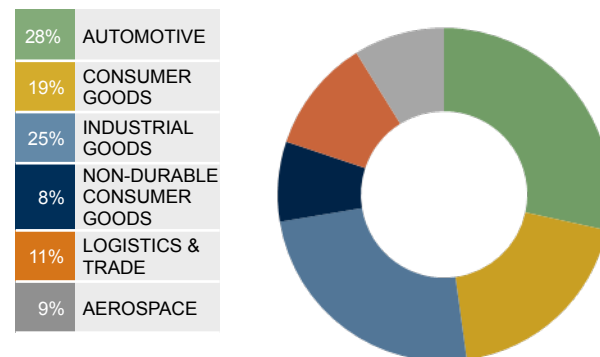
# Portfolio Diversification

## Terrafina's portfolio is well diversified by geography and industry

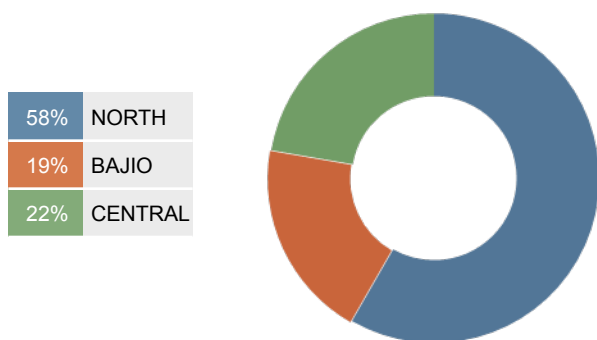
**Geographic Diversification by Region**  
(% GLA)



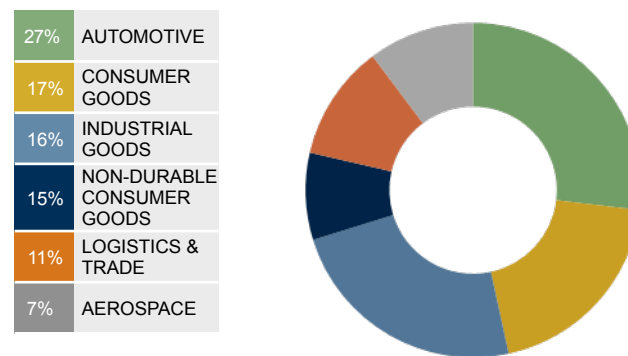
**Diversification by Industry (%GLA)**



**Rental Revenue by Region**



**Rental Revenue by Industry**



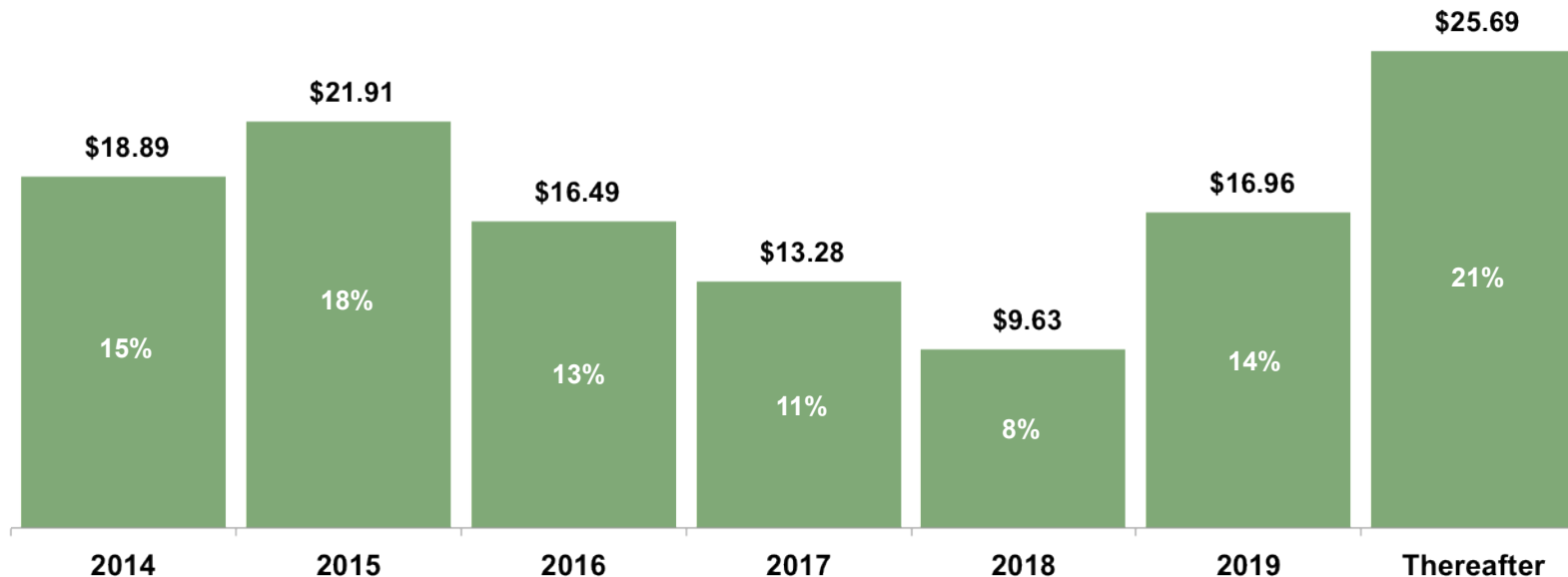
Note: Considered as % of total leasable area. Data as of September 30, 2013.

