



## TERRAFINA COMMENTS ON CHANGES TO FIBRA REGULATIONS

Mexico City, June 19, 2014 - Terrafina ("Terrafina" or "the Company") (BMV: TERRA13), a leading Mexican industrial real estate investment trust ("FIBRA"), externally advised by Pramerica Real Estate Investors and dedicated to the acquisition, development, lease and management of industrial real estate properties in Mexico, today commented on the regulatory modifications applicable to FIBRAS made by the National Securities and Banking Commission (CNBV). As a result of these changes, the industry is expected to strengthen as a whole, with better corporate governance practices and the availability of information to investors to aid in their decision-making process.

The new regulations consider the following changes:

### **Leverage – Limit of 50% (total debt / total assets)**

Since its inception, Terrafina has maintained strict debt level controls, establishing maximum leverage at 50%. However, during the second quarter of 2013, Terrafina requested approval from its Technical Committee members (whose majority is independent) to raise leverage levels to 54% in order to acquire the American Industries – Kimco portfolio. The additional 4% leverage was approved by the Technical Committee; the results of such transaction have been reflected in the solid results achieved by Terrafina since day one post closing the acquisition.

Some of the main improvements included<sup>1</sup>:

- 56% increase in portfolio's Gross Leasable Area (GLA);
- 73% increase in Net Operating Income (NOI); and
- 56% increase in distributions per CBF from operations.

These improvements are aligned with the Company's strategy of participating in transactions that add and maximize shareholders' value.

As per the results reported March 31, 2014, and based on the new regulation (total debt / total assets), Terrafina's leverage levels is currently at 52%, which will be reduced below 50% levels as a result of the VAT reimbursement generated from the American Industries – Kimco acquisition.

As of today, the Company has already recovered various VAT tranches from the tax authorities; however, most of this amount will be recovered during the second half of 2014.

Additionally, it is important to mention that the Technical Committee approved the corrective action plan based on the VAT reimbursement to reduce Terrafina's current leverage levels to below 50%.

### **Debt Service Coverage Ratio (DSCR) – Minimum 1.0x**

The DSCR provides key information to the market related to the repayment capacity, which considers debt obligations (interest and principal payments) and projected capital expenditures for the next six quarters considering available liquidity (liquid assets, recoverable VAT, operating profit for the next six quarters after projected distribution payments and unused available credit lines).

(1) Accumulated growth from 1Q13 to 1Q14



Current DSCR based on financial results as of March 31, 2014 and Terrafina's next six quarters projections is 1.5x, which exceeds the minimum limit enforced by the authorities.

**Corporate Governance – Increase Transparency**

In connection with the corporate governance improvements, the new regulation aims to promote added transparency with better mechanisms within the Technical Committees of the various FIBRAS. For Terrafina, this change has no effect whatsoever, as its corporate governance standards have, since the Company's inception, always followed the highest standards that already included what has been established under the new regulations.

To access the full document of the regulatory modifications that applies to the FIBRAS, please visit the following link:

[http://www.dof.gob.mx/nota\\_detalle.php?codigo=5348875&fecha=17/06/2014](http://www.dof.gob.mx/nota_detalle.php?codigo=5348875&fecha=17/06/2014)



## About Terrafina

Terrafina (BMV:TERRA13) is a Mexican real estate investment trust formed primarily to acquire, develop, lease and manage industrial real estate properties in Mexico. Terrafina's portfolio consists of attractive, strategically located warehouses and other light manufacturing properties throughout the central, Bajio and northern regions of Mexico. It is internally managed by highly qualified industry specialists, and externally advised by Pramerica Real Estate Investors Latin America.

Terrafina owns 230 real estate properties, including 217 developed industrial facilities with a collective GLA of approximately 31 million square feet and 13 land reserve parcels, designed to preserve the organic growth capability of the portfolio.

Terrafina's objective is to provide attractive risk-adjusted returns for the holders of its certificates through stable distributions and capital appreciations. Terrafina aims to achieve this objective through a successful performance of its industrial real estate and complementary properties, strategic acquisitions, access to a high level of institutional support, and to its management and corporate governance structure. For more information, please visit [www.terrafinamx](http://www.terrafinamx)

## About Pramerica Real Estate Investors

Pramerica Real Estate Investors is a leader in the global real estate investment management business, offering a broad range of investment vehicles that invest in private and public market opportunities in the United States, Europe, the Middle East, Asia, Australia and Latin America. Headquartered in Madison, N.J., the company also has offices in Atlanta, Chicago, Miami, New York, San Francisco, Frankfurt, Lisbon, London, Luxembourg, Munich, Paris, Abu Dhabi, Mexico City, Sao Paulo, Beijing, Hong Kong, Seoul, Singapore, Sydney and Tokyo. In addition, the company has representatives in Milan. Pramerica Real Estate Investors has gross assets under management of USD \$55.7 billion (\$41.0 billion net assets), as of December 31, 2013. For more information, please visit [www.pramericarei.com](http://www.pramericarei.com)

## About Pramerica Financial

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## Note to Investors

Our CBFIs may not be offered or sold to any person in the United Kingdom, other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom. For further details about eligible offerees and transfer restrictions, see the section “Transfer Restrictions” referenced in the Offering Memorandum of Terrafina.