VESTA

INNOVATING MEXICO'S INDUSTRIAL PLATFORM

2018 ANNUAL REPORT

CONTENTS

04 Data highlights

06 In the words of our Chief Executive Officer

10 We are Vesta

30 Strategy

52 Potential

62 Cooperation

112 Commitment

148 About this report

152 GRI Content Index

176 Financial Information

«Our operations this past year were more solid than they've ever been. We aspire, as always, to offer our clients, and our country, a proposition of innovation and industrial platform development, and to work for the well-being of all of Mexico.»

Lorenzo Dominique Berho Carranza
CHIEF EXECUTIVE OFFICER

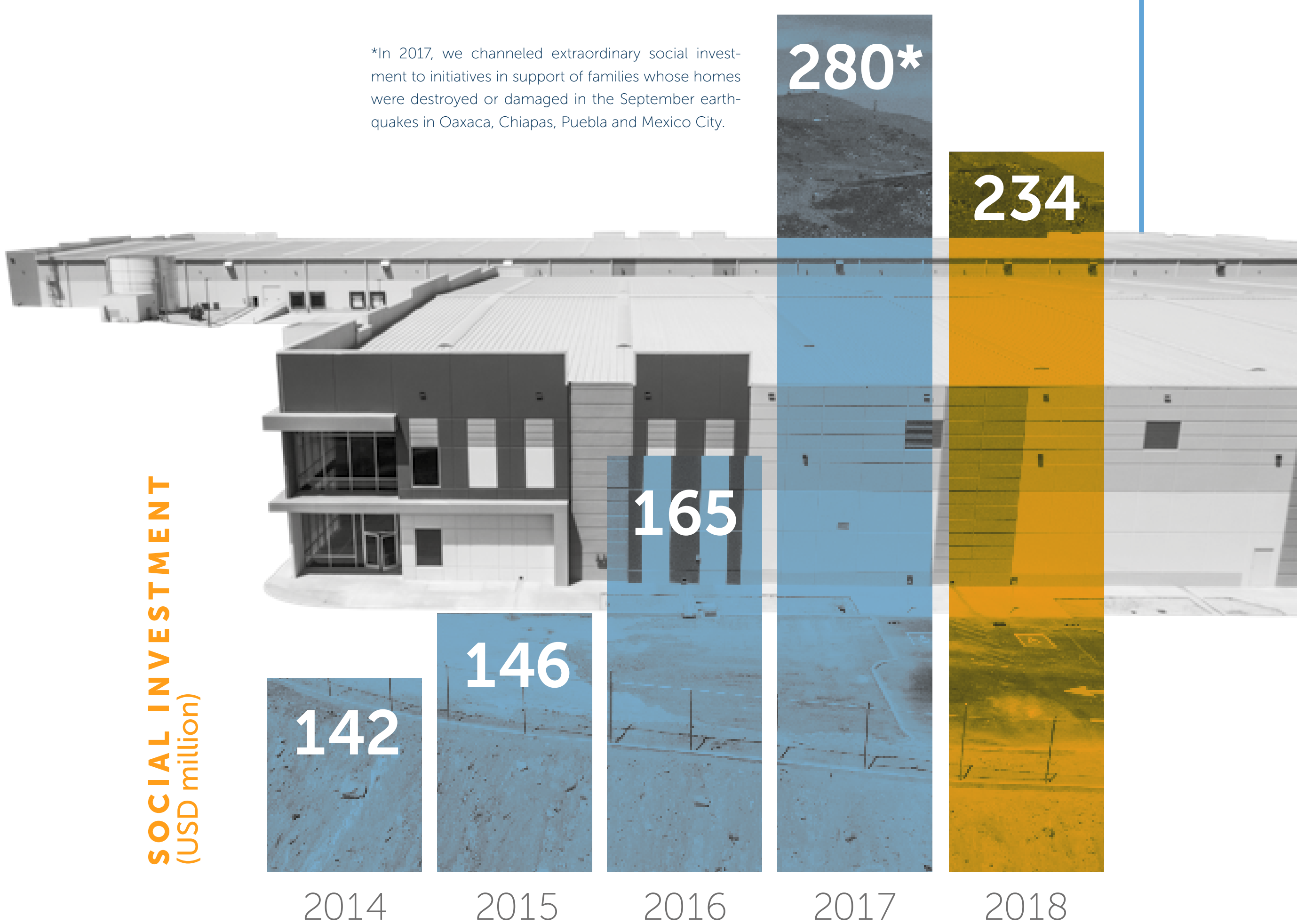
DATA HIGHLIGHTS

FINANCIAL

29.9 million
square feet of
Gross Leasable Area (GLA)

USD $128 million
in Net Operating Income (NOI)

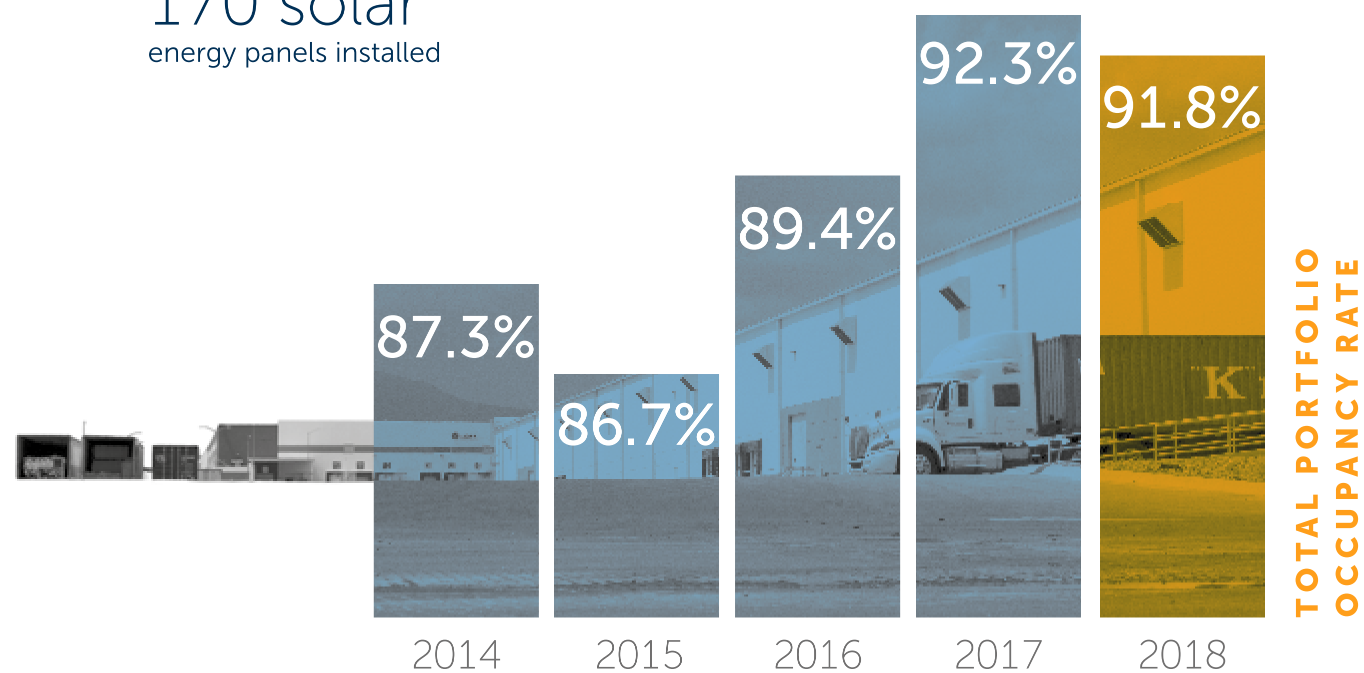
*In 2017, we channeled extraordinary social investment to initiatives in support of families whose homes were destroyed or damaged in the September earthquakes in Oaxaca, Chiapas, Puebla and Mexico City.



ENVIRONMENTAL

2.3 million
square feet of LEED-certified GLA

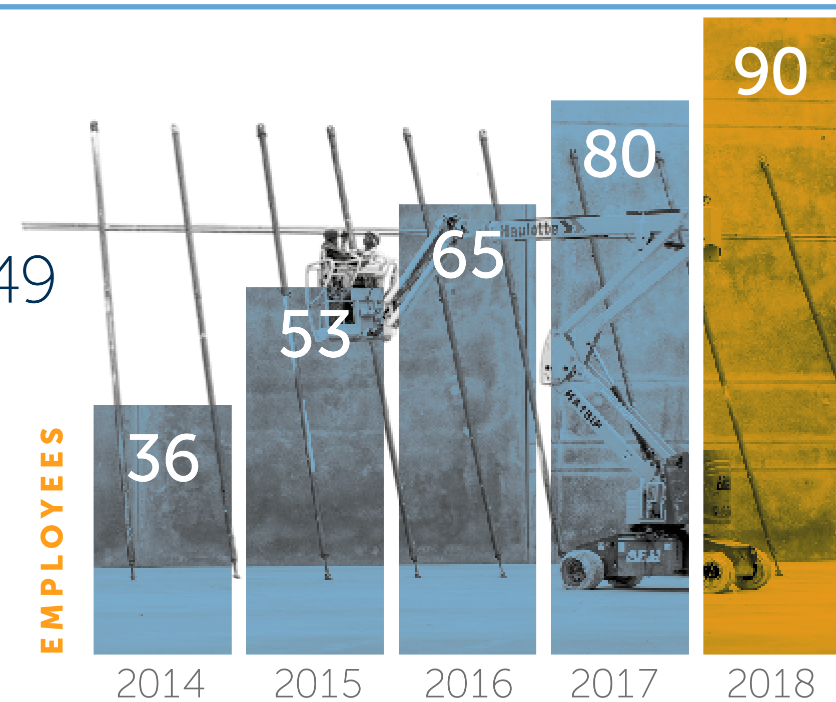
170 solar
energy panels installed



SOCIAL

36 hours
average training per
employee

USD $234,049
invested in social projects



IN THE WORDS OF
OUR CHIEF EXECUTIVE OFFICER

102-14

2018 was a year of celebration and transformation for Vesta. We marked our 20th year as an organization, looking back on two decades of growth, success and the collaboration of a great team; we made organizational changes in our senior management, and met significant targets in our performance.

Our operations this past year were more solid than they've ever been: we saw robust activity in leasing and renewals; rented more than 3.9 million square feet of space, with a record occupancy of 98.2% in comparable terms, and grew our portfolio by more than 2.9 million square feet, to a total of 29.9 million square feet of total gross leasable area. All of this brings us much closer to our target of doubling the size of our property portfolio, set in our Vesta Vision 20/20 strategic plan.

We marked our 20th year as an organization, looking back on two decades of growth, success and the collaboration of a great team.

Our revenues in 2018 exceeded the 20% growth that marked the high end of our guidance range, coming in at 21.2%. We also surpassed our guidance on net operating income (NOI) margin-targeted at 95%, with a real margin of 96.3%, and EBITDA margin, which was 85.1% versus our guidance of 83%.

To bolster our company's growth while applying the best corporate governance practices followed by major corporations around the world, in August I took the helm at Vesta as Chief Executive Officer. Mindful of the honor and responsibility of this position, I am committed to further strengthening our corporate culture, continuing the impeccable execution of our strategic Vesta Vision 20/20 plan, and maintaining this pace of growth beyond 2020. Based on the solidity of our actions in the past, I am confident we can continue to adapt to trends in modern organizations.

We aspire, as always, to offer our clients, and our country, a proposition of innovation and industrial platform development, and to work for the well-being of all of Mexico.

Inspired by this spirit of innovation, we have created a subsidiary called EnerVesta to provide world-class energy services to our clients, not only facilitating their supply but also helping them to monitor and control their consumption. This service will begin operating at our emblematic Vesta Park Querétaro, which opened this year, and which will also be the first site of a new constructed wetland system for wastewater treatment. This system uses new technologies to ensure the highest quality possible in the wastewater treated in our parks.

Our commitment to our clients and to the country extends to our social actions as well, which last year were fortified by strategic actions focused on community impact; in environmental matters, on improving stewardship of the resources we use; and in general, on aligning these actions with the company's business.

We expanded social responsibility programs to all the regions where we operate, with 15 projects and 400 participating volunteers, benefiting more than 2,250 children and around 1,000 teachers. To boost the reach of these programs we forged alliances with strategic partners who contributed an additional 1.3 million pesos to these projects.

We also conducted our first sustainability diagnosis of Vesta processes, operations, and offices, and received a number of distinctions for our Corporate Social Responsibility Efforts: we improved our performance ratings from GRESB, Ecovadis and CDP; we were once again included in the Mexican Stock Exchange's Sustainability Index of Mexico's 30 corporate sustainability leaders; we were ranked third among Expansión magazine's Responsible Companies and we obtained certification from the World Confederation of Businesses. We also reiterated our commitment to the ten principles of the United Nations Global Compact, which we originally signed in 2011.

Our primary focus continues to be satisfying our clients, and thanks to measures implemented by our team of employees, this past year customer surveys revealed a satisfaction rate of 90%, up from 63% the year before.

To serve clients more closely and promptly, and to improve our internal processes, we introduced a new computer system that will provide the foundations for exponential organizational growth. We hired 16 new employees who will support us in growing our portfolio and meeting future development needs, while better meeting our clients' needs. Finally, to ensure that our team is performing at peak efficiency, we completed our first 360º employee evaluation.

We celebrated our 20th anniversary in the company of our employees and investors, and marked the occasion with the publication of a book entitled Innovating Mexico's Industrial Platform: Smart Parks For Industry 4.0. The book chronicles the country's evolution across several industrial revolutions, up to this moment in time: the fourth industrial revolution, now thriving in our industrial facilities, through the operations of clients who use state-of-the-art technologies.

The book also presents our own proposal on Smart Parks, where we are working for the future. In addition to a luxury hardbound edition, the book is available in English and Spanish on Kindle, to spread our message more widely and invite industry, academe and government to join in the efforts to make Mexico the Latin American leader of this fourth industrial revolution.

Throughout these years, we have always been distinguished by our ability to remain close to our clients in a friendly and efficient manner. In the future, we will continue to work to retain our human sensibility while steadily improving our efficiency.

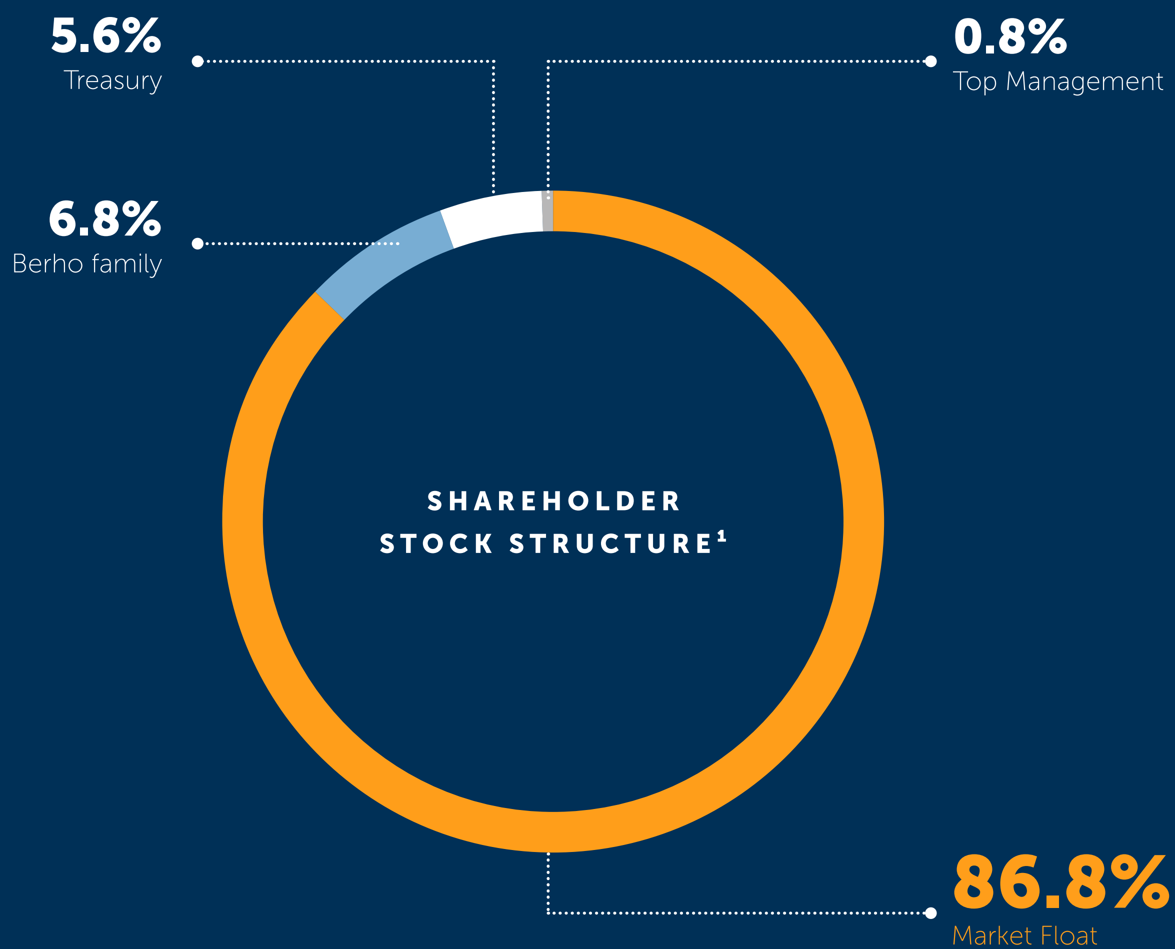
In 2019, I pledge to remain clearly focused on the Vesta Vision20/20 plan, while making decisions cautiously, analyzing opportunities in new and existing markets. I am very proud to be working alongside a team with the experience and strength we need to continue growing, and to remain leaders in the market.

Lorenzo Dominique Berho Carranza
CHIEF EXECUTIVE OFFICER

WE ARE VESTA

102-16

Our company offers industrial real estate developments that are home to a great number of first-class multinational firms with operations in Mexico. Through these strategic locations we provide a secure and profitable platform to power our clients' growth.



MISSION

To maintain excellence in industrial real estate development, through an enterprising team that generates efficient, sustainable real estate solutions.

VISION

To develop sustainable industrial real estate, dedicated to the progress of humanity.

[1] Outstanding shares do not include Treasury stock, which amounted to 35 million shares as of December 2018. Ownership of the Berho family and company executives is stated as of March 30, 2019.

[1] As of March 13, 2019 General Ordinary Shareholders' Meeting

PRODUCTS

102-2

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We have parks and industrial buildings for light manufacturing and logistics, which meet our clients' needs.

Our real estate developments consist of spaces designed and built for all kinds of industries, for standard or specialized use, and have logistical features to make it easier for clients to connect with their supply chain.

All our real estate developments are located in Mexico's fastest-growing industrial regions, further supporting our clients' growth.

INDUSTRIAL PARKS AND MULTI-TENANT BUILDINGS

Designed for more fluid traffic within the parks and built under standard industry specifications, ideal for manufacturing and logistics industries, these can be shared by two or more tenants.

PARK TO SUIT® PROPERTIES

Ideal for the aerospace, automotive, logistics and electronics industries. Designed and built to suit the needs of our clients in two ways: as clusters, where members of a supply chain can be grouped, or as a vendor park for companies in the same industry that supply one assembly firm.

BUILT TO SUIT® PROPERTIES

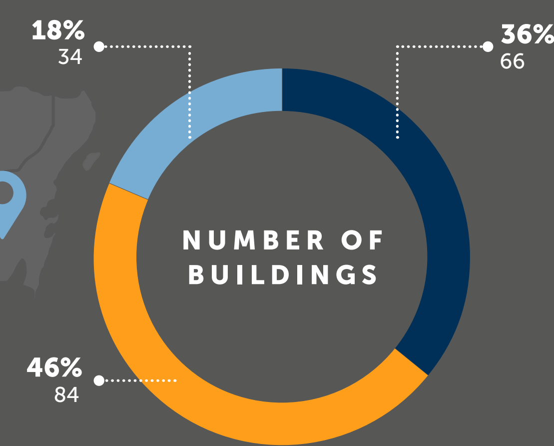
We are active in the building design process, contributing suggestions aligned with best international practices and eco-efficiency trends in the industry, to create facilities appropriate to the specific needs of each client.

PRESENCE

102-4, 102-6

Our facilities are strategically distributed throughout much of Mexico's territory. We divide our operations into three regions: North, Bajío and Central, where we have 29.9 million square feet of GLA* distributed in 184 industrial buildings and five properties under development.