Cities in North: Ramos Arizpe, Saltillo, Monterrey, Casas Grandes, Hermosillo, Durango, Chihuahua, Delicias, Torreon, G. Palacio, Monclova, Tijuana, Ciudad Juarez, Cd. Acuña, Nuevo Laredo, Reynosa, Matamoros; Bajío: Queretaro, Celaya, Silao, Guadalajara, Aguascalientes, San Luis Potosi; Central: Region Huehuetoca, Toluca, Cuautitlan Izcalli, Puebla, Villahermosa, Mexico D.F. Source: Terrafina.



## Leasing Maturities Schedule

### Predictable cash flows from low rollover



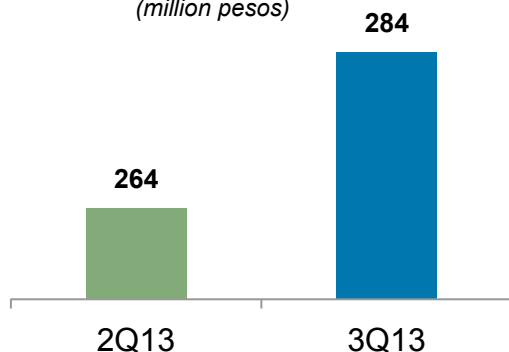
- Stable rollover with a high retention rate historically
- Solid track record of renewals in high rollover years

# Financial Overview – Terrafina's Main Figures

## Sound results from a well executed strategy

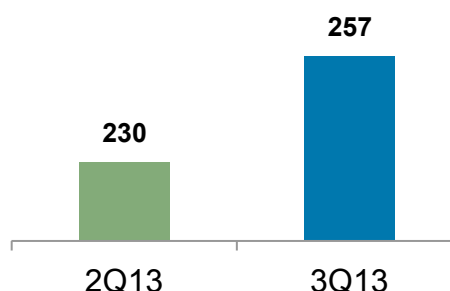
### Revenues

(million pesos)



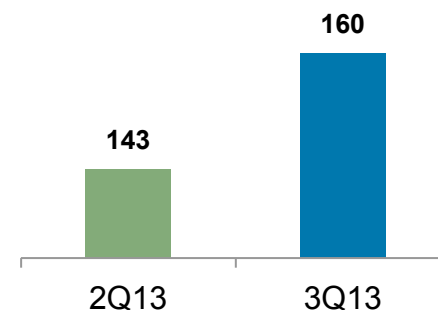
### Net Operating Income

(million pesos)



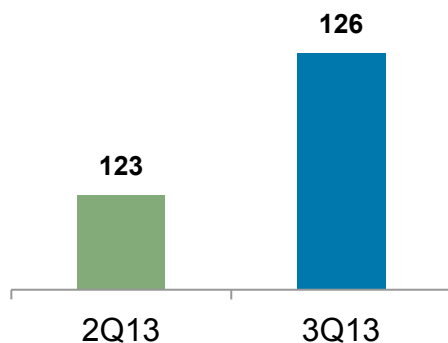
### EBITDA

(million pesos)



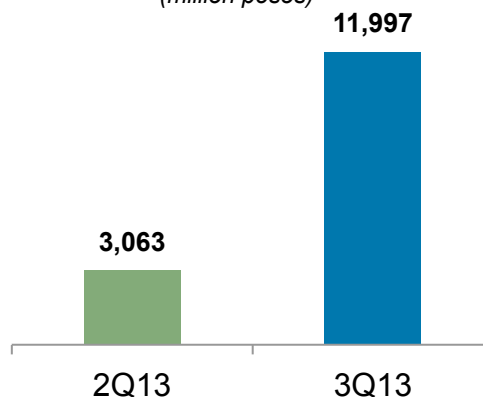
### Distributions

(million pesos)

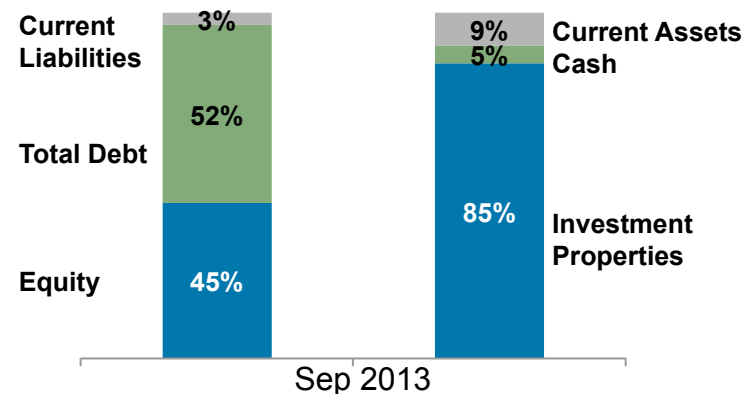


### Total Debt

(million pesos)



### Capital Structure



# Growth Strategy

## Organic

- Increase occupancy rates ( $\approx 91\%$  in 2014e)
- Grow  $\approx 400$  k sq.ft. development expansions in the next twelve months
  - Estimated development yields of  $\approx 12\%$
  - No acquisition costs for the land / owns the adjacent land for the development
  - Expected additional NOI of over \$1.5 mm from inflation adjustments in leasing contracts



## Acquisitions

- Consolidation opportunities continue to be present in the market
- Identified potential acquisitions in the pipeline
  - Selective assets in different regions
  - Accretive acquisitions
  - Acquisitions in a range of \$200 mm