*Gross Leasable Area



NORTH

BAJA CALIFORNIA
CHIHUAHUA
SINALOA
TAMAULIPAS

GLA
8,416,471
square feet

66 BUILDINGS

2 BUILDINGS under development

61 CLIENTS

53.62 ACRES of land bank

BAJÍO

AGUASCALIENTES
GUANAJUATO
JALISCO
QUERETARO
SAN LUIS POTOSI

GLA
15,370,126
square feet

84 BUILDINGS

3 BUILDINGS under development

77 CLIENTS

778.15 ACRES of land bank

CENTRAL

ESTADO DE MEXICO
PUEBLA
QUINTANA ROO
TLAXCALA
VERACRUZ

GLA
7,122,733
square feet

34 BUILDINGS

34 CLIENTS

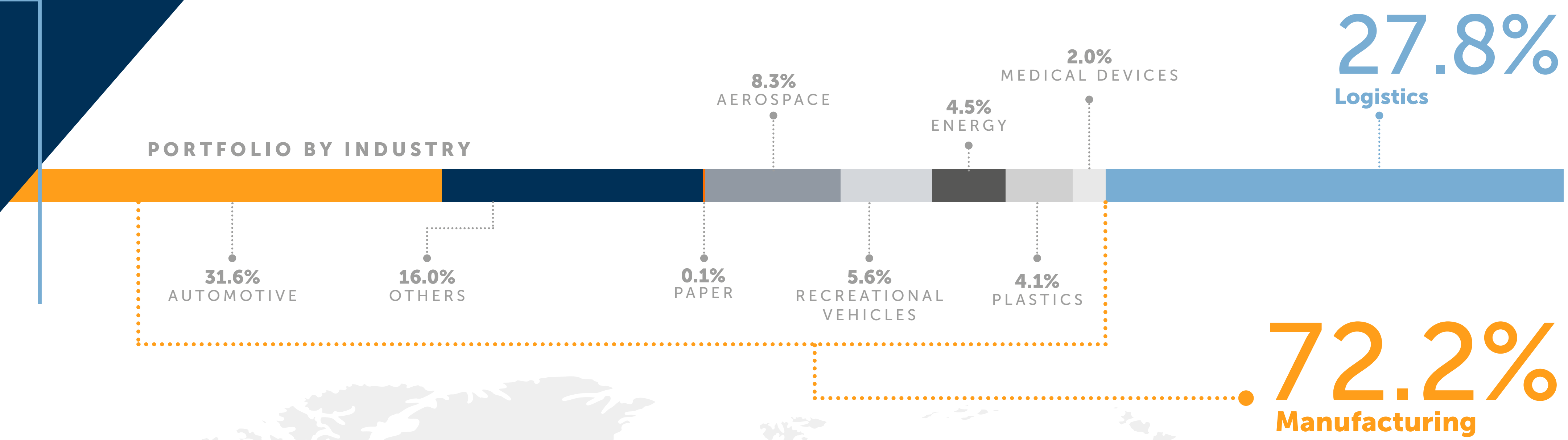
28.07 ACRES of land bank

CLIENTS

102-6, 102-43, 102-44

17 PARTNERSHIPS FOR THE GOALS

PORTFOLIO BY INDUSTRY



In 2018 our retention rate increased to 95%, compared to 91% in 2017.

We work closely with our clients to support the profitability of their businesses and our own, with a single commitment: generating sustainable economic development in Mexico.

172 clients | 9 industries | 14 countries

OUR MAIN CLIENTS

	Nestlé	tpi	SAFRAN	NISSAN	BRP	LEAR CORPORATION	BOMBARDIER	CHRYSLER	elektra	ZF
CAPITAL SOURCE COUNTRY	Switzerland	United States	France	Japan	Canada	United States	Canada	United States	Mexico	Germany
% GLA	6.5%	4.5%	4.0%	3.9%	3.7%	2.5%	2.2%	1.8%	1.8%	1.7%
YEARS TO CONTRACT EXPIRATION	6	9	10	6	7	4	7	6	5	6
CREDIT RATING	AA	N/A	N/A	A-	B	BB-	N/A	A	BB-	N/A

90% **customer satisfaction** rating achieved in 2018

81% **Client** response rate

64% of our clients consider the quality of the building they occupy to be good or excellent

Our team consists of professionals who administer and operate our parks, wherever they are, because our main priority is making sure our clients are always satisfied. Our tenants are in constant communication with the asset management area, and we also conduct a **Commercial Satisfaction Survey** each year through which we learn about and evaluate perceptions of quality, building design, and our service and response capacity. In response to client concerns, we create action plans to address them.

COMMERCIAL SATISFACTION SURVEY

- The friendliness of our staff is the highest component of customer satisfaction.
- Efficiency and speed of response are among our greatest challenges.

VALUE CHAIN

102-9, 308-1, 414-1, 414-2

17 PARTNERSHIPS FOR THE GOALS

In 2018, we evaluated 100% of new suppliers according to environmental and social criteria.

At Vesta, we work together with service providers and specialized contractors to complete the development of our industrial buildings and parks.

1. SEARCHING FOR AND ACQUIRING LAND
2. CONCEPTUAL DESIGN
3. PROSPECTING
4. DEVELOPMENT

OUR MAIN SKILLS

We focus on building commercial intelligence in order to act in advance to strategically develop attractive buildings for new industries and support the growth we project for the future.

5. LEASING
6. DESIGN
7. CONSTRUCTION
8. PROPERTY MANAGEMENT
9. MAINTENANCE

OUTSOURCING SERVICES

We work together with companies that are experts in design, construction and maintenance, to offer the best real estate development options in keeping with our own criteria of cost and timeframe. We look for specialists who can support us in handling permits and legal formalities, and once the building is finished we hire various contractors to supply maintenance services, all under the direction and supervision of our Asset Management team.

We select our contractors through a tender process to make sure they are the best choice for ensuring the innovative, efficient and functional qualities of each development. The bidding process is evaluated by the Allocations Committee, which takes into account, among other elements, feasibility and financial flow, quality, experience, reputation, sustainability, the use of advanced construction techniques and engineering, and prompt delivery of developments. Once the supplier is selected we monitor fulfillment of the conditions they have agreed upon.

For all construction projects, our suppliers are required to conform to the **Workplace Safety Program**, which requires them to submit regular project security reports, supervised by our Project Manager. We also review and ensure that all construction workers are duly enrolled with the Mexican Social Security Institute (IMSS) according to Mexican law. In 2018 there were no employer incidents with suppliers nor measures taken.

We evaluate 100% of our new suppliers according to environmental and social criteria to detect failures, successes and areas of opportunity.

57%

of our main suppliers participated in our Supplier Satisfaction Survey

We regularly conduct a **Supplier Satisfaction Survey** covering 57% of our largest suppliers, which main results were:

- 100% say they are satisfied with their relationship with Vesta.
- 90% believe we have qualified personnel for providing effective solutions.
- 73% believe we interact with them promptly and expeditiously.
- 80% believe we correctly fulfill our contracts with them.
- 93% say we are friendly and effective.
- 90% believe we are flexible.

Vesta continues to work on building a sustainable value chain that generates results for all involved.

STRATEGY

With 20 years of experience, we want to position our business to lead the country in the Industrial Revolution 4.0. We continue to innovate Mexico's industrial platform, developing and providing the best industrial spaces for state-of-the-art enterprise.

«When we founded Vesta, we knew that Mexico would need top-quality industrial parks and buildings where companies attracted to Mexico's competitive advantages could establish themselves.»

Lorenzo Berho
CHAIRMAN OF THE BOARD OF DIRECTORS

VESTA'S 20TH ANNIVERSARY

These are our first 20 years; we firmly intend to continue to work on building a brilliant future.

In 2018 we celebrated Vesta's 20th anniversary, thanks to the trust of our clients, the confidence of our investors, and the hard work and dedication of our employees.

We decided to celebrate this special year in a different way, at Mexico City's Chapultepec Castle, the setting for numerous key historical events of our country's past, where we launched our publication of a commemorative volume called *Innovating Mexico's Industrial Platform: Smart Parks for Industry 4.0*.

Beyond merely recounting Vesta's history, this book explores a vision of Mexico at various moments in the country's industrial evolution, with special emphasis on what we are witnessing today: the 4th Industrial Revolution.

For the real estate industry, the change involved in this 4th Industrial Revolution means higher demand for intelligent industrial spaces, proximity to consumption centers, spaces that meet the needs of e-commerce, and a different industrial architecture-trends that Vesta is already applying.

In our industrial complexes, clients can work digitally, interconnected with the rest of their global operations, using cutting-edge systems and designing efficiency processes based on state-of-the-art technology.

VESTA VISION 20/20

102-16

1

TO DOUBLE THE SIZE OF OUR PROPERTY PORTFOLIO.

2

TO AMPLIFY OUR CORPORATE SOCIAL RESPONSIBILITY AND RISK MANAGEMENT ACTIONS.

3

TO INCREASE INVESTMENT IN DEVELOPING OUR MOST IMPORTANT ASSET: OUR HUMAN CAPITAL.

COMPONENTS OF VESTA VISION 20/20

BUSINESS

- Focus on Mexico's fastest-growing markets and geographies.
- Corporate governance.

INVESTORS

- Return on investment.
- Growth.
- Net operating income.

CORPORATE CITIZENSHIP

- Risk management.
- Transparency.
- Environment.
- Community.
- Reputation.
- Human rights.

EMPLOYEES

- Job safety.
- Talent recruitment and retention.
- Training and development.

INDUSTRIAL PARTNERS/ INTERMEDIARIES

- Key commercial channels.
- Solid relationships.

LOCAL AUTHORITIES

- Solid relationship.
- Long-term relationships.
- Economic and social development.
- Local development.

PRODUCT

- Class A Buildings.
- Strict eco-efficiency standards.
- Certified buildings.

CLIENTS/ CUSTOMERS

- Attract global players in key industries.
- Capture current clients' growth.
- Long-term relationships.

SUPPLIERS/ CONTRACTORS

- Business continuation.
- Business partners.
- Fair and equitable treatment.

Innovating Mexico's industrial platform.

Innovating is the foundation of our INNOVESTING philosophy, so investing in innovation is a priority for us. 1

2 Building a consolidated industrial platform with the latest smart technologies that can receive the most cutting-edge companies in the world, is the focus of our work and our reason for being.

Mexico is our inspiration, and the country for whose success we work tirelessly. 3

MASS TRANSFORMATION PURPOSE

The Vesta Vision 20/20, together with our Massive Transformation Purpose (MPT) inspires us to become leaders in Mexico's real estate industry.

VESTA VISION 20/25

We are increasingly close to achieving our Vesta Vision 20/20, so we are already mapping out the next steps for the medium term, which take into account economic, technological and social trends in the near future and continue offering our clients excellence in industrial real estate development.

In our industrial buildings tenants are already working with Industry 4.0 standards in areas like artificial intelligence, robotics and sustainable design, and we are working to offer our clients entire Smart Parks to continue supporting their innovation.

MATERIALITY

102-21, 102-46, 102-47

To identify the issues that most affect our operations, profitability, market position, reputation and value creation for the company's stakeholders, in 2018 we updated the materiality exercise we conducted in 2017 based on the methodology proposed by the Global Reporting Initiative (GRI).[2]

Materiality is the exercise by which industries define the economic, social and environmental issues most important to them and therefore to individual companies. Accordingly, in 2017 we carried out an exhaustive process of consultation with internal and external stakeholders about matters that most affect their relationship with Vesta, as well as the issues that have the greatest impact throughout our operations.

Aware of the rapid pace of change in our markets, macroeconomic change and the situation of Mexico in general, we decided to update this exercise in 2018 to identify any new issues that should be added to complement our sustainability initiatives.

For this update, we carried out a comparative analysis of other companies in our industry that are widely recognized in Mexico or abroad, and we also consulted international initiatives and issues that have been incorporated by organizations that might evaluate us for our environmental, social and economic performance. Finally, we consulted Vesta senior management, rounding out our materiality exercise with a more strategic view of the business.

Based on this information, we conducted a comparative analysis of the material issues identified in 2017, following the recommendations of the Global Reporting Initiative, finally prioritizing them according to their impact on Vesta.

The issues to be incorporated into Vesta's materiality analysis are:

- Climate risk.
- Resilience.
- Resource availability: energy and water.
- Building efficiency and flexible design.
- Portfolio management.

[2] The Global Reporting Initiative (GRI) methodology consists of identifying, prioritizing and validating issues that most impact the organization.

These issues were added to those previously identified:

- Ethics and legality.
- Customer satisfaction.
- Economic performance.
- Social benefits for employees.
- Information security.
- Energy and water management.
- Business continuity and risk management.
- Environmental compliance.
- Human rights protection.
- Managing risk of natural disasters.
- Occupational safety and health.
- Diversity.
- Reduced emissions.
- Building certifications.

To address these material issues, in 2018 we carried out the following actions and initiatives:

- Update to the code of ethics.
- 360º evaluation of executives and definition of a skills model.
- Organizational restructuring at the senior management level.
- Risk diagnosis.
- Strategic acquisition of land bank to support growth.
- Customer surveys.
- Begin a comprehensive diagnosis of environmental issues.

With these actions, we sought to address matters that are most important both to Vesta and its stakeholders, continuously incorporating innovative processes that keep us at the forefront of our industry.

In this report we follow the principles recommended by the Global Reporting Initiative: stakeholder inclusion, sustainability context, materiality, and exhaustiveness of the material issues.

SUSTAINABILITY

102-19, 102-20

For us, sustainability means contributing to our clients' competitiveness and the well-being of society while minimizing the environmental impact of our developments.

To integrate social and environmental aspects into the growth needs of both our clients and our own business, we introduced a process to manage these comprehensively.

In 2018 we prepared an analysis and diagnosis of both issues to focus our resources on the material issues that have the most impact on our company and our community.

1 Materiality study
2 Definition of environmental indicators
3 Monitoring of social responsibility programs
4 Communication campaign
5 Strategic planning

The environmental diagnosis we conducted of all of Vesta's properties allowed us to analyze the way we manage information, our environmental indicators, and the actions we need to take to improve our performance in this regard.

We have a **Corporate Social Responsibility and Sustainability Policy**,[3] a document that defines the basic principles under which social responsibility and sustainability practices are applied in all of Vesta's properties and offices.

These practices are planned, executed and monitored by the Sustainability Department, and compliance verified by the Social and Environmental Responsibility Committee (SERC), which is also in charge of deciding on the sustainability plan.

We guarantee that our initiatives are able to generate social and environmental value, because all of them reflect three basic strategic directions:

1. **Integrity and governance.** For us, this means **behaving in an honorable, responsible manner, with respect and discipline**, ensuring that our words are consistent with our actions. We take actions such as evaluation and training in corporate governance issues, human rights and labor practices for our main stakeholders, and for dispute resolution we have a whistleblower's hotline, administered by an independent company, and an Ethics Committee, among other measures.

2. **Environment.** We are committed to **reducing our environmental impact**, both in our developments and in our operations, to benefit our tenants, the industrial real estate industry, and society at large. We have progressively scaled back our environmental footprint through various actions such as: measuring and reducing water and energy consumption, encouraging reuse and/or recycling of waste, developing climate change mitigation and adaptation actions, reducing the environmental impact of our developments and promoting continuous improvement within our buildings.

3. **Responsible citizenship.** We know we are a part of the communities where we operate, which is why we pursue **cooperative projects to encourage dialogue with our stakeholders, staying abreast of local needs and development possibilities**, complementing our projections with fundamental criteria such as human rights, development, inclusive and gender equity, among others. Our employees are fundamental to this pillar as well, and we consider them one of our most valuable assets.

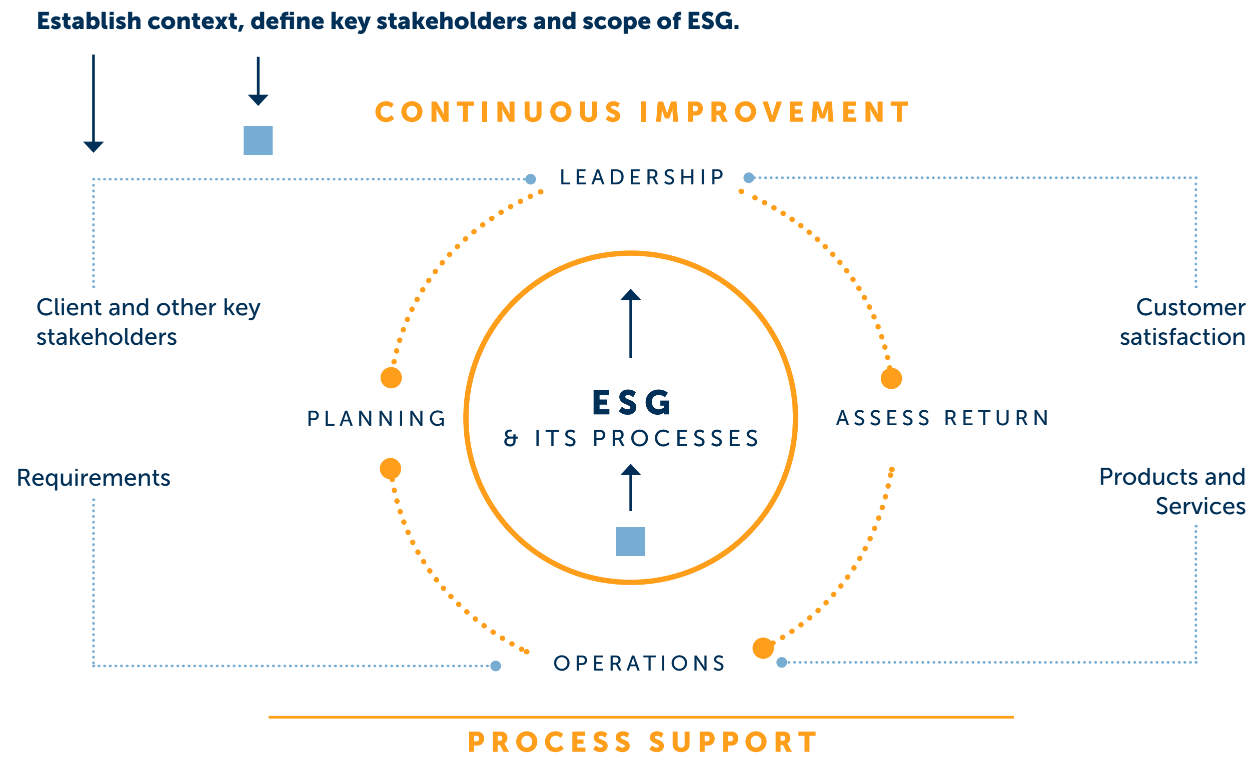
[3] For more information about Vesta's Corporate Social Responsibility and Sustainability Policy visit: https://www.vesta.com.mx/sustainability/our_policies

QUALITY, SECURITY & RESILIENCE

Quality is an essential requirement for guaranteeing satisfaction of our stakeholders (investors, clients, the environment and society) by offering them personalized attention, mitigating the risks that may arise in our parks, and optimizing resources to remain efficient.

Our **Quality Policy**, together with our **ISO 9001:2015 Quality Management System**, are the elements that sustain all of our operations.

ISO 9001:2015 QUALITY MANAGEMENT SYSTEM



Security is another key requirement for our tenants to be able to conduct their activities without obstacles or delays, safeguarding their physical integrity and well-being.

Through our **Property Security Policy**, we promote a culture of prevention in order to protect the value connected with our offices, industrial buildings and parks, including our people, assets, information, processes and the community in general.

In line with this culture of prevention, and aware that there are global trends that threaten our assets –climate and demographic change, digital transformation, natural disasters, resource scarcity, and others– and we are working to build the resilience of our developments.

Our investors look for stable returns over the medium and long term, which is why for Vesta being a resilient real estate company means being able to identify risks and opportunities to mitigate and/or adapt to them, and to respond promptly and effectively to challenges as they arise. Together with our stakeholders and supply chain, we are preparing to face these changes intelligently and strategically, using tools for managing ESG issues (environment, social and governance) to do so.

POTENTIAL

Our vision of doubling the size of our portfolio is a challenge we are facing with vigor and innovation, and we intend to remain a benchmark of excellence in industrial real estate development. This is why we are working for the future to exceed our clients' expectations and to provide them with sustainable spaces that meet their standards and needs.

GROWTH

102-7

At Vesta we are always looking for more strategic locations in Mexico, to find the ideal spaces that might offer the necessary capacity to serve our clients.

OPENINGS 2018

VESTA PARK QUERÉTARO

247.1 acres

This new park is an icon both in its dimensions and its innovation. Up to 22 buildings can be built in this development, with a GLA from between 64,583 to 1,076,391 square feet.

At present the park has two inventory buildings, one with GLA of 255,104 square feet and another of 322,917 square feet, expandable to up to 753,473 square feet. This park is where we are building our new regional offices, and it is equipped with EnerVesta infrastructure as well as a new wetlands treating water system with state-of-the-art technology. There are also two linear kilometers of landscaping and walkways to encourage biking and walking within the park, among other services that make it unique in the region.

VESTA PARK JUÁREZ SUR

37.07 acres

Ciudad Juárez is known for its supply of qualified labor and privileged location just across the border from the United States, which makes it a very attractive destination for investment. Our park has a robust infrastructure for receiving the best companies. At Vesta Park Juárez Sur, five buildings are under way with a combined GLA of 707,253 square feet.

VESTA PARK LAGOESTE

12.8 acres

Just 20 minutes from the border via Otay, Vesta Park Lagoeste has two buildings totaling a GLA of 552,446 square feet. Both were rented before completion, confirming the brisk growth in demand for world-class spaces in Tijuana.

VESTA PARK PUEBLA I

29.9 acres

A park with excellent location and connectivity, ideal for suppliers to the auto industry due to its proximity to the airport and the Volkswagen and Audi plants. It has three buildings already standing and one soon to be built.

2018 RESULTS

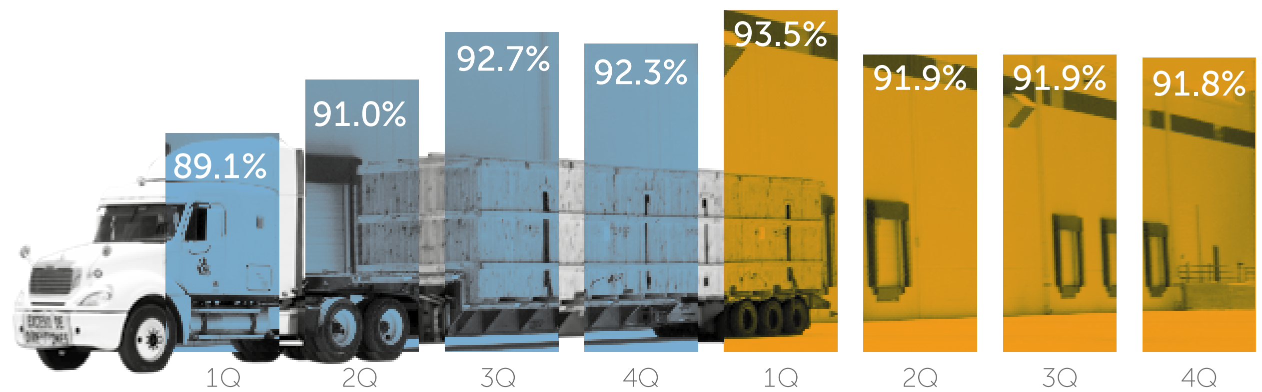
Our annual results are very encouraging for Vesta and for our investors. In 2018, our stabilized annual occupancy rate grew by a record 97.2%, which is 190pb higher than the 95.3% growth reported last year. Our stabilized GLA also grew to 27.98 million square feet a 9% increase compared to 24.75 million square feet in 2017.