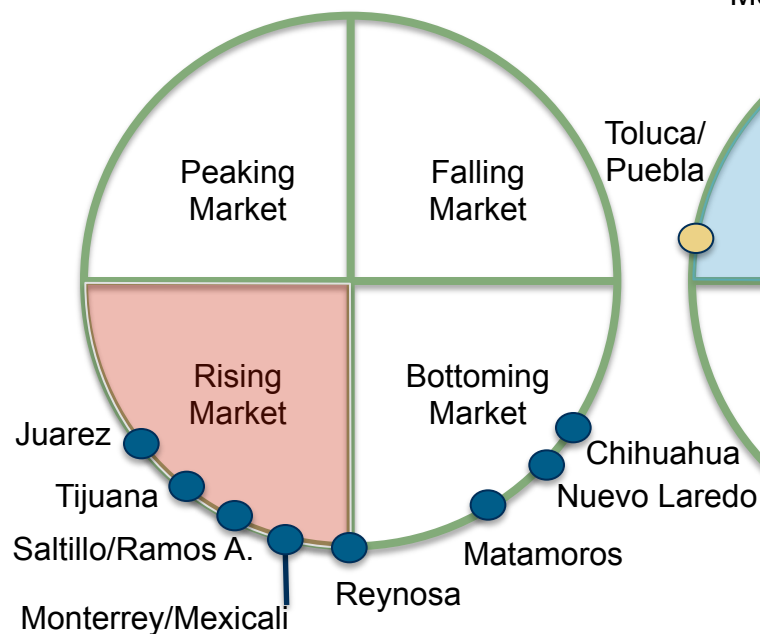
## New Developments

- Capabilities to continue developing BTS properties
- Maintain a low exposure to the development of speculative buildings
- Continue expanding relationships with existing tenants

# Snapshots by Region

## Activity Thermometer

### North



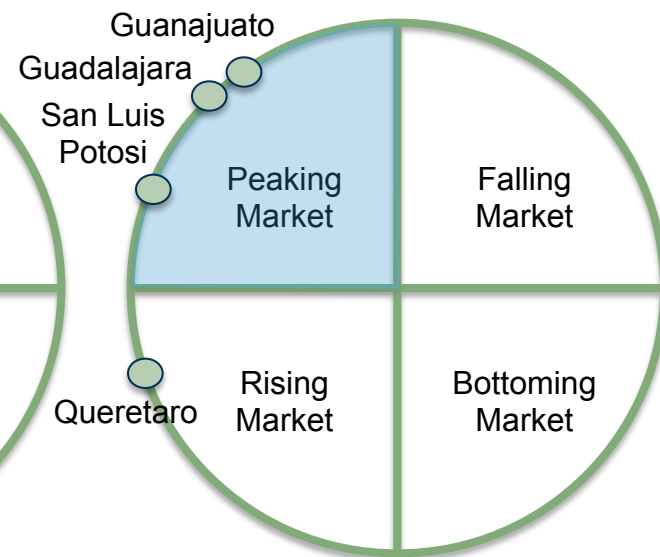
Consolidation opportunities in Rising Markets

### Central



Select development and acquisition opportunities in Peaking Markets

### Bajio



**Terrafina growth strategy follows development and acquisition opportunities based on a complete market analysis**

# Execution of our Strategy

## Sources of Cash

- Cash position of \$50 mm
- Expect \$20 mm of Net VAT recovery in the second half of 2014
- Capital Recycling Strategy of  $\approx$  \$150 mm to \$180 mm expected to materialize in 2014

## Financing Options

- Creative structures to fund operations
  - Joint-ventures for the development of BTS properties
  - Share-based payment arrangements

**Terrafina will not pursue a follow-on in the short term**

# Valuation

## Net Asset Value

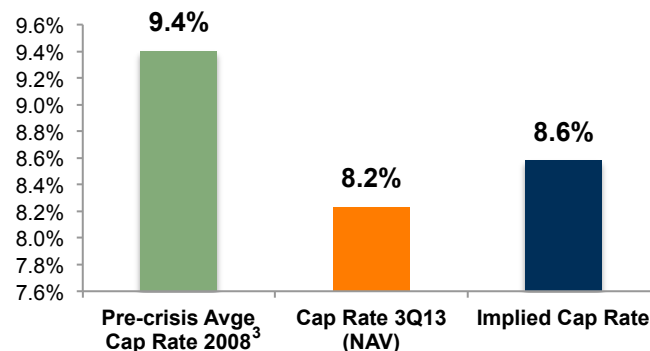
NAV	
(+)Investment Properties	1,522.5
(+)Land	81.5
(+)Cash <sup>1</sup>	46.5
(-)Total Debt	-871.0
<b>NAV</b>	<b>779.6</b>
Outstanding CBFIs	381.0
<b>NAV per CBFI (dollars)</b>	<b>2.0</b>
<b>NAV per CBFI (pesos)</b>	<b>26.6</b>
CBFI Closing Price <sup>2</sup>	23.06
Discount to NAV	-13.4%