This year we renewed leases on 2.4 million square feet of portfolio and signed new leasing contracts for 2.2 million square feet, reaching total leasing activity of 5.1 million square feet, a 12% decrease compared to the 5.7 million square feet of total leasing activity reported in 2017.

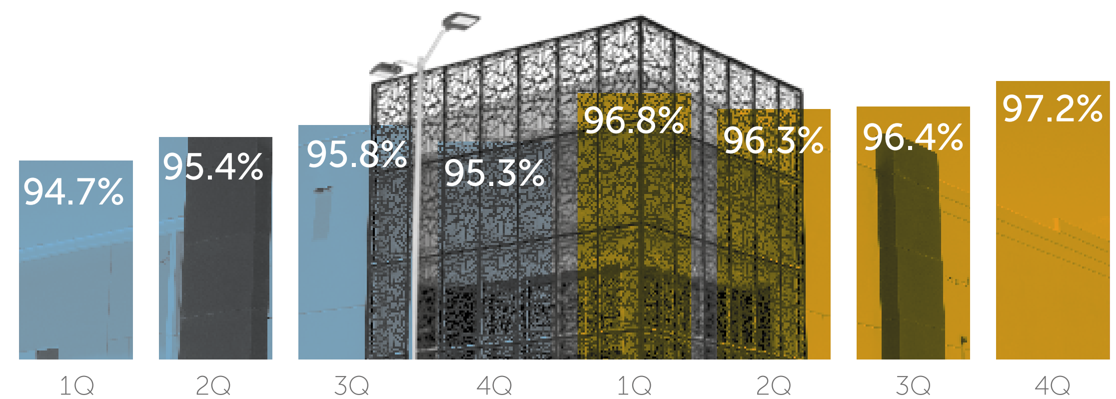
Advance lease renewals help us to achieve the best average lease expiration term in the industry, at 5.3 years, with very few leases expiring in the next two years, meaning accelerated growth in our main financial metrics.

PORTFOLIO METRICS

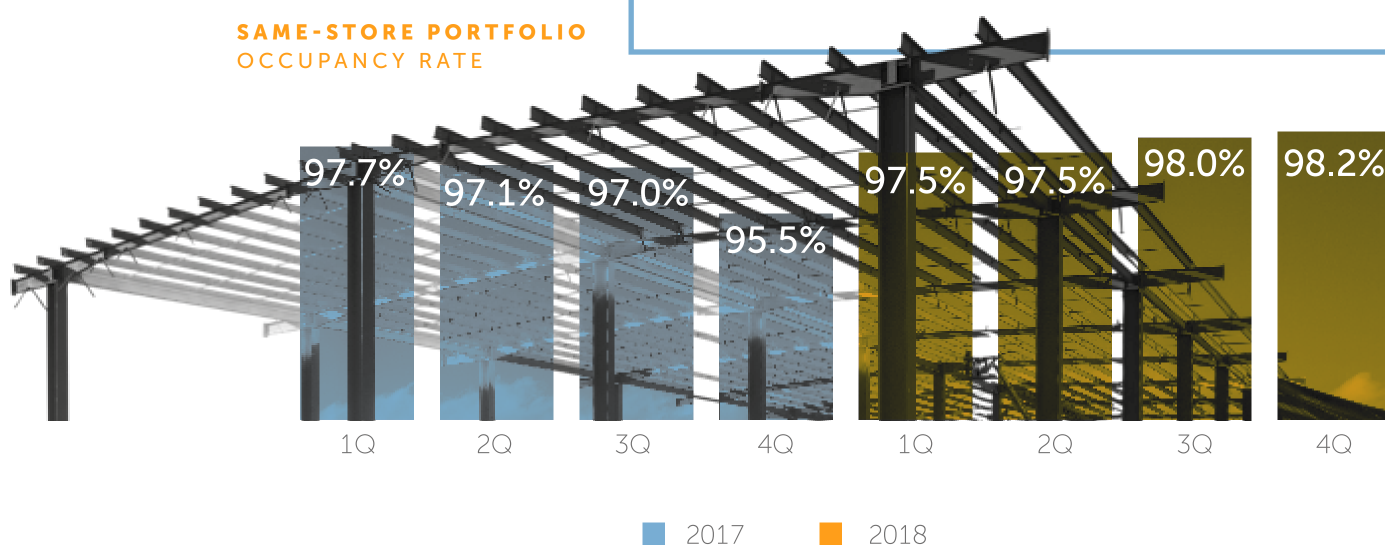
TOTAL PORTFOLIO OCCUPANCY RATE



STABILIZED PORTFOLIO OCCUPANCY RATE



SAME-STORE PORTFOLIO OCCUPANCY RATE



2018 METRICS

91.8% total portfolio
97.2% stabilized portfolio
98.2% same-store portfolio

We report the performance of our portfolio following the market practices of the National Association of Real Estate Investment Trusts® (NAREIT®).

We define **total portfolio** as all our occupied properties, including their development, redevelopment, stabilized and properties for sales. The **stabilized portfolio** encompasses properties that have achieved occupancy rates of 80% or have been delivered in the first year following their construction, whichever happens first. **Same-store portfolio**, meanwhile, is defined as properties that have been in operation (stabilized) for two comparable periods.

ECONOMIC **VALUE**

103-1, 103-2, 103-3, 201-1

ITEM		2017 (+)	2017 (-)	2018 (+)	2018 (-)
DIRECT ECONOMIC VALUE GENERATED (EVG)	Leasing revenues	$106,255,940		$128,393,401	
	Reimbursable	$3,171,342		$4,275,865	
EVG		$109,427,282		$132,669,266	
ECONOMIC VALUE DISTRIBUTED (EVD)	Property operation expense		$4,993,091		$5,676,700
	Direct employee benefits		$9,293,945		$10,741,708
	Administrative expense		$1,405,885		$1,815,748
	Legal and audit expense		$1,282,256		$1,957,828
	Marketing		$1,328,200		$1,020,523
	Others		$9		-
	Property valuation expense		$359,832		$448,965
	Indirect stock issuance		$209,168		$109,592
EVD			$18,872,386		$21,771,064
ECONOMIC VALUE RETAINED	Economic value generated (-) Economic value distributed	$90,554,896		$110,898,202	

Amounts expressed in dollars.

The results, both in dollars and in infrastructure growth in our developments, show the drive and effort we have made in recent years based on strategic decision-making and leaders closely in touch with market trends. This is how we can assure our investors that they are part of a growing company, and guarantee our clients that they are working with the best industrial real estate option in Mexico.

Vesta intends to continue working to surpass our stakeholders' expectations with innovative, sustainable facilities accompanied by excellent service.

COLLABORATION

Innovating in Mexico's industrial platform would not be possible without the experience, talent and professionalism of our team, to whom we offer opportunities for training and growth within an environment of cooperation and high yield in the world of industrial real estate.

CORPORATE **GOVERNANCE**

102-10, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-26, 102-27, 102-28, 102-31, 102-33, 102-34, 102-35, 102-36, 103-1, 103-2, 103-3, 405-1

Maintaining corporate governance practices that follow the most exacting standards has been key to earning the confidence of our investors and driving the growth of our business.

Led by our **Board of Directors**, we make strategic decisions that position us within our industry. Our Board is made up of ten members, eight of them independent. All were selected on the basis of their extensive professional experience and career, and all are firmly committed to acting in an ethical way in which decisions are not subject to personal, family or pecuniary interests, as established in article 26 of the Mexican Securities Market Act (SMA).

In August 2018, as part of Vesta's evolution, we divided the duties of the Chairman of the Board from those of the Chief Executive Officer. The Board of Directors is headed by Lorenzo Manuel Berho Corona, and the company's Chief Executive Officer is Lorenzo Dominique Berho Carranza.

In 2018 the Board of Directors was as follows:

MEMBER	TYPE	ALTERNATE	TYPE
Lorenzo Manuel Berho Corona	Proprietary/ Chairman	Lorenzo Dominique Berho Carranza	Proprietary
Stephen B. Williams	Independent	Douglas M. Arthur	Independent
José Manuel Domínguez Díaz Ceballos	Independent	José Humberto López Niederer	Independent
Craig Wieland	Independent	Luis Javier Solloa Hernández	Independent
Thomas J. McDonald	Proprietary	Daniela Berho Carranza	Proprietary
Wilfrido Castillo Sánchez Mejorada	Independent	José Antonio Pujals Fuentes	Independent
John Andrew Foster	Independent	Craig Gladstone Vought	Independent
Oscar Francisco Cázares Elías	Independent	Enrique Carlos Lorente Ludlow	Independent
Francisco Uranga Thomas	Independent	Jorge Alberto de Jesús Delgado Herrera	Independent
Luis De La Calle Pardo	Independent	Javier Mancera Arrigunaga	Independent

Board members are ratified each year by the Shareholders' meeting.

Among the duties of the Board of Directors are executing and overseeing that shareholders' decisions are executed, approving the annual business plan and budget, and deciding on general management policies for the company.

Vesta board members receive economic compensation for their contributions, experience and knowledge of our industry, amounting to USD 3,800 for each meeting they attend. Committee chairmen receive USD 4,000 for every meeting and other members receive USD 3,000 per meeting. Senior management receives compensation in accordance with their responsibility, market values, and an assessment of their goals and targets, and this compensation is reviewed annually by the Corporate Practices Committee. This committee, in conjunction with the Board of Directors, is responsible for evaluating the performance of the CEO and making a recommendation on his compensation, which is approved or modified by the Board.

THE BOARD OF DIRECTORS MET FOUR TIMES IN 2018:

90%
January 25

100%
April 26

100%
July 26

100%
October 25

*Figures represent participation percentages during the Board's sessions in 2018.

To support the Board of Directors, we have six **operating committees** made up of senior executives and at least one independent board member, who in turn serve as Chairman or members in most cases, except for the Audit Committee and Corporate Practices Committee, which are made up exclusively of independent board members. In order to guarantee that all significant issues for the company are taken into account, the CEO participates actively in almost every committee meeting.

The CEO participates actively in almost every committee meeting.

The Corporate Practices Committee is responsible for nominating candidates to the Board and its committees. Members of the Board are ratified by shareholders in the General Ordinary Annual Meeting, as are the chairmen of the Audit and Corporate Practices Committees.

In 2018, the structure of these committees and the respective matters they handle was as follows:

OPERATING COMMITTEE	CHAIRMAN	MEMBERS	MATTERS ADDRESSED
Audit Committee	Luis Javier Solloa Hernández	• Stephen B. Williams • José Humberto López Niederer • José Manuel Domínguez Díaz Ceballos	Financial statements, external auditor, notes to the financial statements, accounting practices. Compliance with legal provision and risk monitoring.
Corporate Practices Committee	Javier Mancera Arrigunaga	• Stephen B. Williams • José Antonio Pujals Fuentes • Oscar Francisco Cázares Elías	Potential risk assessment, compensation plans, evaluations and specific issues relating to key executives.
Investment Committee	John Andrew Foster	• Stephen B. Williams • Lorenzo Manuel Berho Corona • Craig Wieland • Thomas J. McDonald	Project analysis and investment authorization, monitoring investments to make sure they take into account environmental and social responsibility aspects. Sustainability Manager sits in on these meetings.
Ethics Committee	José Antonio Pujals Fuentes	• Elías Laniado Laborín • Alejandro Pucheu Romero • Alfredo Paredes Calderón	Compliance with and update of Code of Ethics, receipt and processing of complaints.
Social and Environmental Responsibility Committee	Jorge Alberto de Jesús Delgado Herrera	• José Manuel Domínguez Díaz Ceballos • Daniela Berho Carranza	Promotion of sustainable development in all company projects, application of Social Responsibility Policy, Annual Report to the Board of Directors and to the Shareholders' Meeting.
Debt and Equity Committee	Wilfrido Castillo Sánchez Mejorada	• Stephen B. Williams • John Andrew Foster • Lorenzo Manuel Berho Corona	Market analysis, general financial strategy and policies, financial growth and recommendations on raising capital and debt strategy.

Operating Committee Meetings in 2018

OPERATING COMMITTEE	DATE	MATTERS ADDRESSED
Audit Committee	October 22 July 24 April 20 February 12	• Review and analysis of audited financial statements. • Evaluation of external audit plan. • Analysis of close of 2017 operating budget and follow-up on 2018 budget • Review of quarterly reports issued by internal auditor. • Selection of suppliers for independent property appraisal processes in 2019. • Monitoring of compliance with resolutions adopted by shareholders' meeting and Board of Directors.
Corporate Practices Committee	October 2 July 5 June 26 February 14 January 16	• Recommendation, initiation and conclusion of process of separating roles of executive chairman of the board and CEO. • Beginning and end of transition process to be handled by the CEO. • Performance of the evaluation of the CEO and the executives, determining the applicable incentives in each case. • Presentation, discussion and approval of bases for proposed executive and CEO compensation for 2019. • Review, discussion, analysis and solution of a possible conflict of interest relating to a related party transaction. • In 2018, the company neither accepted nor recommended any waiver for executives seeking to pursue business opportunities.
Investment Committee	December 13 November 9 June 18 May 18 March 22	• Total approved investment of approximately USD 96,742,643.
Ethics Committee	November 9	• Addition of Alfredo Paredes Calderón as new member of Ethics Committee. • Presentation and submission of new code of ethics to Board Members and employees. • Vesta's participation in Alliance for Integrity and B-20 Forums, regarding integrity and anti-corruption. • Design and implementation of Ethics Global hotline for reporting violations of code of ethics, a system administered by an independent contractor. • Addressed reports, complaints and suggestions received during 2018, with none resulting in corrective or legal action, dismissals or reprimands against any employee. • Definition of activities for 2019, including the biannual update to the code of ethics.

OPERATING COMMITTEE	DATE	MATTERS ADDRESSED
Social and Environmental Responsibility Committee	December 10	**Education** • Matematiza2. Evaluation and training for schoolteacher to improve their functional thinking performance. • Play center. Construction of a second play center in Silao, Guanajuato. • School improvements. Remodeling of schools. • Adopt a talent. Encourage primary schoolchildren in the Sierra de Querétaro to study science. • Adopt a school. Develop teaching material and hold workshops for developing life skills, civics, violence prevention and nutrition for preschool-age children. **Community** • Mexican dream. Help children and youth with problems of drugs and arms possession. • Birds without paradise. Promotion of cooperation in the Tijuana-San Diego region. • Childfund. Godfathering 40 children. • Puebla. Introduction of the social development program in alliance with Balloon Latam. **Health and Nutrition** • Vesta Challenge. Promoting sports through a bicycle race, and economic support for kids with cancer. **Environment** • Conduct a diagnosis of various areas to create an environmental social and governance management system. • Improve our performance in the GRESB and Ecovadis rankings and obtain the WORLDCOB CSR:2011.2 Certification. • Build environmental awareness among employees, suppliers and clients.
Debt and Equity Committee	October 3 April 6	• Regularly review the Company's cash flow and funding needs. • Analyze various funding alternatives • Review the Company's credit rating from Fitch. • Regularly review the stock repurchase program. • Recommendations to the Board of Directors regarding dividends to be paid out to shareholders. • Review and analyze the company's equity strategies.

In 2018 no critical concerns were communicated to the Board of Directors.

The company's decisions are transparent, because we have policies that regulate the activities of board members, directors and employees with access to confidential or inside information, to company securities and guidelines for stock repurchase as established by the SMA, the Unified Issuers' Bulletin and Other Market Participants.

Whenever our stakeholders require information or have a recommendation on matters relating to company management, financial information or corporate governance, we have channels of communication open for their use:

E-mail: **investor.relations@vesta.com.mx**

Webpage: **www.vesta.com.mx**

Publication of material information.

Reports to the Mexican stock Exchange and the National Banking and Securities Commission

Annual and quarterly reports.

TOP MANAGEMENT

Vesta's corporate structure is made up of 14 directors, 24 managers and 52 employees. Economic, social and environmental decision-making is delegated to these directors, who in turn execute the instructions they receive from the Board of Directors and its respective Committees.

To support the Board of Directors, the Investment Committee and Debt and Equity Committee deal with economic matters, while the Social and Environmental Responsibility Committee and Vesta's CEO contribute to strategy and execution of environmental and social issues.

LORENZO DOMINIQUE BERHO CARRANZA

ELÍAS LANIADO LABORÍN

JUAN FELIPE SOTTIL ACHUTEGUI

ALFREDO MARCOS PAREDES CALDERÓN

DIEGO BERHO CARRANZA

GUILLERMO DÍAZ CUPIDO

ALEJANDRO PUCHEU ROMERO

RISK **MANAGEMENT**

102-15, 102-29, 102-30, 102-31

A key aspect for ensuring the sustainability of any company is properly identifying and addressing potential risks. We are exposed to many kinds of risks, including financial, market, regulatory, legal, technological, environmental and social issues.

For this reason, we regularly evaluate these risks taking into account local and global conditions and present them to the Board of Directors so it can make the best decisions for Vesta.

Like most companies, our operations face internal and external risks. Among the latter are those relating to the situation in the country at large, or macroeconomic issues, which may negatively affect our operations or financial results. Accordingly, to manage the business responsibly, we have strategies to address and mitigate these risks.

Some of the specific external risks to our business are a general decline in rent values, devaluation of property values, reduced demand for spaces, higher interest rates, exchange-rate fluctuations, changes in government policies, financial market volatility, economic slowdown, rising competition, damage to property because of natural events, new environmental or security regulations, risks and effects of climate change, an adverse political situation in Mexico, and others.

Once we have identified the risks, the members of the Board must weigh them and define plans for mitigation, assessment and monitoring under a strict and comprehensive framework.

RISK CATEGORY	RISK	MEASURE	IMPACT
Vacancies	Low generation of prospects, competitive market prices, property conditions and crime problems in the zone where our complexes are located.	Identify causes of vacancies, anticipate market trends, improve market reaction times and service levels for new prospects. Balance expectations between Vesta and its market, address building deterioration and monitor risk conditions in each region where we are present.	Medium
Lease renewals	Drop in renewals due to lack of attention to clients, their needs, or conditions in the building, and decisions by corporate clients that are negative for Vesta	Continuously assess service and customer satisfaction levels to take specific action. Review and intervention programs to reduce the number of deteriorating buildings. Monitor client decisions and adapt to new conditions.	Medium
Growth	Failure to have available land bank in target markets, or building in markets with limited absorption, failing to meet clients' expansion needs.	Monitor speed and quality of construction. Anticipate market trends and client needs. Ensure profitability and cash flows.	Medium
Asset management	Building modifications without prior notice to Vesta, deterioration due to lack of maintenance, lack of control and insurance in buildings and inaccurate assessment of Capex.	Identify unauthorized changes or alterations made without timely notice. Insure 100% of buildings and keep up with maintenance programs	Medium
Administration and finance	Lack of revenue and budget control, technological vulnerability (information leaks) and failure to define scope and limitations of authority	Monitor process for updating changes and follow-up, as well as progress against budget Guarantee that information is protected.	High

RISK CATEGORY	RISK	MEASURE	IMPACT
Human resources	Dependence on key personnel, people to handle critical processes and failure to follow authorized organizational flow chart.	Ensure that organizational flow chart is followed and that there are lines of succession, operating transparency and documentation in place if key personnel are absent. Balance workflow, job responsibilities and authority to ensure business continuity.	High
Legal-environmental documentation	Suspension of park activities. Fines. Non-compliance with the law In the event of an accident, failure to provide with information that proves safety of infrastructure	Detailed review of legal-environmental documentation and other highly recommended paperwork. Generate an up-to-date database and share it with the most important areas of the company.	High
Operation	Inadequate or defective internal processes, systems failures and improper response to external events, including: • Soil spills and leaks • Explosions and fires • Fines • Non-compliance with the law	Keep a log of environmental assets and liabilities and regularly evaluate it during inspections. Evaluate the sprinkler system in all properties.	High

ETHICS AND **HUMAN RIGHTS**

102-16, 102-17, 102-25, 205-1, 205-2, 205-3, 206-1, 406-1, 407-1, 408-1, 409-1, 103-1, 103-2, 103-3, 412-1, 412-2, 412-3

Since August 2018, we have asked new suppliers to sign the Vesta Code of Ethics as part of the requirements to join our value chain.

From our beginnings, Vesta has been known for doing business according to a culture of trust, respect, honesty, integrity, equitability, fairness and legality. The document that expresses our ethical commitment and serves as our guide to regulate the conduct of everyone who works in or with is the **Vesta Code of Ethics**.[4]

In order to keep this code up to date, every two years we have our various stakeholders review it; it was most recently updated in 2018, when we incorporated matters relating to our integrity culture, whistleblower mechanisms, and other points. We also created the position of Chief Integrity Officer, responsible for introducing best practices in integrity culture and thus ensuring that everyone at Vesta works in an ethical and honest manner focused on building a better Mexico.

We regularly train our employees in areas of integrity and anti-corruption and include content on our Code of Ethics in the onboarding program for new hires. Every year we hold dialogue sessions where we discuss new ethical issues and dilemmas in the national and international real estate industry.

In addition, we have a zero-tolerance stance on corruption, which we share with our stakeholders, and we ask both our clients and suppliers to familiarize themselves with our Code of Ethics and to comply, like us, with the Law on Prevention and Identification of Transactions with Resources of Illegal Origin, with the Federal Labor Law, and the Manual of Sustainable Construction for contractors.

Furthermore, our Code of Ethics includes recommendations on avoiding conflicts of interest. If such conflicts arise, the Corporate Practices Committee is responsible for addressing and resolving them unless by nature they must be dealt with directly by the Board of Directors.

Any stakeholder who becomes aware of conduct or actions that are contrary to the Vesta Code of Ethics have access to the following channels for filing their complaints:

1 2 3

1 E-mail: **etica@vesta.com.mx** or **reporte@nuestrocompromisoetico.com**

2 Phone: **01 800 04 ética (38422)**

3 Webpage: **www.ourethicscommitment.com**

[4] You can view Vesta's Code of Ethics at: http://www.vesta.com.mx/misc/pdfs/Codigo_Etica_Vesta_2018_es.pdf

In 2018, we introduced a platform operated by Ethics Global, a company independent of Vesta, where anyone can report a violation of Vesta's Code of Ethics confidentially and anonymously, which ensures certainty and transparency during this process.

Complaints are received through a hotline for review and investigation; those that are admitted are sent directly to the Ethics Committee, which is responsible for investigating them and deciding on the corresponding sanction, ranging from an admonishment to dismissal or even legal action. Execution of sanctions is the responsibility of company directors.

In 2018, we received no reports of violations of the Code of Ethics, but we did record one case of breach of trust, in which the employee responsible was dismissed. Also during the past year Vesta received no reviews, complaints, sanctions or fines relating to monopolistic or anti-competitive practices, privacy issues or loss of personal data, or other legal infractions.

We also evaluated 100% of our operations[5] for risks relating to corruption, communicated with 100 suppliers[6] regarding our anti-corruption policies and procedures, and communicated with and trained 100% of our employees on these matters.

We respect the human rights of all the people with whom we interact, so our leasing and supplier contracts include specific clauses on human rights protection. We also have a clear stance against using child labor or any form of forced labor, and have been signatories of the United Nations Global Compact since 2011, principles that we promote among our stakeholders.

Because of this commitment, in 2018 we received no complaints of violations of laws regarding labor practices or freedom of association, or of forced labor, child labor, discrimination, negative social impacts or human rights violations.

[5] We consider "operations" to include all corporate and regional offices.

[6] Of the 100 suppliers with whom we communicated, 85% were SMEs and 15% were large companies; none of these for foreign, because we only work with companies incorporated in Mexico.

OUR TEAM

102-7, 102-8, 102-36, 102-41, 103-1, 103-2, 103-3, 401-1, 401-2, 401-3, 403-1, 403-2, CRE6, 403-3, 404-1, 404-3, 405-1

8 DECENT WORK AND ECONOMIC GROWTH

The industrial platform transformation that Vesta offers in Mexico is due largely to the concerted day-to-day efforts of our 90 employees, 36 women and 54 men, each from their areas of expertise, each with different job descriptions, know-how and professional backgrounds.

EMPLOYEES

2015	2016	2017	2018
53	66	80	90

EMPLOYEES BY TYPE OF CONTRACT AND GENDER 2018

PERMANENT CONTRACTS	TEMPORARY CONTRACTS
54 MEN	1 MAN
36 WOMEN	1 WOMAN

EMPLOYEES BY TYPE OF CONTRACT AND REGION 2018

CORPORATE OFFICES		BAJÍO	NORTH	CENTRAL
50 PERMANENT CONTRACT	2 TEMPORARY CONTRACT	19 PERMANENT CONTRACT	14 PERMANENT CONTRACT	7 PERMANENT CONTRACT

EMPLOYEES BY LENGTH OF DAY AND GENDER 2018

FULL-TIME

54 MEN (+1 outsourcing)

36 WOMEN (+1 outsourcing)

*All our employees work full-time.

Diversity complements our team and places us on more solid ground to face the real estate industry's evolution. This is why we work with people who are experts in their jobs, without distinction of age, gender, origin, nationality, marital status, ideas, opinions, religion, social or economic situation, political or sexual preference. These factors are not taken into account in hiring or dismissal of any employee. And although we promise our employees full freedom of association, no employee is a union member.

The personnel with whom we have permanent contracts are employed directly by Vesta Management, S. de R.L. de C.V. Our industrial buildings and parks are built by independent contractors who maintain their own collective bargaining agreements with their employees.

EMPLOYEES BY GENDER, AGE RANGE AND POSITION

JOB CATEGORY	WOMEN -30 YEARS	MEN -30 YEARS	WOMEN BETWEEN 30 AND 50 YEARS	MEN BETWEEN 30 AND 50 YEARS	WOMEN +50 YEARS	MEN +50 YEARS
Directors	1	0	1	8	1	7
Managers	1	2	6	14	1	4
Administrative	12	5	10	12	3	2
Total	**14**	**7**	**17**	**34**	**5**	**13**

NEW HIRES BY GENDER, AGE RANGE AND REGION 2018

	NORTH REGION		CENTRAL REGION		BAJÍO REGION	
Job category	Women	Men	Women	Men	Women	Men
Less than 30 years	0	1	3	1	1	0
Between 31 and 50 years	1	1	1	7	0	0
Over 50 years	0	0	0	0	0	0
Total	**1**	**2**	**4**	**8**	**1**	**0**

EMPLOYEE DISMISSALS BY GENDER, AGE RANGE AND REGION 2018

	NORTH REGION		CENTRAL REGION		BAJÍO REGION	
Job category	Women	Men	Women	Men	Women	Men
Less than 30 years	0	0	2	0	0	0
Between 31 and 50 years	0	1	1	3	0	0
Over 50 years	0	0	0	0	0	0
Total	**0**	**1**	**3**	**3**	**0**	**0**

Every employee learns about our "Innovesteam" philosophy when they are hired: working toward a common goal with shared value, by applying innovation in everything we do.

We also make sure we offer competitive compensation to our employees, based on expert opinions, and adjust them annually. Compensation is calculated using the HAY terminology, which groups together positions in the company into a table that takes into account the responsibilities of each position and their equivalent in companies that are similar in terms of industry, sales volume and number of employees.

EMPLOYEE TURNOVER 2015-2018

	2015	2016	2017	2018
New hires	19	25	20	16
Dismissals	2	11	10	7
Total employees	53	66	80	90
Turnover rate	**23.6%**	**30.2%**	**20.5%**	**13.5%**

Turnover = (hires + dismissals)/2*100, divided by the total number of employees at the start of the year + total employees at the end of the period/2

Our benefits exceed the Mexican regulatory minimum and we offer bonuses in order to retain the best professionals in the real estate industry. Among these benefits are: seniority bonus, 25% vacation bonus, profit-sharing, between six and 25 days of vacation depending on the position, bank business days, annual performance bonus equivalent to two months' salary, gasoline and grocery vouchers, major medical insurance for employees and their family members under 24, life insurance and auto insurance on Vesta's fleet. We also have a stock incentive plan for executives.

In 2018 we granted no maternity or paternity leave because there were no births or adoptions in our work force. When there are, women employees have the option of deciding the start of their regulatory maternity leave and can work flex time at full salary for up to six months after the end of that period and, in some cases, depending on their position, may choose a home office situation. Male employees are given 10 extra personal days that they may take at any time during the six months following birth or adoption.

We offer a healthy workplace environment for our employees.

Vesta's headquarters, located in Mexico City, have earned WELL Building Standard® since 2017 by the International WELL Building Institute™, which means that our spaces combine best practices in design and construction to improve working conditions as regards:

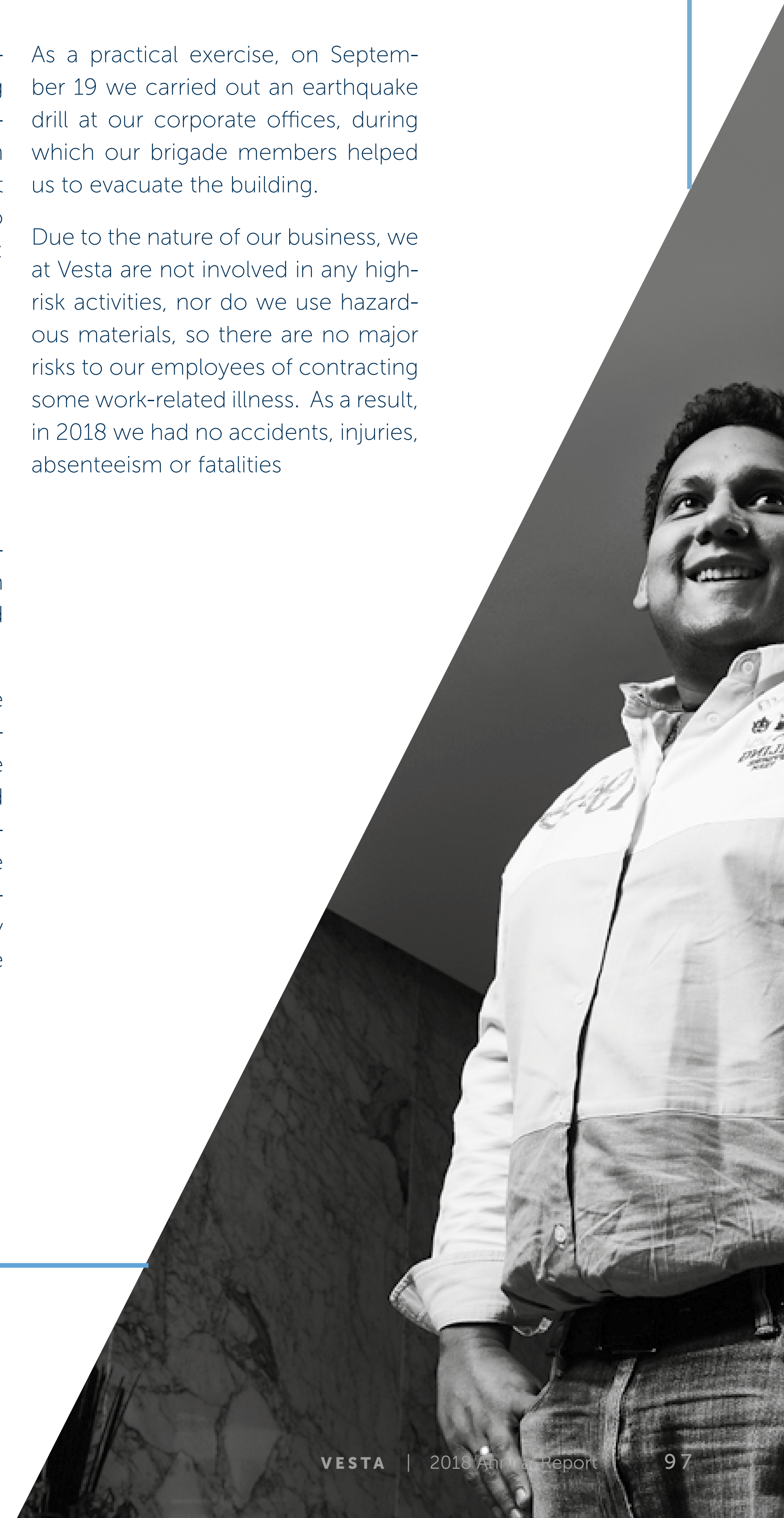
- Air quality
- Water preservation
- Nutrition
- Lighting
- Promotion of physical activity
- Comfort
- Mental wellness

We also offer healthy snacks and a subsidy of up to USD 480 a year for gym memberships, sports programs and races.

We make sure all of our facilities are safe for employees, contractors, suppliers, or any other visitor. In 2018 we offered training in civil defense, first aid and basic life support to all our employees for the first time, creating a brigade that is prepared to respond in evacuations and other emergencies that may occur in our facilities, and minimize the risk of accidents on the job.

As a practical exercise, on September 19 we carried out an earthquake drill at our corporate offices, during which our brigade members helped us to evacuate the building.

Due to the nature of our business, we at Vesta are not involved in any high-risk activities, nor do we use hazardous materials, so there are no major risks to our employees of contracting some work-related illness. As a result, in 2018 we had no accidents, injuries, absenteeism or fatalities



VESTA ORGANIZATIONAL CHART

Chairman of the
Board of Directors

Executive Assistant

Chief Executive Officer

Sustainability
Manager

Corporate Communications
Manager

Chief
Financial Officer

- Accounting
- Treasury
- Investor Relations
- Information Technologies
- Project Manager

Chief
Sales Officer

- Marketing Analyst
- New Business Bajio
- New Business Tijuana
- New Business Cd. Juarez
- New Business Central

Chief
Investment Officer

- Investment

General
Counsel

- Corporate Counsel
- Legal Analyst

Chief Integrity
Officer & Human
Resource Director

- Compensations
- Talent

Chief
Portfolio Officer

- Asset Management
  - Risk Manager
- Development and capital projects
- Portfolio Administration
- Pre-construction
- Energy

We know that fulfilling our Innovesteam philosophy requires us to stay at the forefront of the real estate industry, and for this reason we offer our employees a variety of professional and personal training and education options, including English courses, tax updates, leadership skills, project management and courses that help employees to advance within their area, even specialization courses in functional areas and support for continuing education and master's degrees.

Our development and training plans are managed by the Human Resource Department, to meet not only the needs of our people but those of our business and our Vesta Vision 20/20. In 2018, we provided 3,133 hours of training to our employees, an average of 36 hours per employee.

Most of our training is given on site, but our employees are also allowed flex time work options to take courses, specialization programs, or master's degrees, according to the personal interests, in the institution of their choice.

We are also aware that we can't detect areas of opportunity for training if we don't evaluate how we're working as a team, as an area, and as a company. Accordingly, every year we provide performance evaluations and skills assessments to identify training needs for each employee and encourage them on their professional path.

EMPLOYEE TRAINING BY GENDER AND JOB CATEGORY 2018

	WOMEN			MEN		
Job category	Total employees	Total training hours	Average training hours per year	Total employees	Total training hours	Average training hours per year
Directors	3	120	40	15	176	10
Managers	8	854	122	20	271	16
Administrative	25	895	32	19	817	43
Total	**36**	**1,869**	**49**	**54**	**1,264**	**23**

PERFORMANCE EVALUATIONS OF EMPLOYEES BY GENDER AND JOB CATEGORY 2018

Job category	Women	Men
Directors	8%	28%
Managers	22%	37%
Administrative	70%	35%
Total	**100%**	**100%**

STAKEHOLDERS

102-21, 102-40, 102-42, 102-43, 102-44

The groups and people we interact with are essential to our growth, and we work to maintain mutually beneficial, two-way relationships for everyone.

We engage with our stakeholders through the Investor Relations, Asset management, Sustainability and Sales areas, by different communication channels, in order to learn about their concerns, keep them informed of business topics that concern them and to meet their needs.

Vesta has seven main types of stakeholders that we directly impact, and with whom we stay in frequent contact:

STAKEHOLDER	TYPE AND FREQUENCY OF CONTACT	KEY ISSUES AND CONCERNS
Clients	• Asset Management action plan by region and client. • Biannual Customer Satisfaction Survey. • Frequent group and individual meetings. • Building maintenance program and contract renewals. • Additional contact from Asset Management area in headquarters and regional offices, for specific needs. • Web page. • External quarterly newsletter. • Integrated annual report. • Participation in industry events and forums in all regions. • Participation in social responsibility projects. • Openings and ground breaking ceremonies. • Complaints hotline. • Tenant Appreciation Day. • E-mail address monitored daily: info@vesta.com.mx.	• Efficiency and time of response to clients' needs. • Friendliness as our prime service characteristic. • Action plan for each Asset Manager to precisely address each clients' needs.

STAKEHOLDER	TYPE AND FREQUENCY OF CONTACT	KEY ISSUES AND CONCERNS
Shareholders and Investors	• Shareholders' Meeting. • Quarterly call including Q&A with senior management. • Integrated annual report. • Reports to the BMV and CNBV. • Investor Relations Office. • Participation in investment forums. • Meetings with shareholders, investors, financial analysts, debt holders and global bankers. • Visits to industrial properties and parks. • Web page. • Hotline. • E-mail address monitored daily: investor.relations@vesta.com.mx.	• Income statements. • Company financial position. • Information on sustainability, primarily regarding scope 2 emissions.
Suppliers	• Oracle system for expedited payments. • Annual satisfaction survey. • Contractors' Day. • Public tenders for contractor selection. • Work meetings and calls. • Weekly report during construction process. • Annual satisfaction survey. • Participation in social responsibility projects. • Hotline. • E-mail address monitored daily: info@vesta.com.mx.	• Time between billing and payment.
Employees	• Quarterly information meeting. • Monthly releases from the CEO. • Biannual organizational climate survey. • Annual performance evaluation. • E-mail address for complaints. • Intranet. • Monthly internal newsletter. • Webpage. • Open-door policy to see any director. • Hotline. • Videowall. • E-mail address monitored daily: info@vesta.com.mx.	• Satisfaction with company prestige. • Pride in being part of the INNOVESTEAM. • Training program. • Deficient internal communication.

STAKEHOLDER	TYPE AND FREQUENCY OF CONTACT	KEY ISSUES AND CONCERNS
Real estate industry partners	• Participation in industry associations. • Participation as speaker and/or sponsor in industry events. • Ongoing relationship with brokers. • Visits to industrial buildings and parks. • Media interviews. • Presence in foreign investment promotion magazines. • Regional Brokers' Days. • E-mail address monitored daily: info@vesta.com.mx.	• Joint cooperation to strengthen the Mexican real estate industry.
Community	• Involvement in local community projects. • B20, AFL, YPO and other panels. • Open communication before and during development of our industrial parks. • Hotline. • Advertorials in regionally distributed newspapers. • Press invitations to openings and foundation-laying ceremonies. • Presence in magazines promoting foreign investment and sustainable issues. • Webpage. • Advertisements for our developments in various media. • E-mail address monitored daily: info@vesta.com.mx. • Social media.	• Involvement in communities where our projects are present, according to the needs and always aligned with our core business.
Government	• Participation in forums and events focused on attracting foreign investment. • Meetings and calls. • Presence in magazines promoting foreign investment and sustainable issues. • Participation in municipal and state forums. • Hotline. • Key authorities invited to openings and foundation-laying ceremonies. • E-mail address monitored daily: info@vesta.com.mx.	• Compliance with federal, estate and municipal laws in all of our operations.

PARTICIPATION IN **INDUSTRY ASSOCIATIONS**

102-12, 102-13

17 PARTNERSHIPS FOR THE GOALS

Industry alliances are crucial for promoting the development of the real estate business, and Vesta is actively involved in a number of national and international associations and chambers whose goals and interests are similar to ours.

Additionally, our Chairman of the Board Lorenzo Berho Corona is a member of the Interdisciplinary Board of Responsible Business Conduct and Anti-Corruption for the B20, and since 2018 has sat on the Consulting Committee of the Alliance for Integrity in Mexico.

[1] We occupy a position in the association's corporate governance

[2] We participate in association projects or committees

[3] We provide financing our membership dues, toward sponsorships, events and marketing

ASSOCIATION

Alliance for Integrity[1,2]

Asociación Mexicana de la Industria Maquiladora y Exportación (AIM) *Tijuana y Ciudad Juárez*

Asociación Mexicana de Parques Industriales (AMPIP)[1,2,3]

Asociación de Parques Industriales Privados del Estado de Guanajuato (APIPEG)

Mexican Stock Exchange Issuers' Committee

Mexican Stock Exchange Sustainability Committee[2]

Comité México-Alemania de Comercio e Industria (CAMEXA)[1,2]

Latin American Council of the Real Estate Network of YPO/WPO[2]

Consejo Empresarial Mexicano de Comercio Exterior, Inversión y Tecnología (COMCE)[1,2]

Desarrollo Económico de Ciudad Juárez[2]

Desarrollo Económico e Industrial de Tijuana (DEITAC)[1,2,3]

Federación Mexicana de la Industria Aeroespacial (FEMIA)

Industria Nacional de Autopartes (INA)

ISO 9001:2015

National Association of Real Estate Investment Trusts (NAREIT)

United Nations Global Compact (UNGC)

Smart Border Coalition[1,2]

Sustentabilidad para México (SUME)

US Green Building Council (USGBC)

Urban Land Institute (ULI)[2]

WELL Building Standard

Borderplex Alliance (El Paso, Juárez and Las Cruces)

Index Tijuana

COMMITMENT

As key actors in the communities where our properties are located, we recognize our commitment to creating opportunities for dialogue and development with our stakeholders, and for sustainably managing the resources we use to operate.

Vesta designs industrial platforms that promote economic growth, create jobs, transfer knowledge and build connectivity through infrastructure, which directly contributes to better standards of living for the communities around our developments.

As part of our commitment to avoiding social or environmental depletion of the regions where we do business, we adopt protection measures to guarantee that our buildings do not create risks to public health or the environment.

We make sure we establish ourselves in spaces previously designated by local governments as industrial zones, so we have not caused any voluntary or involuntary displacement of communities, nor damage to their environments.

In 2018 we invested more than 30 million pesos to build roads, pavements, drainage, lighting, road signs, connections, electrical infrastructure, road dividers and access to public transport and for people with disabilities, all of which benefited the communities near our parks.

To build strategic alliances with our stakeholders and to enhance our economic and human capital, we conducted a survey of tenants asking them about their social responsibility and environmental initiatives, and on how much they know about our own activities at Vesta. We also invited them to work with us in order to magnify the impact of our initiatives.

In this survey, we found that 68% of our tenants have social and environmental sustainability programs; 66% have people heading sustainability areas, and more than 50% are evaluating the use of renewable energies, among other interesting facts that help us get to know our clients and incorporate their needs into our strategy.

It is through the various initiatives we carry out with communities where we are present, staying in constant communication with our stakeholders and responsibly managing the resources we use, that we seek to generate more commitment to communities and to the environment, for the good of all of Mexico.

SOCIAL

102-11, 203-1, CRE7, 413-1, 413-2

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

In 2018, we benefited more than 3,000 people and supported the work of 400 volunteers.

According to our **Social Responsibility and Sustainability Policy**, Vesta must invest one U.S. cent in the community for every square foot rented. This year we invested USD 234,049.

Annual investment in social initiatives (USD)

2016: $165,486

2017*: $280,047

2018: $234,049

*In 2017 we made an extraordinary investment in social initiatives to support people whose homes were destroyed or damaged in the September earthquakes in Oaxaca, Chiapas, Puebla and Mexico City.