Cap Rate Calculation with NAV results	
Average Share Price (USD\$) <sup>1</sup>	2.0
(x) CBFIs (million shares)	381.0
<b>(=) Market Cap</b>	<b>779.6</b>
(+) Total Debt	871.0
(-) Cash <sup>1</sup>	-50.1
<b>(=) Enterprise Value</b>	<b>1,600.5</b>
(-) Landbank	-81.5
<b>(=) Implied Operating Real Estate Value</b>	<b>1,519.0</b>
<b>2014e NOI</b>	<b>125.0</b>
<b>Implied Cap Rate</b>	<b>8.2%</b>

## Implied Cap Rate Calculation

Implied Cap Rate	
Average Share Price (USD\$) <sup>1</sup>	1.87
(x) CBFIs (million shares)	381.0
<b>(=) Market Cap</b>	<b>713.9</b>
(+) Total Debt	871
(-) Cash <sup>2</sup>	-46.5
<b>(=) Enterprise Value</b>	<b>1,538</b>
(-) Landbank	-81.5
<b>(=) Implied Operating Real Estate Value</b>	<b>1,457</b>
<b>2014e NOI</b>	<b>125</b>
<b>Implied Cap Rate</b>	<b>8.6%</b>

## Cap Rates Contrast



NAV Data as of September 30, 2013. FX as of September 30, 2013: Ps.13.0119

(1) Equals to cash and cash equivalents (\$94.3 mm) minus accounts payable and other liabilities (\$47.7mm) as of September 30, 2013

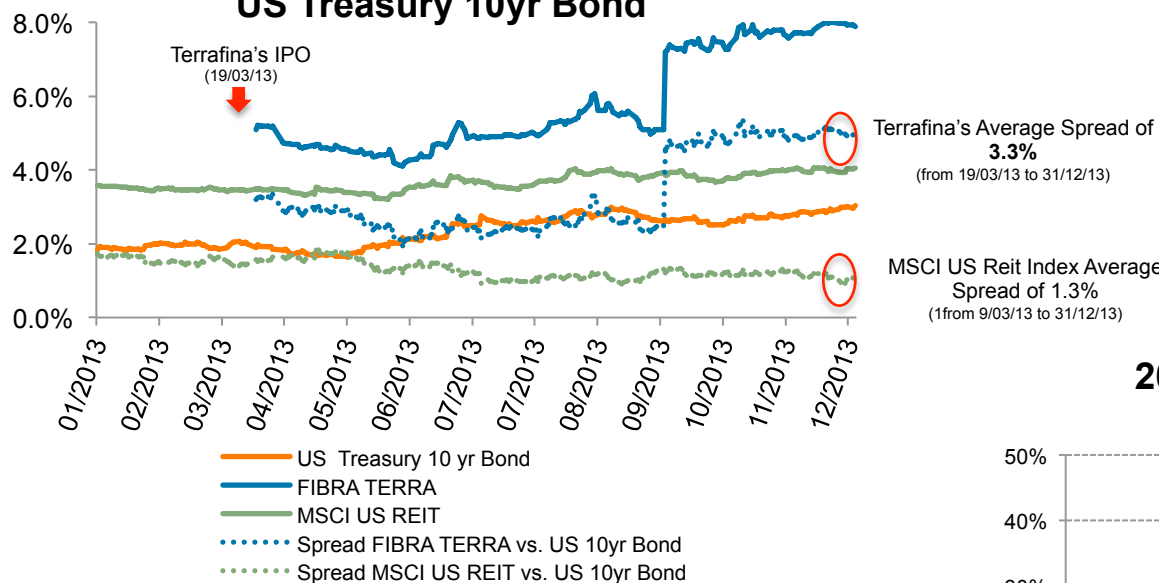
(2) Closing price and FX rate as of January 30, 2014. (3) Colliers International – Appraisal & Consulting Division; 4Q08 Mexico's cap rate market data analysis.

Source: Company's Financial Statements.