With these investments we work toward positive social change in the communities of 9 states where we operate, through 15 social investment projects we carry out together with nonprofit organizations, in three areas of action:

- Education
- Inclusion
- Community Development

All of Vesta's projects are approved by the Social and Environmental Responsibility Committee (SERC) and the CEO.

They also follow a work plan designed specially to meet the needs of the community where they are in place, based on a specific socio-economic diagnosis prepared by experts in the field. Furthermore, we closely track the impact of each initiative during its implementation, and continue it for at least two or three years to ensure a real and lasting change in the well-being of the community in question.

EDUCATION

4 QUALITY EDUCATION

Vesta Adopts a School

As we have been doing for more than five years, last year we improved educational opportunities for kindergarten and primary schoolchildren, all from areas neighboring the communities where we have our industrial parks, by designing a didactic kit to build awareness among children, teachers and parents about issues like life skills, assertive communication, civics, identifying and eradicating bullying, and other topics.

Also, through the work of Vesta volunteers in Ciudad Juárez, we helped improve school facilities together with some of our clients, suppliers, authorities, parents, teachers and the children themselves, where we renovated common areas and classrooms, reconditioned play areas, planted various trees, painted and repaired school furniture and other activities.

Last year we began working together with Nestlé on facilitating tools that improve nutritional quality for 3- to 12-year olds in the same schools, involving parents in learning about what makes up a balanced meal through Nestlé's Healthy Eating Kit.

BENEFICIARIES:

500 students

19 teachers

3 facilitators

INVESTMENT:

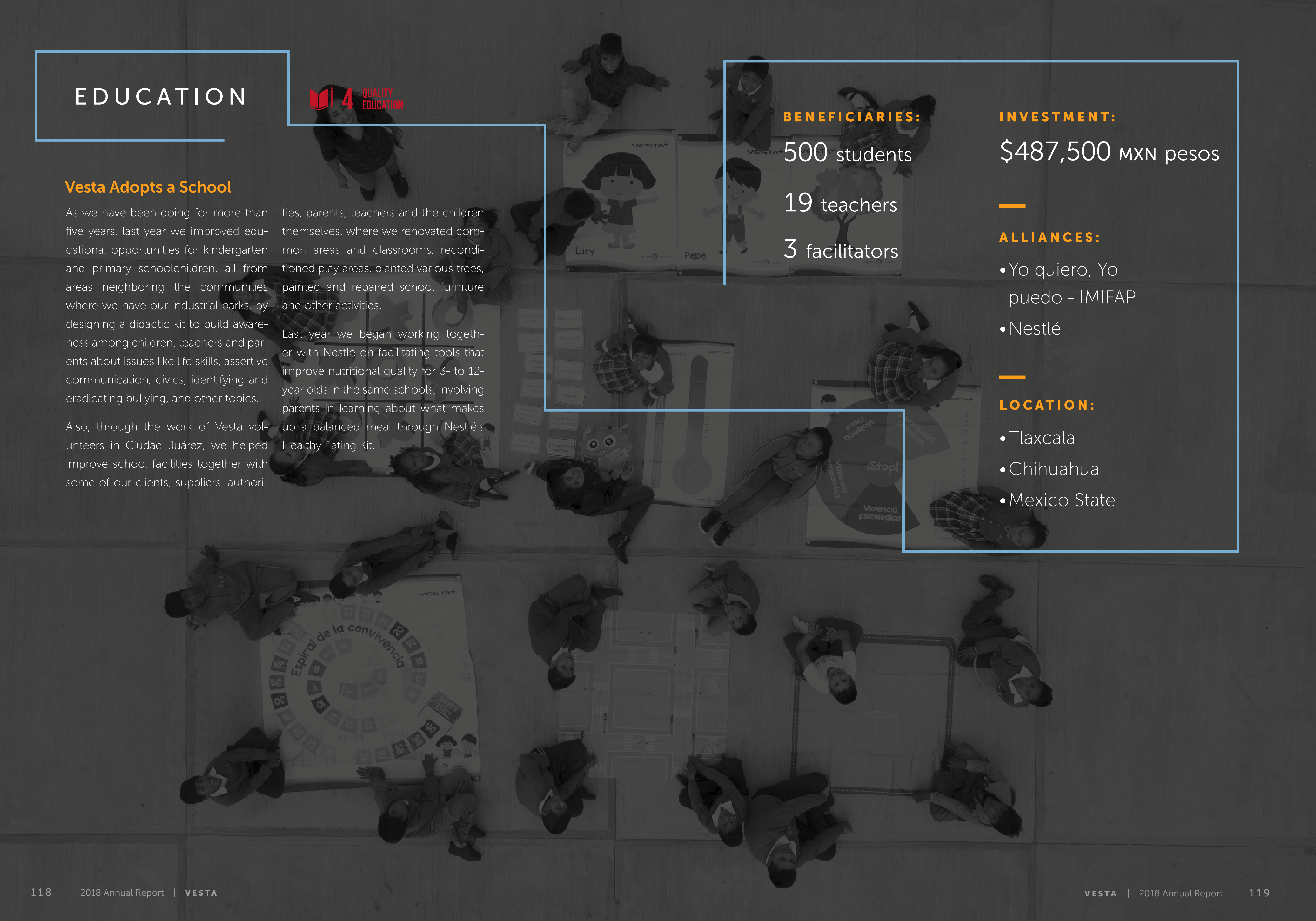
$487,500 MXN pesos

ALLIANCES:

- Yo quiero, Yo puedo - IMIFAP
- Nestlé

LOCATION:

- Tlaxcala
- Chihuahua
- Mexico State



Play Centers

To help children improve their socio-emotional skills, develop personality, cognitive and psychomotor development through play, we supported two Play Centers, the first in the Erasmo Castellanos Quinto kindergarten and the second in the Don Miguel Ramos Arizpe kindergarten, both in Silao, Guanajuato. In an alliance with one of our suppliers we built one of the two play centers, and as part of the same initiative we equipped both facilities, and gave two training workshops for the people who would staff them.

BENEFICIARIES:

181 children

10 mothers

9 teachers

INVESTMENT:

$154,387 MXN pesos
+ $90,000 MXN pesos
(alliances)

ALLIANCES:

- Fondo Unido México

LOCATION:

- Guanajuato

Childfund México

We transformed the life of schoolchildren in four communities of Tlacotepec, Puebla through a comprehensive community development project that encompasses all the phases of childhood:

1. **Healthy, safe babies (for 0-5 year olds):** Growing with you and Nutritional Awareness.
2. **Educated and safe children (6-12 year olds):** My body and me, Growing without violence, Reading and Nutritional awareness.
3. **Skilled and involved youth (13-18 years olds):** My body and me, Growing without violence and Nutritional awareness.

Currently 45 employees and their family members participate as sponsors in this program.

BENEFICIARIES:

45 boys and girls

INVESTMENT:

$187,500 MXN pesos

ALLIANCES:

- Childfund México

LOCATION:

- Corporate Volunteer Program

#Matematiza2

We evaluate, train and reevaluate third-grade teachers in public primary schools to solve problems involving algebraic axes. With this, we try to improve primary school children's capacity to resolve different situations.

INVESTMENT:

$189,560 MXN pesos
+ $216,000 MXN pesos
(alliances)

BENEFICIARIES:

17 teachers

ALLIANCES:

- Fondo Unido México
- National Autonomous University of Mexico (UNAM)

LOCATION:

- Aguascalientes

INVESTMENT:

$421,875 MXN pesos

BENEFICIARIES:

433 children

ALLIANCES:

- PAUTA
- UNAM's Institute of Nuclear Sciences
- UNAM Juriquilla Campus
- UNAM Foundation

LOCATION:

- Queretaro

Adopt a Talent Program

We encourage children and youth to develop science talent through workshops, courses and activities in which they build knowledge through exploration, experimentation and analysis. Among the initiative's activities are training for teachers, science clubs, non-intensive school sessions and workshops at UNAM where parents and teachers can also participate.

INCLUSION

Birds without Paradise

To promote respect for human rights and cooperation in the Tijuana-San Diego mega-region, we transformed the original initiative of Oaxaca artist Manuel Molina in a binational program in which 700 children from 22 schools along with their teachers, 11 strategic allies and 100 volunteers creating birds out of corn husks, to represent freedom and creativity.

The birds were hung in downtown Tijuana, at the Tijuana International Airport border crossing, and Liberty Station in San Diego.

This was not a political program, nor did it have to do with migration issues; its purpose was simply to promote cooperation in the mega-region.

BENEFICIARIES:

700 children

100 volunteers

22 schools

LOCATION:

- Baja California
- San Diego, California

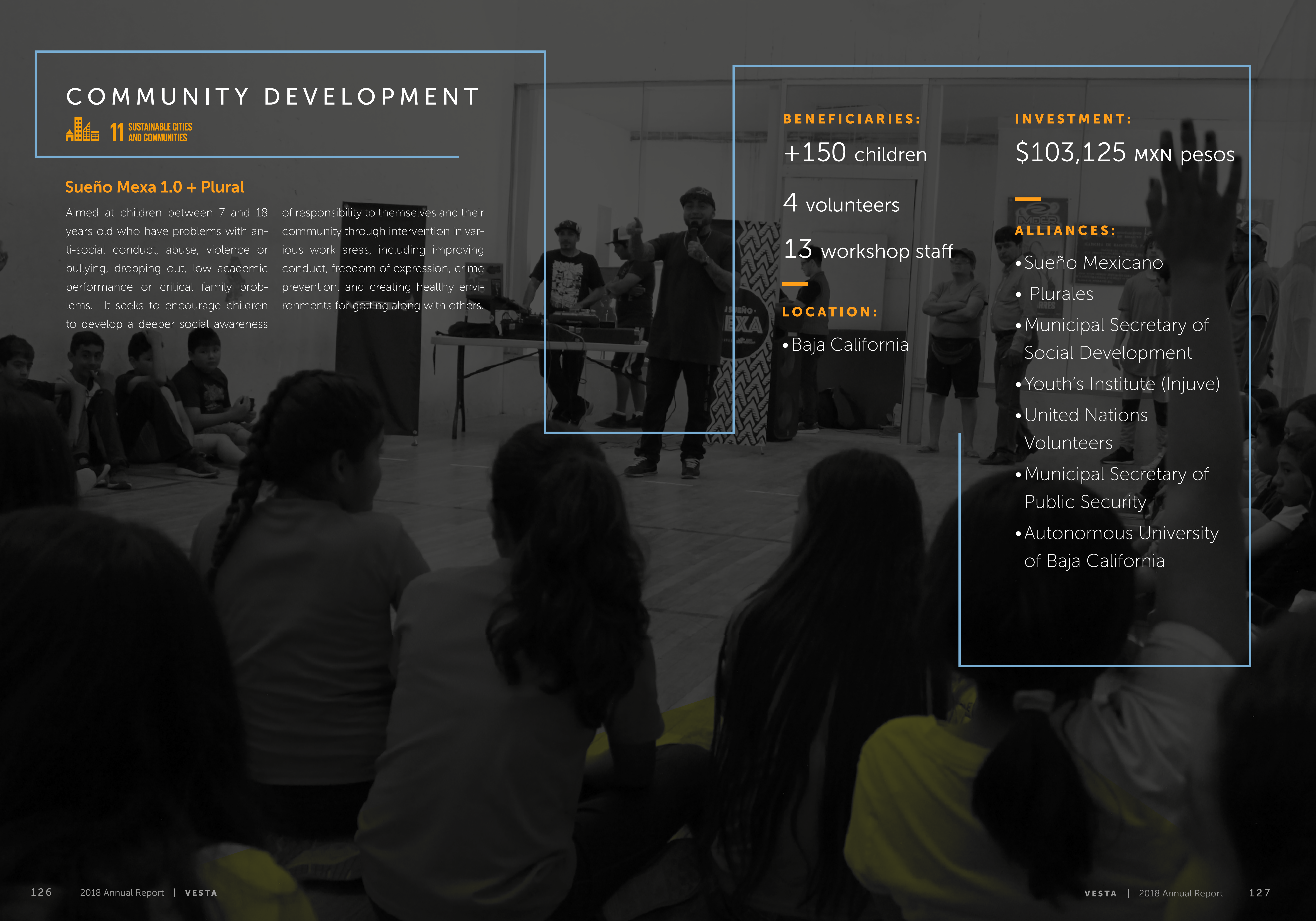
INVESTMENT:

$373,875 MXN pesos

+ $709,031 MXN pesos (alliances)

ALLIANCES:

- Tijuana Town Council
- San Diego School District
- SEICA
- Hermosillo y Asociados
- SENTRE
- Ware Malcomb
- Joe Smith
- Smart Border Coalition
- RL Jones CustomHouse Brokers
- NTC Foundation
- Rabbit Graphics
- Generador
- Manuel Molina



COMMUNITY DEVELOPMENT

11 SUSTAINABLE CITIES AND COMMUNITIES

Sueño Mexa 1.0 + Plural

Aimed at children between 7 and 18 years old who have problems with anti-social conduct, abuse, violence or bullying, dropping out, low academic performance or critical family problems. It seeks to encourage children to develop a deeper social awareness of responsibility to themselves and their community through intervention in various work areas, including improving conduct, freedom of expression, crime prevention, and creating healthy environments for getting along with others.

BENEFICIARIES:

+150 children

4 volunteers

13 workshop staff

LOCATION:

- Baja California

INVESTMENT:

$103,125 MXN pesos

ALLIANCES:

- Sueño Mexicano
- Plurales
- Municipal Secretary of Social Development
- Youth's Institute (Injuve)
- United Nations Volunteers
- Municipal Secretary of Public Security
- Autonomous University of Baja California

Development of Local Economies

Respecting local history, culture, and identity, as well as each community's economic and environmental characteristics, we work to develop local communities by strengthening their entrepreneurship and innovation ecosystems, generating shared value among all the actors involved.

This is a project that lasts about three or four years, and we are hoping to gain a more in-depth understanding of the region that we can use to plan long-term, comprehensive work with all the key participants in the zone, and identify shared, sustainable local development goals.

In 2018 we prepared a social diagnosis according to three main approaches: understanding the social fabric, examining the natural environment, and identifying the local ecosystem. Based on these results, we prepared a proposal on cooperation by each of the stakeholders in this project so that in 2019 they can be involved in the process of selection and training local entrepreneurs.

BENEFICIARIES:

6 communities in the municipality of Huejotzingo, Puebla

INVESTMENT:

$600,000 MXN pesos

ALLIANCES:

- Balloon Latam
- Municipal government of Huejotzingo

LOCATION:

- Puebla

Construyendo

With the involvement of 69 employee and supplier volunteers, we built a new wing for the Josefa Ortiz de Domínguez school in the community of Santiago Tianguistenco.

BENEFICIARIES:

50 children

INVESTMENT:

$262,500 MXN pesos

ALLIANCES:

- Construyendo

LOCATION:

- Mexico State

Baja Challenge

Thirteen volunteer employees, suppliers and contractors donated funds and work for building a home for a poor family in Tijuana.

BENEFICIARIES:

8 family members

INVESTMENT:

$99,375 MXN pesos

ALLIANCES:

- Ware Malcomb

LOCATION:

- Baja California

OTHER SOCIAL ACTIVITIES

In Querétaro, we donated $100,000 MXN pesos to the Fundación Josefa Vergara y Hernández, I.A.P., toward its **Shelter for the Blind and Visually Impaired**, to improve dining facilities, kitchen and dormitories, encourage residents to practice music and Goalball, and introduce an internal civil defense program.

Residents of the shelter jointed the Querétaro Goalball championship team and won the national championship.

Vesta Challenge: Bike Race

In an effort to encourage healthy lifestyles and sports activity among our employees, we held the ninth bicycle race in Tijuana, a 60km race that began in Rosarito, Baja California and ended in the Valle de Guadalupe, with the participation of 61 employees and their family members.

The purpose of this event is to raise funds to support the Fundación Castro-Limón that provides comprehensive attention to children and teenagers with cancer, the leading cause of death in this segment of the population in Tijuana.

BENEFICIARIES:

5 children with cancer

INVESTMENT:

$120,000 MXN pesos

LOCATION:

- Baja California

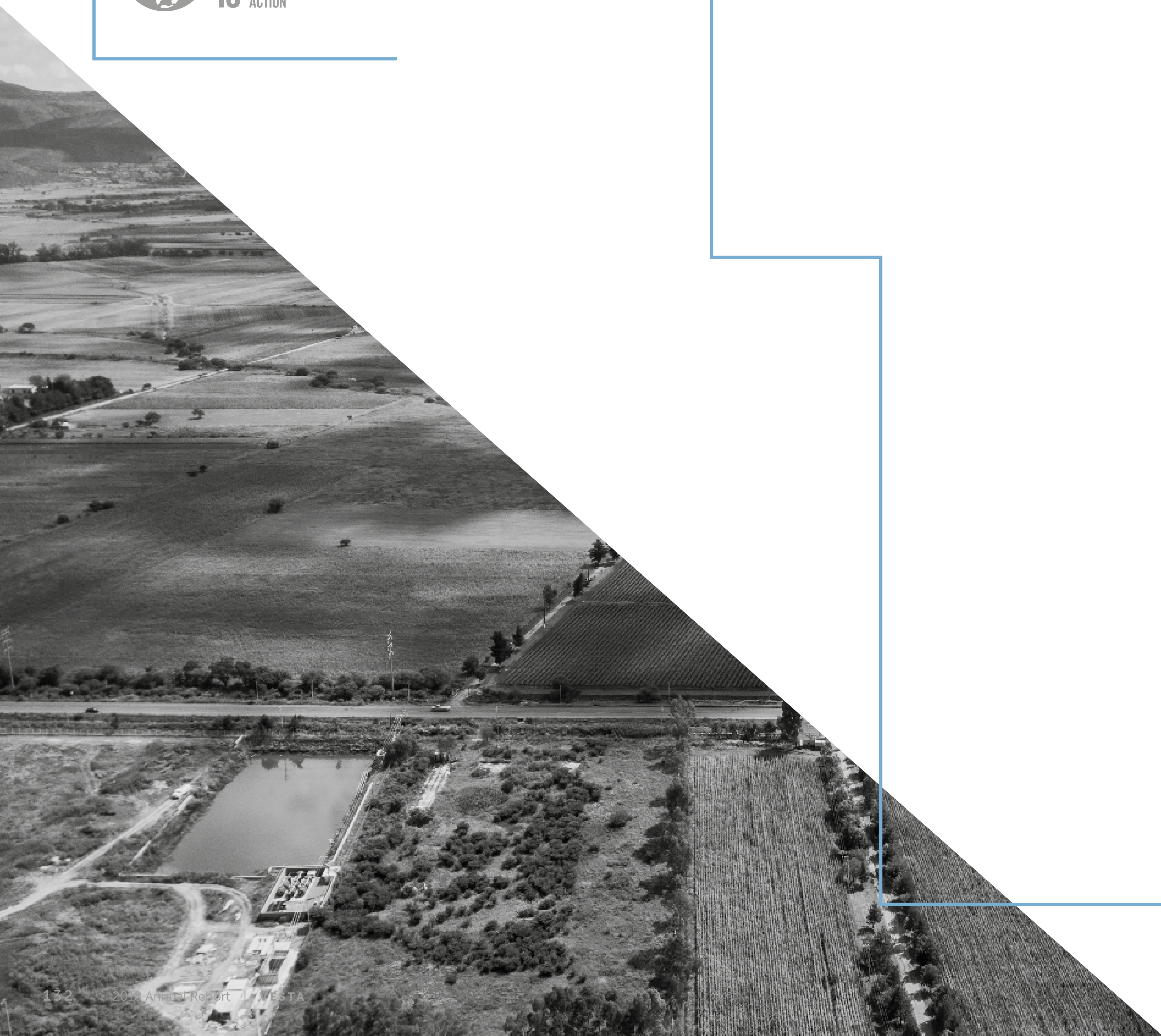
ALLIANCES:

- Fundación Castro-Limón

Through our three axes and each of the projects they incorporate, we will continue to positively transform communities where we are present, creating educational, economic, social and inclusion opportunities for local children, youth and adults to improve their quality of life.

ENVIRONMENT

13 CLIMATE ACTION



SUSTAINABLE CULTURE

Since we began measuring and managing environmental issues at Vesta, we have assigned them an increasing importance. Over the years, we have learned from and improved the way we measure these issues, and their scope.

We have in turn become more attentive to best practices in our industry, making an effort to compile increasingly precise information. To this end, and in pursuit of continuous improvement, in 2018 we began an environmental risk diagnosis of our buildings, working with specialized consultants, in order to have a real context for our developments and establish the groundwork for a sustainable management system.

As a result of this exercise, we identified the environmental, safety and legal aspects and the internal procedures in place for each area involved: Sustainability, Investor Relations, Asset Management, Development, Legal, Human Resources, Office Management and Communication, in order to establish short- and medium-term action plans to improve them.

The methodology we used involved analyzing each region, its processes and operations, following a four-step process:

1. Training areas involved regarding the importance of sustainability for Vesta as a planning and decision-making tool, according to the company's goals and axes.
2. Analyzing the current status of our assets to make sure all the mandatory legal-environmental, environmental risk and sustainability paperwork is in place, by directly sampling assets and indirectly conducting online questionnaires and filling our compliance checklists in the areas of safety, environment and sustainability.
3. Identifying areas of opportunity and improvement in each region, in line with the business strategy and needs of our stakeholders.
4. Developing tools (logs, procedures and manuals) to standardize, incorporate and manage safety, environmental risk and sustainability issues.

The information thus gathered served as a basis for tracing and organizing the company's ESG documentation and leading real estate industry indicators, both for common and rented areas, which contributes to the company's sustainability.

As a result of this diagnosis, we have adjusted some formulas for calculating environmental metrics, so the information reported for 2018 may be somewhat different from that of preceding years. Therefore, 2018 will be considered a base year for our calculations.