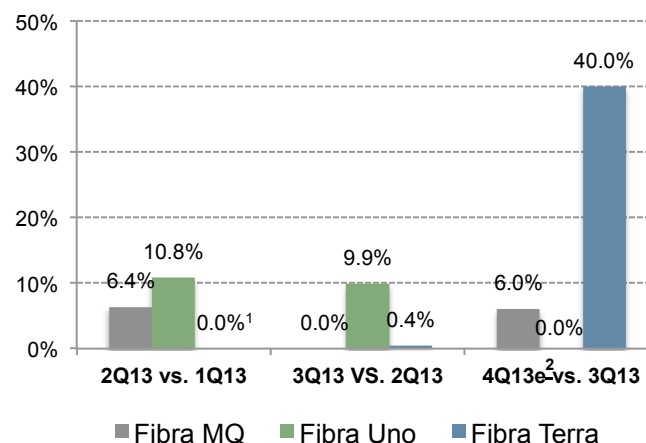
# Profitability to our Investors

**Attractive dividend yield and higher distributions payout compared to other industrial Fibras**

## Forward Dividend Yield Trend Terrafrina and MSCI US Reit Index vs. US Treasury 10yr Bond



## 2013 Distributions Growth Industrial Fibras



(1) Terrafrina's 1Q13 distributions were adjusted for comparison purposes with other Fibras: Terrafrina's 1Q13 DPS of Ps. .0430 was divided by 11 days of operations (since IPO to end of March) and multiplied by the number of days for the first quarter. (2) Fibra Uno's 4Q13 distribution payment is estimated based on third quarter distribution; Fibra Macquarie's distribution guidance was obtained from company's 1Q13 earnings report information (Ps.1.80 - Ps.2.00 for 2013 distribution); Terrafrina's estimate of ≈ \$.10 or ≈ Ps.1.22 distribution for the year.

## Financial Performance

<b>Financial Highlights</b> (million pesos)	<b>3Q13</b>	<b>2Q13</b>
Rental Revenues	284	250
Net Operating Income (NOI)	257	230
Operating Income (OI)	308	69
EBITDA	160	143
Funds from Operation (FFO)	114	123
Net Income	113	38
Distribution	126	123
Cash	1,226	205
Investment Properties	20,872	13,220
Total Debt	11,997	3,063
Net Debt	10,745	2,831
Investment Properties	20,872	13,220

### Outstanding Debt<sup>1</sup>

<b>Credit Entity</b>	<b>Currency</b>	<b>Amount</b> (million pesos)	<b>Amount</b> (million dollars)	<b>Interest rate</b>	<b>Terms</b>	<b>Maturity</b>	<b>Extension Option</b>
<b>Short Term Debt</b>							
HSBC	Pesos	743	57	TIIE + 2.60%	Interest + Principal	Mar 2015	-
<b>Long Term Debt</b>							
Citibank <sup>2</sup>	USD	6,460	500	Libor + 3.50%	Interest Only	Mar 2016	-
Banorte	USD	515	39.5	Libor + 3.30%	Interest + Principal	May 2016	-
GEREM <sup>3</sup>	USD	3,658	283	Libor + 3.50%	Interest + Principal	Sep 2018	Sep 2020
HSBC	USD	622	48	Libor + 3.50%	Interest + Principal	Sep 2018	Sep 2020
<b>Total Debt</b>		<b>Ps.11,997 mm</b>	<b>\$928 mm</b>				
<b>Average Cost of LT Debt</b>		<b>3.5%</b>					

Numbers can vary due to rounding. (1) Outstanding debt as of September 30, 2013.  
 (2) Syndicated loan facility with six banks (3) Syndicated loan facility with four banks.  
 Past performance is not a guarantee or reliable indicator of future results.