Using the results of this analysis, we reviewed and responded to the various certifications and accreditations that apply to Vesta (Sustainable Index, GRESB, Ecovadis, WorldCob, CDP) in order to increase the value of the portfolio and the company's commitment to stakeholders. The main results of 2018 were:

a. We were ratified for inclusion in the Mexican Stock Exchange Sustainable Index.

b. GRESB: Our rating improved by 26% over 2017, and we ranked third among North American Industrial Public Funds.

c. Ecovadis: Gold medal for our achievements; recognized for excellence in sustainability; named "Top performing company in Latin America and the Caribbean in the Ecovadis Sustainability Leadership Awards for small and mid-sized companies."

d. WorldCob: Obtained WORLDCOB-CSR: 2011.3/ABC certification, which indicates that the company's corporate structure and system for social responsibility management.

MANAGEMENT OF MATERIALS

302-5, CRE8

7.87% of our Gross Leasable Area has LEED certification.

We promote responsible use of materials by the subcontractors who build our developments through the **Sustainable Construction Manual**, a document prepared under internationally recognized environmental standards, and establishing five essential points:

1. **Sustainable sites.** Reduce contamination and negative impacts at the construction site through soil erosion and sedimentation control plans, the use of insulating materials and permeable pavements for rainwater capture, and protect surrounding habitats and natural resources.
2. **Water efficiency.** Establish rainwater capture and reuse systems, install water-saving equipment, plant native vegetation with minimal irrigation requirements, and treat wastewater to minimize the use of fresh water.
3. **Energy and atmosphere.** Include specifications for thermal materials in windows, skylights, floor and wall coverings to reduce energy consumption, maintain optimal consumption levels consistent with Heating, Ventilation and Air Conditioning (HVAC) code standards and consider the use of natural light, LED light fixtures and solar panels.
4. **Materials and resources.** Use locally-sourced, recycled or environmentally friendly materials to reduce environmental impact while contributing to local development; consider provided spaces for separation of waste and recycling within the property.

LEED-CERTIFIED FACILITIES AT THE CLOSE OF 2018

PROJECT	CERTIFICATION LEVEL AND YEAR	GLA SQUARE FEET
Bombardier MA2	LEED Silver (2014)	228,281
TPI Juárez	LEED Silver (2017)	329,999
BRP Querétaro	LEED Silver (2014)	536,753
Safran Albany Querétaro	LEED Silver (2018)	335,252
Bombardier J85	LEED (2013)	183,675
BRP Juárez	LEED (2016)	407,004
TPI Edif 03 Juárez	LEED (2018)	331,646
Total		**2,352,603**
Total portfolio		**29,867,580**
% LEED		**7.87%**

5. **Interior environmental quality.** Reduce the amount of volatile organic compounds that can affect employee health and productivity, promote access to spaces with pleasant views, natural light and comfortable climate, and minimize exposure to smoke, in order to generate an overall environment of wellness.

Vesta does not control the activities or consumption of resources by our tenants, but we do promote the application of best practices and the creation of sustainable spaces. We do so, among other things, by obtaining Leadership in Energy and Environmental Design (LEED) Certification[7] on seven of our buildings.

[7] LEED is a system for certifying sustainable buildings, developed by the U.S. Green Building Council. It incorporates aspects relating to energy efficiency, the use of alternative energies, improve the quality of interior environments, water consumption efficiency, sustainable development of free spaces and sourcing. Through a point system, with some obligatory prerequisites that do not earn points, and optional credits, a building can earn one of the four possible levels of certification: 40 to 49 points, LEED certification; 50 to 59 points, LEED silver, 60 to 79 points, LEED Gold; and 80 points and over, LEED Platinum.

ENERGY MANAGEMENT

103-1, 103-2, 103-3, CRE1, 302-1, 302-2, 302-3

7 AFFORDABLE AND CLEAN ENERGY

The energy we use in operating our common areas and our offices in industrial parks, as well as our corporate offices, comes primarily from the Federal Electricity Commission (CFE) network.

Nevertheless, in the interest of increasing energy efficiency, we promote the consumption of renewable energy with 170 solar panels installed in two of our parks, which together generated 39,900 kW of energy in 2018, equivalent to 144 GJ.

Of the 170 solar panels installed, 114 are at Vesta Park Toluca II and 56 at Vesta Park Tlaxcala I.

INDIRECT ENERGY CONSUMPTION (SCOPE 2) 2018

TYPE	kWh	GJ
Conventional	1,194,083	4,299
Solar	39,900	144
Total	**1,233,983**	**4,719**

Energy consumption intensity (Scope 2) 2018

We consume 0.72 kWh per m², considering 1,233,983 kWh of total energy consumption and 18,466,457 square feet of the total area to be reported, in other words, our offices and common areas.

Vesta Clients

Most of the energy used in our industrial parks is consumed by our tenants, over whom we have no direct control. But we are working on gathering information on their main uses. In 2018 we were able to account for 10% of these operations, in which our tenants consumed 7,770,840 kWh, equivalent to 27,975 GJ of electrical energy.

We are also proud to report that this year at Vesta Park Querétaro we began building a substation with 30 MVAs of capacity, expandable to 60 MVAs, through which we can offer our tenants smart-grid services like supply, monitoring and control of their electricity consumption. The substation will begin operating in 2019.

Vesta's fuel consumption is limited to diesel, which is used to operate firefighting systems at 11 parks. In 2018 we consumed 18,618 liters of diesel fuel, equivalent to 658 GJ, relating only to regular testing to ensure the equipment was working properly.

INDIRECT ENERGY CONSUMPTION (SCOPE 3) 2018

TYPE	kWh	GJ
Conventional	7,770,840	27,975
Total	**7,770,840**	**27,975**

WATER MANAGEMENT

103-1, 103-2, 103-3, 303-1, 303-2, 303-3, 306-1, 306-3

6 CLEAN WATER AND SANITATION

2018 WATER CONSUMPTION	m^3
Offices and park common areas	137,952
Headquarters	641
Tenants (less than 10%)	29,309
Total	**167,902**

The water used in our park operations is drawn from the municipal supply and in some cases from wells, all of which have the necessary concessions and permits.

To calculate Vesta's water consumption, we used our water bills as a basis.

In 2018, we generated 167,902 m^3 of wastewater, which were sent to the public sewage system, of which 36,500 m^3 were treated and reused for watering at the Aguascalientes industrial park. The water is treated biologically, and its quality is acceptable under Official Mexican Standards for discharging into drainage and public works.

Notes on the calculation of wastewater discharge: to calculate the total volume of water discharged into the public sewage system was assumed the same amount as we consumed, so billing consumption values are equal to the amount of water discharged as waste.

This year we received no complaints or claims regarding spells or any impact from these activities.

Vesta Park Querétaro is the site of our first wastewater treatment plant (WWTP) with a tertiary treatment line made up of a passive treatment system using subsurface wetlands. The plant has a projected flow capacity of 7.7 LPS and the water will be used to water green areas and in office bathrooms. The advantage of this type of system is that it is smaller than conventional treatment systems and integrates perfectly into the surrounding landscape, with less odor and substantial energy and maintenance savings. The plant will begin operating in 2019.

MANAGING EMISSIONS

103-1, 103-2, 103-3, 305-1, 305-2, 305-3

Our greenhouse gas (GHG) emissions come from the consumption of electrical energy for our operations (Scope 2) and consumption used by our tenants in their operations (Scope 3).

Our Scope 1 emissions, derived from diesel fuel use, totaled 48 metric tons of CO_2e.

SCOPE 2 EMISSIONS -2018

TYPE	METRIC TONS OF CO_2e
Conventional	669,697
Total	**669,697**

SCOPE 3 EMISSIONS 2018

Energy consumption used by our tenants totaled 4,905,232.68 metric tons of CO_2e.

Notes on the calculation of Scope 2 and 3 emissions:

- We used the emission factor of 0.527 metric tons of CO_2/MWh supplied by the National Electrical System for 2018.
- We used the standard global warming potential (GWP) factor of 1.00.
- The source of our emission factors was direct operations.
- We used the operational control approach for consolidating emissions.
- The methodology for collecting information on electricity consumption is different from in preceding years.

WASTE

CRE5, 103-1, 103-2, 103-3, 306-2, 307-1

WASTE GENERATED IN PARKS AND OFFICES BY TYPE IN 2018

TYPE OF WASTE	METRIC TONS
Hazardous	144
Non hazardous	20
Special handling (electronics)	2.4
Total	**166**

Most of the waste we generate comes from maintenance of our parks and corporate offices. Non-hazardous waste is sent to a landfill, and hazardous waste is handled by a certified external company.

In 2018 we received no fine, sanction or claim relating to non-compliance with environmental regulations in terms of waste, nor did we have to remediate any soil or land as a result of our activities.

Because of our commitment to Mexico, we work tirelessly to responsibly manage our impact on the environment. In the years ahead, we plan to continue improving, and we will remain at the forefront of the industry in the way we measure and report on the energy consumption, emissions and waste generation from all our developments, with the clear aim of ensuring they are comparable, and help us to be more efficient in our performance in coming years.

ABOUT
THIS REPORT

102-1, 102-5, 102-10, 102-45, 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56

This 2018 Annual Report for Corporación Inmobiliaria Vesta, S.A.B. de C.V.[8] embodies our commitment to transparency toward our stakeholders regarding the results of our performance.

This document contains the economic, corporate governance, labor, social, environmental and financial achievements and results of this company in the period between January 1 and December 31, 2018, in the 14 states of Mexico where we are present: Aguascalientes, Baja California, Chihuahua, Mexico State, Guanajuato, Jalisco, Puebla, Querétaro, Quintana Roo, San Luis Potosí, Sinaloa, Tamaulipas, Tlaxcala and Veracruz.

The information reported is limited to Vesta's operations; we include no information on suppliers, contractors or other entities, although we do include information on our tenants in the section entitled "Commitment," where specified. In this period the company underwent a significant change in size, ownership and structure compared to 2017. We built 1,806,507 square feet and bought approximately 106.2 acres of land in Aguascalientes. Additionally, the roles of Chairman of the Board and Chief Executive Officer were separated.

The 2018 Annual Report was prepared on the basis of standards developed by the Global Reporting Initiative (GRI), as well as GRI Construction and Real Estate Industry Supplement for reporting information specific to our industry.

This report has been prepared in accordance with the GRI Standards: 'Core option'. Furthermore, it has been externally assured by E3 Consultores Ambiental.

For the first time, this document also mentions the Sustainable Development Goals (SDG) of the United Nations, to which we contribute directly and indirectly with our developments, operations and community activities.

[8] Corporación Inmobiliaria Vesta, S.A.B. de C.V. (Vesta) is a publicly-traded company listed on the Mexican Stock Exchange; it also has securities placed privately under Rule 144A and Regulation S of the U.S. Securities and Exchange Commission.

Informe de verificación independiente

Se comunica a las audiencias del Informe Anual 2018 de Vesta que:

RYM servicios ambientales internacionales S.C, en adelante e3 Consultora Ambiental, ha concluido una revisión independiente de los contenidos relativos a los impactos económicos, ambientales y sociales de Corporación inmobiliaria Vesta, S.A.B. de C.V., en adelante Vesta, correspondientes al ejercicio anual de 2018.

Resumen de actividades

e3 Consultora Ambiental revisó los indicadores de gobierno corporativo, ética, impacto económico, medio ambiente, prácticas laborales, derechos humanos y de responsabilidad con los grupos de interés, incluidos en el informe.

Para validar la calidad de una muestra de indicadores presentados en el Informe Anual 2018 de Vesta, se solicitó acceso a los registros consolidados de información que compartieron los responsables de distintas áreas para la producción del informe.

Se revisó el cumplimiento con los requerimientos de una muestra de Contenidos GRI de los siguientes estándares: GRI 101, GRI, 102, GRI 205, GRI 302, GRI 303, GRI 305, GRI 306, GRI 307, GRI 401, GRI 403, GRI 404 y GRI 405.

Con base en los asuntos materiales identificados por la compañía, se comprobó la cobertura de Contenidos GRI para un informe de conformidad con la opción Esencial, de acuerdo con los Estándares GRI de *Global Reporting Initiative*.

Metodologías

La preparación de este informe de verificación se ha hecho con base en *ISAE 3000 y The external assurance of sustainability reporting (GRI)*.

La aplicación de los Principios para la elaboración de informes, relativos a la definición del contenido y a la calidad del informe, así como la cobertura de temas materiales y la presentación del Índice de contenidos GRI, se corroboró conforme a los lineamientos del estándar GRI 101: Fundamentos 2016.

Conclusiones

No se evidenció que la definición de los contenidos del informe no se haya efectuado con base en los principios de participación de grupos de interés, contexto de sustentabilidad, materialidad y exhaustividad.

No se presentaron situaciones que nos lleven a concluir que hay errores u omisiones importantes sobre la información divulgada en el Informe Anual 2018 de Vesta, con base en la revisión de las evidencias que respaldan las cifras de una muestra de indicadores de la memoria.

No hay evidencia que nos lleve a contradecir que el Informe Anual 2018 de Vesta ha sido elaborado de conformidad con la opción Esencial de los Estándares GRI.

David Parra
Director
e3 Consultora Ambiental

Recomendaciones

Los hallazgos y recomendaciones detalladas se entregan por separado en un informe interno a Vesta.

NOTAS. Este trabajo corresponde a un ejercicio de verificación limitada, llevado a cabo bajo encargo de Vesta y ha concluido en el mes de abril de 2019. De ningún modo puede entenderse como un trabajo de auditoría de las cifras presentadas en el informe o a los mecanismos de control interno para le generación, análisis, cálculo y acervo de la información no financiera de Vesta.
e3 Consultora Ambiental es una firma independiente a la compañía que reporta. El equipo verificador no participó en la elaboración del Informe Anual 2018 de Vesta.

GRI CONTENT INDEX

102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 101: Foundation			
GRI 102: General disclosures			
1. ORGANIZATIONAL PROFILE 2016			
102-1	Name of the organization	148	
102-2	Activities, brands, products, and services	14	
102-3	Location of headquarters	Back page	
102-4	Location of operations	18	
102-5	Ownership and legal form	148	
102-6	Markets served	18, 20	
102-7	Scale of the organization	54, 88	
102-8	Information on employees and other workers	88	
102-9	Supply chain	26	
102-10	Significant changes to the organization and its supply chain	64, 148	
102-11	Precautionary Principle or approach	116	
102-12	External initiatives	110	
102-13	Membership of associations	110	
2. STRATEGY 2016			
102-14	Statement from senior decision-maker	6	
102-15	Key impacts, risks, and opportunities	80	
3. ETHICS AND INTEGRITY 2016			
102-16	Values, principles, standards, and norms of behavior	11, 36, 84	
102-17	Mechanisms for advice and concerns about ethics	84	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
4. GOVERNANCE 2016			
102-18	Governance structure	64	
102-19	Delegating authority	48, 64	
102-20	Executive-level responsibility for economic, environmental, and social topics	48, 64	
102-21	Consulting stakeholders on economic, environmental, and social topics	44, 102	
102-22	Composition of the highest governance body and its committees	64	
102-23	Chair of the highest governance body	64	
102-24	Nominating and selecting the highest governance body	64	
102-25	Conflicts of interest	84	
102-26	Role of highest governance body in setting purpose, values, and strategy	64	
102-27	Collective knowledge of highest governance body	64	
102-28	Evaluating the highest governance body’s performance	64	
102-29	Identifying and managing economic, environmental, and social impacts	80	
102-30	Effectiveness of risk management processes	80	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
102-31	Review of economic, environmental, and social topics	64, 80	
102-32	Highest governance body's role in sustainability reporting	-	The Social and Environmental Responsibility Committee, together with the Legal Area, is responsible for evaluating and approving Vesta's Annual Report.
102-33	Communicating critical concerns	64	
102-34	Nature and total number of critical concerns	64	
102-35	Remuneration policies	64	
102-36	Process for determining remuneration	64, 88	
102-38	Annual total compensation ratio	-	The median annual compensation for all employees, excluding the highest-paid person, is Ps 821,000, and the ratio is 8.4 to 1.
102-39	Percentage increase in annual total compensation ratio	-	The average percentage increase in annual compensation for all employees was 11.13%.
5. STAKEHOLDER ENGAGEMENT 2016			
102-40	List of stakeholder groups	102	
102-41	Collective bargaining agreements	88	
102-42	Identifying and selecting stakeholders	102	
102-43	Approach to stakeholder engagement	20, 102	
102-44	Key topics and concerns raised	20, 102	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
6. REPORTING PRACTICE 2016			
102-45	Entities included in the consolidated financial statements	148	
102-46	Defining report content and topic Boundaries	44	
102-47	List of material topics	44	
102-48	Restatements of information	148	
102-49	Changes in reporting	148	
102-50	Reporting period	148	
102-51	Date of most recent report	148	
102-52	Reporting cycle	148	
102-53	Contact point for questions regarding the report	Back page	
102-54	Claims of reporting in accordance with the GRI Standards	148	
102-55	GRI content index	153	
102-56	External assurance	148	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 200: Economic standards			
GRI 201: Economic performance 2016			
103-1	Explanation of the material topic and its boundary	60	
103-2	The management approach and its components	60	
103-3	Evaluation of the management approach	60	
201-1	Direct economic value generated and distributed	60	
GRI 203: Indirect economic impacts 2016			
203-1	Infrastructure investments and services supported	116	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	84	
205-2	Communication and training about anti-corruption policies and procedures	84	
205-3	Confirmed incidents of corruption and actions taken	84	
GRI 206: Anti-competitive behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	84	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 300: Environmental standards			
GRI 302: Energy 2016			
103-1	Explanation of the material topic and its boundary	138	
103-2	The management approach and its components	138	
103-3	Evaluation of the management approach	138	
CRE1	Energy intensity in properties	138	
302-1	Energy consumption within the organization	138	
302-2	Energy consumption outside of the organization	138	
302-3	Energy intensity	138	
302-5	Reductions in energy requirements of products and services	136	
GRI 303: Water 2016			
103-1	Explanation of the material topic and its boundary	142	
103-2	The management approach and its components	142	
103-3	Evaluation of the management approach	142	
303-1	Water withdrawal by source	142	
303-2	Water sources significantly affected by withdrawal of water	142	
303-3	Water recycled and reused	142	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 305: Emissions 2016			
103-1	Explanation of the material topic and its boundary	144	
103-2	The management approach and its components	144	
103-3	Evaluation of the management approach	144	
305-1	Direct (Scope 1) GHG emissions	144	
305-2	Energy indirect (Scope 2) GHG emissions	144	
305-3	Other indirect (Scope 3) GHG emissions	144	
GRI 306: Effluents and waste 2016			
CRE5	Need for mediation and remediation of the land for the current and potential use of the land, in accordance with the corresponding legal framework	146	
306-1	Water discharge by quality and destination	142	
306-2	Waste by type and disposal method	146	
306-3	Significant spills	142	
GRI 307: Environmental compliance 2016			
103-1	Explanation of the material topic and its boundary	146	
103-2	The management approach and its components	146	
103-3	Evaluation of the management approach	146	
307-1	Non-compliance with environmental laws and regulations	146	
GRI 308: Supplier environmental assessment 2016			
308-1	New suppliers that were screened using environmental criteria	26	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 400: Social standards			
GRI 401: Employment 2016			
103-1	Explanation of the material topic and its boundary	88	
103-2	The management approach and its components	88	
103-3	Evaluation of the management approach	88	
401-1	New employee hires and employee turnover	88	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	88	
401-3	Parental leave	88	
GRI 403: Occupational health and safety 2016			
403-1	Workers representation in formal joint management–worker health and safety committees	88	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	88	
CRE6	Percentage of the organization that operates under an internationally recognized and verifiable health and safety management system	88	
403-3	Workers with high incidence or high risk of diseases related to their occupation	88	
GRI 404: Training and education 2016			
404-1	Average hours of training per year per employee	88	
404-3	Percentage of employees receiving regular performance and career development reviews	88	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 405: Diversity and equal opportunity 2016			
103-1	Explanation of the material topic and its boundary	64	
103-2	The management approach and its components	64	
103-3	Evaluation of the management approach	64	
405-1	Diversity of governance bodies and employees	64, 88	
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	84	
GRI 407: Freedom of association and collective bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	84	
GRI 408: Child labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	84	
GRI 409: Forced or compulsory labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	84	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 412: Human rights assessment 2016			
103-1	Explanation of the material topic and its boundary	84	
103-2	The management approach and its components	84	
103-3	Evaluation of the management approach	84	
412-1	Operations that have been subject to human rights reviews or impact assessments	84	
412-2	Employee training on human rights policies or procedures	84	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	84	
GRI 413: Local communities 2016			
CRE7	Number of people voluntarily or involuntarily displaced and/or relocated by development, by project	116	
413-1	Operations with local community engagement, impact assessments, and development programs	116	
413-2	Operations with significant actual and potential negative impacts on local communities	116	
GRI 414: Supplier social assessment 2016			
414-1	New suppliers that were screened using social criteria	26	
414-2	Negative social impacts in the supply chain and actions taken	26	

GRI STANDARD	DESCRIPTION	PAGE NUMBER	ANSWER OR OMISSION
GRI 415: Public policy 2016			
415-1	Political contributions	-	Vesta does not contribute to political parties or candidates of any kind.
GRI 416: Customer health and safety 2016			
CRE8	Type and number of sustainability certification and classification method for new constructions, administration, occupation and modernization.	136	
GRI 418: Customer privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	During this period, we received no substantiated complaints of violations of customer privacy.
GRI 419: Socioeconomic compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	-	In 2018, Vesta received no fines or sanctions of this type.

FINANCIAL
AND MARKET ANALYSIS

SUMMARY OF FINANCIAL INFORMATION

This Annual Report presents our audited annual financial statements as of December 31, 2018, 2017 and 2016 and for the fiscal years then ended, together with notes on the aforementioned. The financial information contained in this Report has been prepared in accordance with IFRS.

REVENUES

Leasing revenues as of the close of December 31, 2018, 2017 and 2016 were USD 132.7 million, USD 109.4 million and USD 90.5 million, respectively. At of the close of 2018 leasing revenues had risen USD 23.2 million, or 21.2%, over December 31, 2017. Revenues at the close of December 31, 2017 showed an increase of USD 18.9 million, or 20.9%, compared to the same period of 2016.

PROPERTY OPERATING COSTS

The cost of operating our properties in the year ended December 31, 2018 was USD 5.68 million, compared to USD 4.99 million at the close of December 31, 2017, which represents an increase of USD 0.68 million, or 13.7%. As of December 31, 2016 operating costs totaled USD 4.38 million.

ADMINISTRATIVE EXPENSES

Administrative expenses at the close of December 31, 2018, 2017 and 2016 were USD 16.09 million, USD 13.91 million and USD 11.24 million, respectively. At the close of December 31, 2018 administrative expenses rose USD 2.18 million, or 15.7% compared to the close of December 31, 2017. In 2017 these expenses increased USD 2.68 million, or 23.8%, over 2016.

DEPRECIATION

Depreciation expense at the close of December 31, 2018 was USD 0.57 million, compared to USD 0.36 million at the close of December 31, 2017. At the close of December 31, 2016 depreciation was USD 0.32 million.

Thousands of USD	2018	2017	2016
Other income and expenses			
Interest income	434.43	55.17	3,368.38
Other income	476.24	449.19	722.44
Debt issuance transaction costs	(139.06)	(395.56)	(947.88)
Interest expense	(35,156.83)	(19,668.27)	(19,862.67)
Foreign exchange gain (loss)	(719.01)	2,897.26	(24,781.51)
Gain from revaluation of investment properties	52,822.80	84,058.11	67,004.61
Total other (expenses) income	**17,718.58**	**67,395.89**	**25,503.37**

Other income (expenses) at the close of December 31, 2018 was income of USD 17.72 million. Other income (expenses) at the close of December 31, 2017 was an income of USD 67.40 million compared to an income of USD 25.50 million at the close of December 31, 2016.

Interest income rose by USD 0.38 million in the year ended December 31, 2018, from USD0.06 million in 2017 to USD 0.43 million in 2018. Interest income as of December 31, 2016 totaled USD 3.37 million.

The foreign-exchange gain declined by USD 3.62 million between 2017 and 2018, and the foreign-exchange loss rose by USD 27.68 million in 2017 compared to 2016. The foreign-exchange gain is attributed primarily to fluctuations in the peso/dollar exchange rate and their impact on dollar-denominated debt of WTN, a subsidiary of the company, whose functional currency is the peso, and on the balance of cash and investments held by the company.

Other revenues grew by USD0.03 million at the close of December 31, 2018. The increase was the product of lower inflation adjustments in tax returns and credits in 2018. At the close of December 31, 2017 other revenues declined by USD0.27 million compared to the same period of 2016. The decline was the result of higher inflation adjustments in tax returns and credits in 2017.

As of December 31, 2018, interest expense was USD 15.49 million, or 78.7%, higher than where it stood at the close of 2017, due to new debt taken on during the period. As of December 31, 2017, interest expense was USD 0.19 million, or 1.0%, lower than in the same period of 2016. The reduction is due to more favorable interest rates on the new debt.

Gains from the revaluation of investment properties as of December 31, 2018 declined by USD 31.24 million, or 37.2%, compared to 2017. As of December 31, 2017 gains from the revaluation of investment properties increased USD 17.05 million, or 25.5%, compared to 2016.

PRETAX EARNINGS

As a result of the abovementioned changes, our pretax earnings closed December 31, 2018 at USD 128.04 million, compared to USD 157.56 million and USD 100.08 million at the ends of fiscal year 2017 and 2016, respectively.

The income tax expense (benefit) at the close of December 31, 2018 was USD 34.98 million compared to an expense of USD 31.52 million at the close of December 31, 2017. At the close of December 31, 2016 the income tax expense was USD 55.00 million.

FISCAL YEAR PROFIT (LOSS)

With all of the above, the company's profit as of December 31, 2018 was USD 93.06 million, compared to a profit of USD 126.03 million at the close of December 31, 2017. As of December 31, 2016 the net profit was USD 45.08 million.

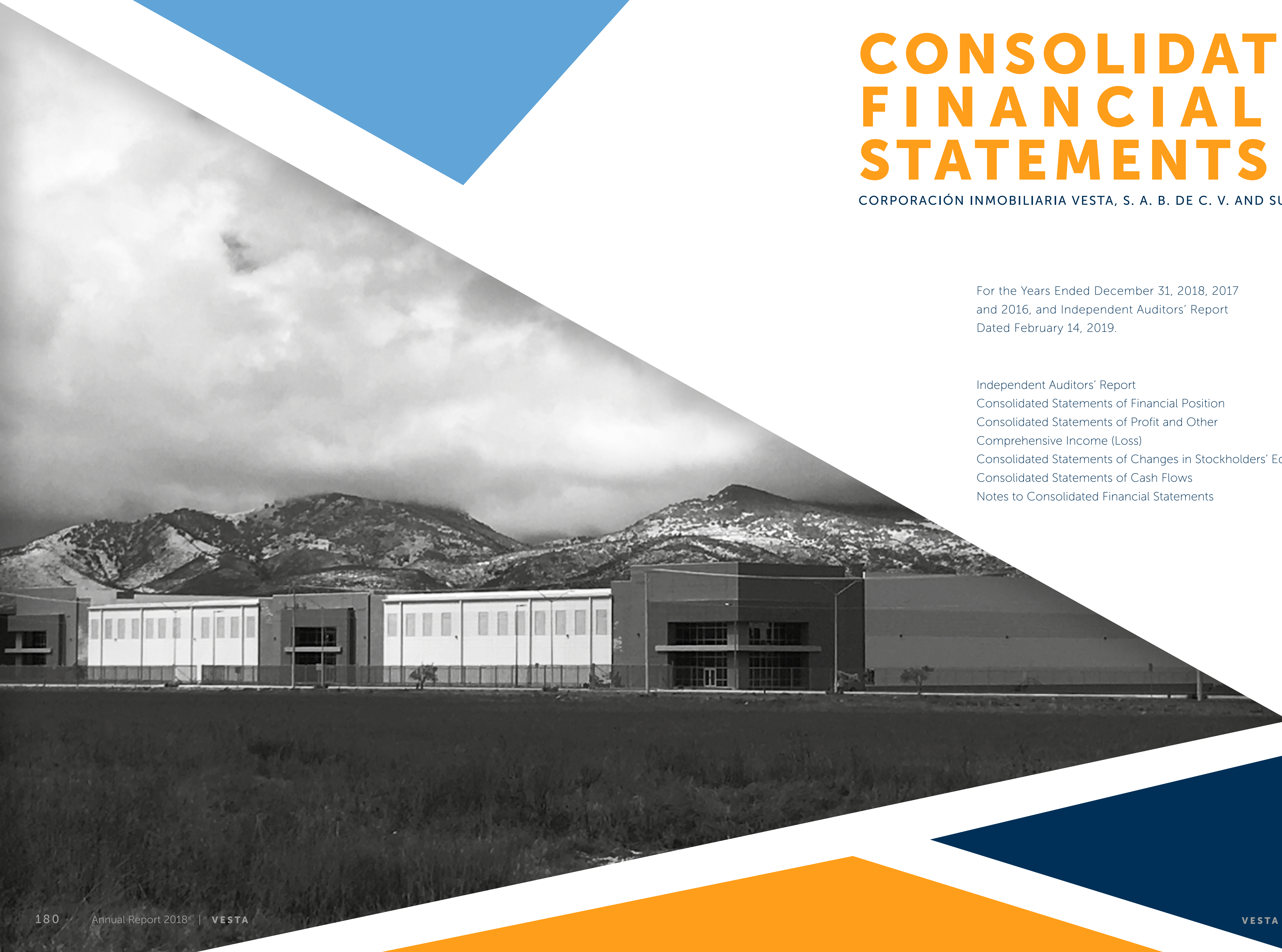
COMPREHENSIVE FISCAL-YEAR EARNINGS

Comprehensive earnings include foreign-exchange differences resulting from the conversion of foreign operations, which reflect the impact of foreign exchange fluctuations from one year to another on the capital accounts of WTN and Vesta Management, the only Vesta subsidiaries that use the peso as a functional currency. It also reflects gains from the valuation of derivative financial instruments at reasonable value.

Gains from the valuation of derivative financial instruments at the close of December 31, 2018 totaled USD 1.08 million, compared to a gain of USD 0.58 million at the close of December 31, 2017. As of December 31, 2015 the company had no open contracts in derivative financial instruments.

At the close of December 31, 2018 reported a loss from foreign-exchange differences in the conversion of foreign operations totaling USD 6.61 million, compared to a USD 0.92 million gain at the close of December 31, 2017 and a loss of USD 20.86 million as of December 31, 2016.

With all of this, comprehensive earnings in fiscal year 2018 totaled USD 87.54 million compared to earnings of USD 127.53 million en el 2017. At the close of December 31, 2016 we reported a comprehensive gain of USD 24.22 million.



CONSOLIDATED FINANCIAL STATEMENTS

CORPORACIÓN INMOBILIARIA VESTA, S. A. B. DE C. V. AND SUBSIDIARIES

For the Years Ended December 31, 2018, 2017 and 2016, and Independent Auditors' Report Dated February 14, 2019.

Independent Auditors' Report	182
Consolidated Statements of Financial Position	186
Consolidated Statements of Profit and Other Comprehensive Income (Loss)	187
Consolidated Statements of Changes in Stockholders' Equity	188
Consolidated Statements of Cash Flows	190
Notes to Consolidated Financial Statements	191

INDEPENDENT AUDITORS' **REPORT**

To the Board of Directors and Stockholders of
Corporación Inmobiliaria Vesta, S. A. B. de C. V.
(in US dollars)

OPINION

We have audited the consolidated financial statements of Corporación Inmobiliaria Vesta, S. A. B. de C. V. and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2018, 2017 and 2016, and the consolidated statements of profit and other comprehensive income (loss), consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2018, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have concluded that the following Key Audit Matters should be communicated in our report.

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term net operating income, inflation rates, absorption periods and market rents. The audit procedures performed to test investment properties were significant for our audit, for which reason, in order to test the reasonableness of the fair value of the investment properties, we involved an internal expert in valuation. As a result, our audit procedures included among others: i) testing the Entity's internal controls related to the approval of construction of new investment properties as well as cash disbursements related to such construction, ii) performing detail substantive testing of the additions in investment properties made during the year; iii) performing physical inspection of some of the Entity's investment properties; iv) using the work of our internal expert on valuation to test the fair value as determined by the Entity's expert of a sample of investment properties; v) performing an analytical substantive test of the fair value of the investment properties. Our procedures also included reviewing the appropriateness of the Entity's disclosures regarding the assumptions and accounting policies for the recognition of investment properties, which are included in the Note 9 to the consolidated financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with Article 33Ib) of Title Four, Chapter One, of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico. As of the date of our auditor's report we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Pedro Luis Castañeda Herrera

February 14, 2019

CORPORACIÓN INMOBILIARIA VESTA, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2018, 2017 and 2016
(In US dollars)

	Notes	31/12/2018	31/12/2017	31/12/2016
ASSETS				
Current assets:				
Cash, cash equivalents and restricted cash	5	$ 64,483,395	$ 91,001,709	$ 50,720,751
Financial Assets held for trading	6	724,399	677,828	613,015
Recoverable taxes	7	26,340,810	26,678,697	21,794,481
Operating lease receivables	8	8,130,553	5,221,517	7,028,975
Prepaid expenses		537,428	369,675	37,191
Total current assets		100,216,585	123,949,426	80,194,413
Non–current assets:				
Investment property	9	1,884,621,430	1,701,006,371	1,415,714,762
Office furniture – Net		2,490,902	1,868,778	1,965,192
Derivative financial instruments	14.8	2,380,863	827,251	–
Guarantee deposits made and restricted cash		4,376,105	4,440,163	2,920,475
Total non–current assets		1,893,869,300	1,708,142,563	1,420,600,429
Total assets		$ 1,994,085,885	$ 1,832,091,989	$1,500,794,842
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long–term debt	10	$ 4,513,388	$ –	$ –
Accrued interest		5,315,332	3,772,187	1,609,233
Accounts payable and client advances		2,788,387	4,082,166	1,795,748
Taxes payable, mainly income taxes		412,853	344,599	550,557
Accrued expenses		3,663,962	3,821,201	1,981,263
Total current liabilities		16,693,922	12,020,153	5,936,801
Non–current liabilities:				
Long–term debt	10	695,284,034	581,994,879	340,871,417
Guarantee deposits received		13,053,383	11,539,472	8,868,661
Deferred income taxes	13.3	215,350,973	204,205,361	185,733,064
Total non–current liabilities		923,688,390	797,739,712	535,473,142
Total liabilities		940,382,312	809,759,865	541,409,943
Litigation and other contingencies	17			
Stockholders' equity:				
Capital stock	11	435,613,239	439,843,107	450,880,150
Additional paid–in capital		321,021,039	327,270,539	343,037,228
Retained earnings		333,833,754	288,671,405	201,751,251
Share–based payments reserve		5,507,719	3,300,560	1,973,372
Foreign currency translation		(43,938,783)	(37,332,563)	(38,257,102)
Valuation of derivative financial instruments	14.8	1,666,605	579,076	–
Total stockholders' equity		1,053,703,573	1,022,332,124	959,384,899
Total liabilities and stockholders' equity		$ 1,994,085,885	$ 1,832,091,989	$1,500,794,842

See accompanying notes to consolidated financial statements.

CORPORACIÓN INMOBILIARIA VESTA, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT AND OTHER COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2018, 2017 and 2016
(In US dollars)

	Notes	31/12/2018	31/12/2017	31/12/2016
Revenues:				
Rental income		$ 132,669,266	$ 109,427,282	$ 90,511,822
Property operating costs:				
Related to properties that generated rental income	12.1	(4,848,618)	(4,106,403)	(3,384,389)
Related to properties that did not generate rental income	12.1	(828,082)	(886,688)	(992,057)
Gross profit		126,992,566	104,434,191	86,135,376
Administration expenses	12.2	(16,094,364)	(13,911,938)	(11,236,676)
Depreciation		(573,177)	(356,727)	(322,627)
Other Income and Expenses:				
Interest income		434,427	55,171	3,368,382
Other income (expense)– net		476,240	449,193	722,439
Transaction costs on debt issuance		(139,062)	(395,559)	(947,875)
Interest expense		(35,156,825)	(19,668,274)	(19,862,673)
Exchange gain (loss)– net		(719,007)	2,897,256	(24,781,506)
Gain on revaluation of investment property		52,822,802	84,058,105	67,004,611
Total other income and expenses		17,718,575	67,395,892	25,503,378
Profit before income taxes		128,043,600	157,561,418	100,079,451
Income tax expense	13.1	(34,983,270)	(31,531,237)	(54,996,658)
Profit for the year		93,060,330	126,030,181	45,082,793
Other comprehensive income (loss) – net of tax:				
Items that may be reclassified subsequently to profit –				
Fair value gains on derivative instruments	14.8	1,087,529	579,076	–
Exchange differences on translating other functional currency operations		(6,606,220)	924,539	(20,860,067)
Total other comprehensive income (loss)		(5,518,691)	1,503,615	(20,860,067)
Total comprehensive income for the year		$ 87,541,639	$ 127,533,796	$ 24,222,726
Basic and diluted earnings per share	11	$ 0.155	$ 0.207	$ 0.072

See accompanying notes to consolidated financial statements.

CORPORACIÓN INMOBILIARIA VESTA, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2018, 2017 and 2016
(In US dollars)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Share-Based Payments Reserve	Foreign Currency Translation	Valuation of Derivative financial instruments	Total Stockholders' Equity
Balances as of January 1, 2016	$ 455,741,735	$ 349,557,056	$ 185,494,148	$ 1,391,080	$ (17,397,035)	$ –	$ 974,786,984
Share–based payments	–	–	–	860,125	–	–	860,125
Vested shares	104,640	173,193	–	(277,833)	–	–	–
Dividends declared	–	–	(28,825,690)	–	–	–	(28,825,690)
Repurchase of shares	(4,966,225)	(6,693,021)	–	–	–	–	(11,659,246)
Comprehensive income (loss)	–	–	45,082,793	–	(20,860,067)	–	24,222,726
Balances as of December 31, 2016	450,880,150	343,037,228	201,751,251	1,973,372	(38,257,102)	–	959,384,899
Share–based payments	–	–	–	1,477,158	–	–	1,477,158
Vested shares	58,201	91,769	–	(149,970)	–	–	–
Dividends declared	–	–	(39,110,027)	–	–	–	(39,110,027)
Repurchase of shares	(11,095,244)	(15,858,458)	–	–	–	–	(26,953,702)
Comprehensive income	–	–	126,030,181	–	924,539	579,076	127,533,796
Balances as of December 31, 2017	439,843,107	327,270,539	288,671,405	3,300,560	(37,332,563)	579,076	1,022,332,124
Share–based payments	–	–	–	2,984,358	–	–	2,984,358
Vested shares	297,786	479,413	–	(777,199)	–	–	–
Dividends declared	–	–	(47,897,981)	–	–	–	(47,897,981)
Repurchase of shares	(4,527,654)	(6,728,913)	–	–	–	–	(11,256,567)
Comprehensive income (loss)	–	–	93,060,330	–	(6,606,220)	1,087,529	87,541,639
Balances as of December 31, 2018	**$ 435,613,239**	**$ 321,021,039**	**$ 333,833,754**	**$ 5,507,719**	**$ (43,938,783)**	**$ 1,666,605**	**$ 1,053,703,573**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018, 2017 and 2016
(In US dollars)

	31/12/2018	31/12/2017	31/12/2016
Cash flows from operating activities:			
Profit before income taxes	$ 128,043,600	$ 157,561,418	$ 100,079,451
Adjustments:			
Depreciation	573,177	356,727	322,627
Gain on revaluation of investment property	(52,822,802)	(84,058,105)	(67,004,611)
Unrealized effect of foreign exchange rates	719,007	(2,897,256)	24,781,506
Interest income	(434,427)	(55,171)	(3,368,382)
Interest expense	35,156,825	19,668,274	19,862,673
Expense recognized in respect of share–based payments	1,942,810	1,477,158	860,125
Working capital adjustments:			
(Increase) decrease in:			
Operating lease receivables – Net	(2,909,036)	1,807,458	(2,880,866)
Recoverable taxes	(8,943,673)	(14,325,040)	(6,147,505)
Prepaid expenses	(167,753)	(332,484)	468,259
Increase (decrease) in:			
Accounts payable and client advances	(2,227,350)	3,363,652	(190,045)
Guarantee deposits received	–	–	1,662,683
Accrued expenses	884,309	1,839,939	553,705
Income taxes paid	(12,542,218)	(2,242,043)	(722,775)
Net cash generated by operating activities	87,272,469	82,164,527	68,276,845
Cash flows from investing activities:			
Purchases of investment property	(137,897,718)	(196,210,053)	(157,437,522)
Acquisition of office furniture	(1,195,300)	(260,314)	(716,203)
Financial assets held for trading	(46,571)	(64,813)	178,168,504
Interest received	434,427	55,171	3,368,382
Net cash (used in) generated by investing activities	(138,705,162)	(196,480,009)	23,383,161
Cash flows from financing activities:			
Guarantee deposits made	64,058	(1,519,688)	(1,672,342)
Guarantee deposits collected	1,513,911	2,670,811	2,750,579
Interest paid	(33,613,680)	(15,907,052)	(21,455,480)
Repayments of borrowings	(123,019)	–	(298,069,960)
Dividends paid	(47,897,981)	(39,110,027)	(28,825,690)
Repurchase of treasury shares	(11,256,567)	(26,953,702)	(11,659,246)
Proceeds from borrowings	116,600,000	243,000,000	300,000,000
Debt issuance costs	1,325,562	(3,474,806)	(5,817,632)
Net cash generated by (used in) financing activities	26,612,284	158,705,536	(64,749,771)
Effects of exchange rates changes on cash	(1,697,905)	(4,109,096)	(3,896,537)
Net increase in cash, cash equivalents and restricted cash	(26,518,314)	40,280,958	23,013,698
Cash, cash equivalents and restricted cash at the beginning of year	91,737,021	51,456,063	28,442,365
Cash, cash equivalents and restricted cash at the end of year – Note 5	$ 65,218,707	$ 91,737,021	$ 51,456,063

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018, 2017 and 2016
(In US dollars)

1. GENERAL INFORMATION

Corporación Inmobiliaria Vesta, S. A. B. de C. V. ("Vesta") is a corporation incorporated in Mexico. The address of its registered office and principal place of business is Paseo de los Tamarindos 90, 28th floor, Mexico City.

Vesta and subsidiaries (collectively, the "Entity") are engaged in the development, acquisition and operation of industrial buildings and distribution facilities that are rented to corporations in fourteen states throughout Mexico.

On April 21, 2017, the Entity renewed, in advance, the Nestle and Nestle related Cereal Partners Worldwide lease agreements for a combined leasable area of 1,713,600 square feet. The leases were extended for 7 and 8 years, beginning on January 1, 2017 to December 31, 2023 and December 31, 2024, respectively. The lease agreements will remain indexed to Mexican investment units (UDIS for its acronym in Spanish) having monthly rent increases according to the increase in the value of UDIS. The new lease conditions had an impact on the value of the Entity's investment properties as they are valued at their fair value using the income approach as described in Note 9 which was recognized in the current period.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. *Application of new and revised International Financial Reporting Standards ("IFRS" or "IAS") that are mandatorily effective for the current year*

In the current year, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Entity has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Entity adopted consequential amendments to IFRS 7 *Financial Instruments*: Disclosures that were applied to the disclosures about 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Entity's consolidated financial statements are described below.

a) **Classification and measurement of financial assets**

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and
- the Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Entity has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at FVTOCI are subject to impairment. See (b) below. The Entity reviewed and assessed it's existing financial assets as at January 1, 2018 and concluded that based on the facts and circumstances that existed at that date, the initial application of IFRS 9 has had no material impact on the Entity's financial assets as regards their classification and measurement.

b) **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Entity to recognize a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortized cost or at FVTOCI,
(2) Lease receivables,
(3) Trade receivables and contract assets, and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The application of IFRS 9 did not have a material impact on the Entity´s consolidated financial statements with respect to impairment.

c) **Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no a material impact on the classification and measurement of the Entity's financial liabilities.

d) **General hedge accounting**

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Entity's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Entity has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Entity's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Entity has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

IFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Entity's practice prior to the adoption of IFRS 9.