Source: Terrafina



## Investment Highlights

- **Pure Play Industrial Fibra – 96% U.S. Denominated Contracts**
- **Predictable Cash Flows from a Diversified Tenant Base with a Low Rollover**
- **Solid Growth Strategy Focused on a Selective Development Activity and Accretive Acquisitions**
- **Stable and Growing Cash Distributions through a Sound Financial Management**
- **Efficient Operating Structure with a Dedicated and Experienced Internal Management Team and External Advisor**

## CONTENTS

### Global Knowledge



### Regional Experience



### Local Execution



- **Appendix**



## APPENDIX 1. BOARD OF DIRECTORS

**Alberto  
Chretin<sup>1</sup>**

- Former Minister of Economy for the state of Chihuahua
- 15 years of experience at nationally recognized industrial real estate companies

**Alfonso  
Munk**

- Managing Director of PREI and Head of PREI Latin America
- Former Morgan Stanley head of real estate investing activities for Southern Europe and South America

### Independent Members (71%)

**Eduardo  
Solis**

- President of the Mexican Association of the Automotive Industry
- Former Head of Promotion of Investment at the Ministry of Economy and Chief Trade Negotiator in Mexico

**Victor D.  
Almeida**

- Chairman and CEO of Interceramic, a leading tile manufacturer in Mexico
- Over 30 years of corporate experience in Latin America

**Arturo D' Acosta  
Ruiz**

- Executive Director of Alvarez & Marsal, Mexico
- Broad experience in financial consulting, and specializing in M&A, restructurings and financing




**José Luis  
Barraza**

- Former President of Grupo Aeromexico, S.A.B. de C.V.
- Over 30 years of experience in international trading and industrial promotion and development

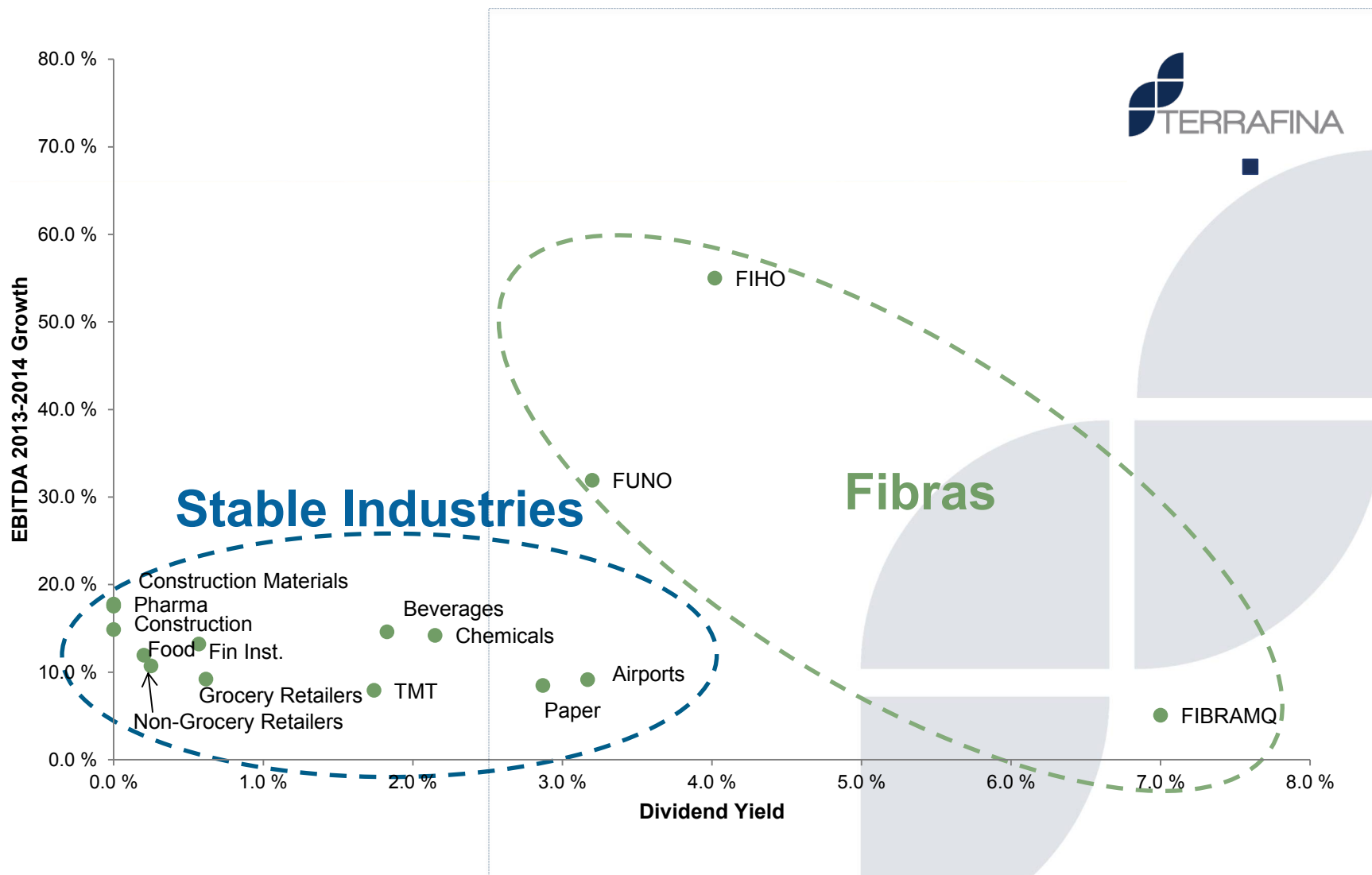
**Edmundo M.  
Vallejo**

- Professor of Corporate Politics at IPADE Business School in Mexico
- Former President & CEO of GE Capital Mexico / Latin America

## APPENDIX 2. FIBRA FEE STRUCTURE COMPARISON WITH PEERS

													
Asset Management Fee	<ul style="list-style-type: none"><li>○ 50bps of undepreciated book value of real estate; fee increased by Mexican CPI annually</li><li>○ Paid quarterly</li></ul>	<ul style="list-style-type: none"><li>○ 50bps of undepreciated book value of assets less debt</li><li>○ Paid quarterly</li></ul>	<ul style="list-style-type: none"><li>○ Base fee of 1.0% of market capitalization</li><li>○ Paid semiannually</li></ul>										
Incentive Fee	<table><tr><td>Hurdle Rate</td><td>○ 9%</td></tr><tr><td>High Watermark</td><td>○ Yes</td></tr><tr><td>Fee</td><td>○ 10% paid in stock</td></tr><tr><td>Frequency</td><td>○ Annually</td></tr><tr><td>Lock-up</td><td>○ 6 months</td></tr></table>	Hurdle Rate	○ 9%	High Watermark	○ Yes	Fee	○ 10% paid in stock	Frequency	○ Annually	Lock-up	○ 6 months	<ul style="list-style-type: none"><li>○ None</li></ul>	<ul style="list-style-type: none"><li>○ 5%, plus inflation adjustment</li><li>○ Yes</li><li>○ 10% paid in stock</li><li>○ Every 2 years</li><li>○ 1 year</li></ul>
Hurdle Rate	○ 9%												
High Watermark	○ Yes												
Fee	○ 10% paid in stock												
Frequency	○ Annually												
Lock-up	○ 6 months												
Property Management and Leasing Fee	<ul style="list-style-type: none"><li>○ None</li><li>○ Third party providers at market rates.</li><li>○ Currently at 1.5% to 3.0% of rental income</li></ul>	<ul style="list-style-type: none"><li>○ Property Management: 1.0% of lease payments actually received under leases for the previous month</li><li>○ Leasing Fees: 2.0% of all lease payments actually received under leases for the previous month<ul style="list-style-type: none"><li>– Paid monthly</li></ul></li></ul>	<ul style="list-style-type: none"><li>○ 4.0% of rental income<ul style="list-style-type: none"><li>– 3.0% for general management</li><li>– 1.0% for accounting</li></ul></li></ul>										
Acquisition Fee and Other Fees	<ul style="list-style-type: none"><li>○ None</li></ul>	<ul style="list-style-type: none"><li>○ 3.0% of property value</li></ul>	<ul style="list-style-type: none"><li>○ One time founder's grant<ul style="list-style-type: none"><li>– 1.5% of aggregate acquisition price of initial portfolio</li></ul></li></ul>										

## APPENDIX 3. BENCHMARKING: EBITDA GROWTH / DIVIDEND YIELD



Source: Company Filings as of September 30, 2013