The application of the IFRS 9 hedge accounting requirements has had no material impact on the results and financial position of the Entity for the current and/or prior years.

Impact of application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Entity recognizes revenue from rental income, from lease contracts, which are not within the scope of IFRS 15. Additionally, revenues from non-lease components are not considered material to the Entity's consolidated financial information. Therefore, the application of IFRS 15 did not have a material impact on the amounts reported and disclosures made in its consolidated financial statements.

Impact of application of Other amendments to IFRS Standards and Interpretations

In the current year, the Entity has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 *(amendments) Classification and Measurement of Share-based Payment Transactions*	The Entity has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following: 1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. 2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. 3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognized; (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.
IAS 40 (amendments) Transfers of Investment Property	The Entity has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New and revised IFRSs in issue but not yet effective

At the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	*Leases*
IFRS 17	*Insurance Contracts*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*
Amendments to IAS 19 *Employee Benefits*	*Plan Amendment, Curtailment or Settlement*
IFRS 10 *Consolidated Financial Statements* and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Entity in future periods, except as noted below:

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Entity will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Entity will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Entity.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Entity will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

As of December 31, 2018, the Entity has non-cancellable operating lease commitments of $ 1,142,700. The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although by the nature of its operations it would not expect significant impacts.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Entity does not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The *Annual Improvements* include amendments for the following Standards:

IAS 12 *Income Taxes*
The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The Entity does not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Entity does not anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as an entity; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Entity does not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payments*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of Vesta and entities (including structured entities) controlled by Vesta and its subsidiaries. Control is achieved when the Entity:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit (loss) and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

	Ownership percentage			
Subsidiary/entity	**2018**	2017	2016	Activity
QVC, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
QVC II, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
WTN Desarrollos Inmobiliarios de México, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
Vesta Baja California, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
Vesta Bajio, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
Vesta Queretaro, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
CIV Infraestructura, S. de R.L. de C.V.	(1)	99.99%	99.99%	Holds investment properties
Vesta DSP, S. de R. L. de C.V.	**99.99%**	99.99%	99.99%	Holds investment properties
Vesta Management, S. de R.L. de C.V.	**99.99%**	99.99%	99.99%	Provides administrative services to the Entity
Servicio de Administración y Mantenimiento Vesta, S. de R.L. de C.V.,	**99.99%**	99.99%	99.99%	Provides administrative services to the Entity
Trust CIB 2962	(2)			Vehicle to distribute shares to employees under the Long Term Incentive plan.

(1) On April 26th, 2018, the board of directors of the Entity, unanimously approved the merger of CIV Infraestructura, S. de R. L. de C. V., with Proyectos Aeroespaciales, S. de R. L. of C. V., as a merged company.

(2) Employee share trust established in conjunction with the 20-20 Long Term Incentive Plan over which the Entity exercise control.

d. ***Financial instruments***

Financial assets and financial liabilities are recognized in Vesta's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

e. ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item.

Impairment of financial assets

The Entity always recognizes lifetime ECL for operating lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Write-off policy

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

f. Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.
- A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of an Entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at FVTPL are recognized in profit or loss.

Financial liabilities measured subsequently at amortized cost

Financial liabilities (including borrowings) that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and expenses 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.

Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

g. **Derivative financial instruments**

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest and foreign exchange rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 14.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both legal right and intention to offset. The impact of the Master Netting Agreements on the Entity's financial position is disclosed in note 14.8. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

h. **Hedge accounting**

The Entity designates certain hedging instruments, which include derivatives in respect of interest rate risk as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other income (expenses) - Net' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

i. **Cash and cash equivalents**

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is carried at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in interest income of the period. Cash equivalents are represented mainly by investments in treasury certificates (CETES) and money market funds.

j. **Office furniture**

Office furniture is stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of office furniture is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of the asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

k. **Restricted cash**

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the long-term debt agreements entered into by the Entity (as discussed in Note 10). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash was classified within guarantee deposits made.

l. **Investment property**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received from such investment property. Any gain or loss arising on derecognition of the property (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

m. **Impairment of long-lived assets other than goodwill**

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

n. **Leases**

Leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Entity as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2) The Entity as lessee

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o. **Foreign currencies**

The U.S. dollar is the functional currency of Vesta and all of its subsidiaries except for WTN Desarrollos Inmobiliarios de México, S. de R. L. de C. V. ("WTN") and Vesta Management, S. de R.L. de C.V. (VM), which consider the Mexican peso to be their functional currency and are considered to be "foreign operations" under IFRS. However, Vesta and its subsidiaries keep their accounting records in Mexican pesos. In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates in effect on the dates of each transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates in effect on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of WTN and VM are translated into U.S. dollars using the exchange rates in effect on the last business day of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates in effect on the dates of the transactions are used. Exchange differences arising, if any, are recorded in other comprehensive income.

p. **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. **Employee benefits**

Employee benefits for termination

Employee benefits for termination are recorded in the results of the year in which they are incurred.

Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing ("PTU")

PTU is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statement of profit (loss) and other comprehensive income.

As result of the 2014 Income Tax Law, as of December 31, 2018 and 2017, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

r. **Share-based payment arrangements**

Share-based payment transactions of the Entity

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Entity's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

s. **Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

t. **Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Entity's accounting policies, which are described in Note 3, management of the Entity is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

– *Valuation of investment properties*

As described in Note 9, the Entity uses external appraisers in order to determine the fair value of its investment properties. Such appraisers use several valuation methodologies that include assumptions that are not directly observable in the market to estimate the fair value of its investment properties. Note 9 provides detailed information about the key assumptions used in the determination of the fair value of the investment properties.

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity engages third party qualified valuation experts. The valuation committee works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 9 and 14.

The Entity's management believes that the chosen valuation methodologies and assumptions used are appropriate in determining the fair value of the Entity's investment properties.

5. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, including restricted cash. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2018	2017	2016
Cash and cash equivalents	$ 64,434,016	$ 90,415,448	$ 48,054,432
Current restricted cash	49,379	586,261	2,666,319
	64,483,395	91,001,709	50,720,751
Non-current restricted cash	735,312	735,312	735,312
Total	$ 65,218,707	$ 91,737,021	$ 51,456,063

Restricted cash represents balances held by the Entity that are only available for use under certain conditions pursuant to the loan agreements entered into by the Entity. Such conditions include payment of monthly debt service and compliance with certain covenants set forth in the loan agreement. These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled. Non-current restricted cash was classified within guarantee deposits made in the accompanying consolidated statements of financial positon.

6. FINANCIAL ASSETS HELD FOR TRADING

The portfolio of financial assets that the Entity has classified as held for trading relates to investments used by the Entity to manage its cash surplus. Such financial assets were acquired in active markets and are principally comprised of investment funds with no maturity date and which mainly invest in AAA debt instruments, such as government bonds. These are classified as at fair value through profit (loss).

7. RECOVERABLE TAXES

	2018	2017	2016
Recoverable value-added tax ("VAT")	$ 11,008,204	$ 15,100,478	$ 10,438,157
Recoverable income taxes	7,000,756	425,808	1,116,871
Recoverable dividend tax	8,202,066	10,719,907	10,203,349
Other receivables	129,784	432,504	36,104
	$ 26,340,810	$ 26,678,697	$ 21,794,481

8. OPERATING LEASE RECEIVABLES

i. The aging profile of operating lease receivables as of the dates indicated below are as follows:

	2018	2017	2016
0–30 days	$ **6,944,766**	$ 4,508,045	$ 4,541,467
30–60 days	**373,514**	223,456	1,588,869
60–90 days	**229,724**	229,591	551,533
Over 90 days	**582,549**	260,425	347,106
Total	$ **8,130,553**	$ 5,221,517	$ 7,028,975

Pursuant to the lease agreements, rental payments should be received within 30 days following their due date; thereafter the payment is considered past due. As shown in the table above, 86 %, 86% and 65% of all operating lease receivables are current at December 31, 2018, 2017 and 2016, respectively.

All rental payments past due are monitored by the Entity; for receivables outstanding from 30 to 90 days efforts are made to collect payment from the respective client. Operating lease receivables outstanding for more than 30 days but less than 60 days represent 5%, 4% and 23% of all operating lease receivables at December 31, 2018, 2017 and 2016, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 3%, 4% and 8% of all operating lease receivable at December 31, 2018, 2017 and 2016. Operating lease receivables outstanding greater than 90 days represent 7%, 5% and 5% as of December 31, 2018, 2017 and 2016, respectively.

ii. Movement in the allowance for doubtful accounts receivable

The Entity recognizes lifetime ECL for operating lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the operating lease receivable. The balance as of December 31, 2018, 2017 and 2016 is $350,314, $283,538 and $41,314, respectively.

iii. Client concentration risk

As of December 31, 2018, 2017 and 2016 one of the Entity's clients account for 23% or $1,883,826, 40% or $2,093,433 and 29% or $2,040,061, respectively, of the operating lease receivables balance. The same client accounted for 6%, 7% and 11% of the total rental income of Entity for the years ended December 31, 2018, 2017 and 2016, respectively.

iv. Leasing agreements

Operating leases relate to non-cancellable lease agreements over the investment properties owned by the Entity, which generally have terms ranging between 5 to15 years, with options to extend the term up to a total term of 20 years. Rents are customarily payable on a monthly basis, and are adjusted annually according to applicable inflation indices (US and Mexican inflation indices). Security deposits are typically equal to one or two months' rent. Obtaining property insurance (third party liability) and operating maintenance are obligations of the tenants. All lease agreements include a rescission clause that entitles the Entity to collect all unpaid rents during the remaining term of the lease agreement in the event that the client defaults in its rental payments, vacates the properties, terminates the lease agreement or enters into bankruptcy or insolvency proceedings. All lease agreements are classified as operating leases and do not include purchase options.

v. Non-cancellable operating lease receivables

Future minimum lease payments receivable under non-cancellable operating lease agreements are as follows:

	2018	2017	2016
Not later than 1 year	$ **131,017,926**	$ 126,991,489	$ 100,997,236
Later than 1 year and not later than 3 years	**230,133,415**	226,252,896	170,779,851
Later than 3 year and not later than 5 years	**239,526,395**	266,140,992	191,181,511
Later than 5 years	**128,475,873**	161,262,379	159,893,939
	$ **729,153,609**	$ 780,647,757	$ 622,852,537

9. INVESTMENT PROPERTY

The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, who hold recognized and relevant professional qualifications and have vast experience in the types of investment properties owned by the Entity, use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term NOI, inflation rates, absorption periods and market rents.

The values, determined by the external appraisers annually, are recognized as the fair value of the Entity's investment property at the end of each reporting period. The appraisers use a discounted cash flow approach to determine the fair value of land and buildings (using the expected net operating income ("NOI") of the investment property) and a market approach to determine the fair value of land reserves. Gains or losses arising from changes in the fair values are included in the consolidated statements of profit or loss and other comprehensive (loss) income in the period in which they arise.

The Entity's investment properties are located in México and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation technique(s) and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	2018: 9.35 % 2017: 9.35% 2016: 9.75%	The higher the discount rate, the lower the fair value.
			Exit cap rate	2018: 8.25% 2017: 8.75% 2016: 9.00%	The higher the exit cap rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rates	Mexico: 4.00 % in 2018, 4.10% in 2017 and 3.5% in 2016 U.S.:2.2% in 2018,2.1% in 2017 and 2.2% in 2016	The higher the inflation rate, the higher the fair value.
			Absorption period	12 months on average	The shorter the absorption period, the higher the fair value
			Market related rents	Depending on the park/state	The higher the market rent the higher the fair value
			Exchange rate - Mexican pesos per $1	2018: 20.35 2017: 18.80 2016: 20.00	The higher the exchange rate the lower the fair value
Land reserves	Level 3	Market value	Price per acre	Weighted average price per acre in 2018 $107,599 and $111,786 in 2017.	The higher the price, the higher the fair value.

The table below sets forth the aggregate values of the Entity's investment properties for the years indicated:

	2018	2017	2016
Buildings and land	$ 1,817,308,000	$ 1,679,059,000	$ 1,393,000,000
Land improvements	28,193,736	18,815,371	9,652,444
Land reserves	92,523,000	87,631,000	79,377,000
	1,938,024,736	1,785,505,371	1,482,029,444
Less: Cost to complete construction in-progress	(53,403,306)	(84,499,000)	(66,314,682)
Balance at end of year	$ 1,884,621,430	$ 1,701,006,371	$ 1,415,714,762

The reconciliation of investment property is as follows:

	2018	2017	2016
Balance at beginning of year	$ 1,701,006,371	$ 1,415,714,762	$ 1,214,930,005
Additions	138,831,289	195,132,819	158,013,760
Foreign currency translation effect	(8,039,032)	6,100,685	(24,233,614)
Gain on revaluation of investment property	52,822,802	84,058,105	67,004,611
Balance at end of year	$ 1,884,621,430	$ 1,701,006,371	$ 1,415,714,762

A total of $933,571 additions to investment property related to land reserves and new buildings which were acquired from third parties, were not paid as of December 31, 2018 and were therefore excluded from the consolidated statements of cash flows for that year. A total of $1,077,234 additions to investment property related to land reserves and new buildings which were acquired from third parties, were not paid as of December 31, 2016 and were therefore excluded from the consolidated statements of cash flows for that year. Such additions were paid during 2017 and were included in the 2017 consolidated statement of cash flows, no other unpaid amounts existed as of December 31, 2017.

During 2007, the Entity entered into an agreement to build the Querétaro Aerospace Park, which consists of a trust created by the Government of the State of Querétaro, as grantor *(fideicomitente)*, Aeropuerto Intercontinental de Querétaro, S. A. de C. V., as a participant for the purposes of granting its consent, Bombardier Aerospace México, S.A. de C.V., as beneficiary *(fideicomisario)*, and BBVA Bancomer, S.A., as trustee *(fiduciario)*, to which the Entity, through its subsidiary, Proyectos Aeroespaciales, adhered as grantee and beneficiary. The Government of the State of Queretaro contributed certain rights to the trust, including rights to use the land and the infrastructure built by the state of Queretaro, allowing Proyectos Aeroespaciales to build and lease buildings for a total period equivalent to the term of the concession granted to the Aerospace Park; the remaining term is approximately 36 years as of December 31, 2018.

Proyectos Aeroespaciales is the only designated real estate developer and was granted the right to use the land and infrastructure to develop industrial facilities thereon, lease such industrial facilities to companies in the aerospace and related industries and to collect the rents derived from the lease of the industrial facilities, for a period of time equivalent to the remaining term of the airport concession (approximately 36 years as of December 31, 2018). With respect to such rights, all construction, addition and improvements made by Proyectos Aeroespaciales to the contributed land (including without limitation, the industrial facilities) will revert in favor of the Government of the State of Queretaro at the end of the term of the trust, for zero consideration.

During 2013, the Company entered into an agreement with Nissan Mexicana, S.A. de C.V. ("Nissan") to build and lease to Nissan the Douki Seisan Park ("DSP Park") located in Aguascalientes, Mexico. The land where the DSP Park is located is owned by Nissan. On July 5, 2012, Nissan created a trust (trust No. F/1704 with Deutsche Bank México, S.A. as trustee) to which the Company (through one of its subsidiaries, Vesta DSP, S. de R.L. de C.V), is beneficiary and was granted the use of the land for a period of 40 years. The infrastructure and all the related improvements were built by and are managed by the Company.

As of December 31, 2018, 2017 and 2016, the Entity's investment properties have a gross leasable area (unaudited) of 29,867,577 square feet (or 2,77,4,789 square meters), 26,721,171 square feet (or 2,482,478 square meters) and 22,569,585 square feet (or 2,096,783 square meters), respectively, and they were 91.8%, 92.3% and 89.2% occupied by tenants (unaudited), respectively. As of December 31, 2018, 2017 and 2016, investment properties with a gross leasable area (unaudited) of 1,041,753 square feet (or 96,782 square meters), 2,330,549 square feet (or 216,515 square meters) and 2,008,397 square feet (or 186,586 square meters), respectively, were under construction, representing an additional 3.4%, 8.7% and 8.9% of the Entity's total leasable area.

Most of the Entity's investment properties have been pledged as collateral to secure its long-term debt.

10. LONG-TERM DEBT

On May 31, 2018 the Entity entered into an agreement for the issuance and sale of Series A Senior Notes of $45,000,000 due on May 31, 2025, and Series B Senior Notes of $45,000,000 due on May 31, 2028. Each Series A Note and Series B Note bear interest on the unpaid balance at the rates of 5.50% and 5.85%, respectively.

On November 1, 2017, the Entity entered into a loan agreement with Metropolitan Life Insurance Company for $118,000,000 due on December 1, 2027. This loan bears monthly interest at a rate of 4.75%.

On September 22, 2017, the Entity entered into an agreement for an issuance and sale Series A Senior Notes of $65,000,000 due on September 22, 2024, and Series B Senior Notes of $60,000,000 due on September 22, 2027. Each Series A Note and Series B Note bear interest on the unpaid balance of such Series A Note and Series B Note at the rates of 5.03% and 5.31%, respectively, per annum payable semiannually on the September 22 and March 22 of each year.

On July 22, 2016, the Entity entered into a new five-year credit agreement with various financial institutions for an aggregated amount of $150,000,000; the proceeds were received on the same date (the "Syndicated Loan"). The Syndicated Loan also includes a revolving credit facility up to $100,000,000 which as of December 31, 2018, 2017 and 2016 has not been utilized. On July 27, 2016, the Entity entered into a 10-year loan agreement with Metropolitan Life Insurance Company ("MetLife") for a total amount of $150,000,000. The proceeds of both of the aforementioned credit facilities were used to settle the Entity's debt with Blackstone which matured on August 1, 2016.

The long-term debt is comprised by the following notes:

Loan	Amount	Annual interest rate	Monthly amortization	Maturity	31/12/2018	31/12/2017	31/12/2016
Syndicated Loan	$ 150,000,000	Variable rate plus margin (1)	(1)	July 2021	$ 150,000,000	$ 150,000,000	$ 150,000,000
MetLife 10–year	150,000,000	4.55%	(2)	August 2026	150,000,000	150,000,000	150,000,000
MetLife 7–year	47,500,000	4.35%	(3)	April 2022	47,376,981	47,500,000	47,500,000
Series A Senior Note	65,000,000	5.03%	(5)	September 2024	65,000,000	65,000,000	–
Series B Senior Note	60,000,000	5.31%	(5)	September 2027	60,000,000	60,000,000	–
Series A Senior Note	45,000,000	5.50%	(5)	May 2025	45,000,000	–	–
Series B Senior Note	45,000,000	5.85%	(5)	May 2028	45,000,000	–	–
MetLife 7–year	118,000,000	4.75%	(4)	December 2027	118,000,000	118,000,000	–
MetLife 8–year	26,600,000	4.75%	(2)	August 2028	26,600,000	–	–
					706,976,981	590,500,000	347,500,000
Less: Current portion					(4,513,388)		
Less: Direct issuance cost					(7,179,559)	(8,505,121)	(6,628,583)
Total Long–term debt					$ 695,284,034	$ 581,994,879	$ 340,871,417

(1) Five-year Syndicated Loan, interest is paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan has been outstanding. Currently the applicable margin is 200 basis points; if leverage ratio is higher than 40% the margin would increase to 225 basis points. Principal amortization will commence on July 22, 2019; thereafter the Syndicated Loan will have quarterly principal payments equal to 1.25% of the loan amount.

(2) 10-year loan agreement with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual fixed rate of 4.55%. Principal amortization will commence on September 1, 2023. This loan is guaranteed with 48 of the Entity's properties. On March 2018, an additional credit line was contracted for 26,600,000, which expires on August 1, 2026 accruing interest at an annual rate of 4.75%.

(3) On March 9, 2015, the Entity entered into a 7-year loan with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.35%. The loan has monthly interest only payments for 42 months and thereafter monthly amortizations of principal and interest until it matures on April 1, 2022. The loan is secured by 6 of the Entity's investment properties.

(4) On November 1, 2017, the Entity entered into a 10-year loan agreement with Metlife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.75%. The loan bears monthly interest only for 60 months and thereafter monthly amortizations of principal and interest until it matures on December 1, 2027. The loan is secured by 21 of the Entity's investment properties.

(5) Series A Senior Notes and Series B Senior Notes are not secured by investment properties of the Entity. The interest on these notes are paid on a monthly basis and calculated using an annual rates established in the table above.

These credit agreements require the Entity to maintain certain financial ratios (such as Cash-on-Cash and debt service coverage ratios) and to comply with certain affirmative and negative covenants. The Entity is in compliance with these covenants as of December 31, 2018.

The credit agreements also entitle MetLife to withhold certain amounts deposited by the Entity in a separate fund as guarantee deposits for the debt service and tenants guarantee deposits of the Entity's investment properties pledged as collateral. Such amounts are presented as guarantee deposit assets in the statement of financial position.

Scheduled maturities and periodic amortization of long-term debt are as follows:

As of December 2020	$	8,291,939
As of December 2021		140,460,254
As of December 2022		47,725,175
As of December 2023		4,608,725
Thereafter		501,377,500
Less: direct issuance cost		(7,179,559)
Total long-term debt	$	695,284,034

11. CAPITAL STOCK

1. Capital stock as of December 31, 2018, 2017 and 2016 is as follows:

	2018			2017			2016		
	Number of shares		Amount	Number of shares		Amount	Number of shares		Amount
Fixed capital									
Series A	**5,000**	**$**	**3,696**	5,000	$	3,696	5,000	$	3,696
Variable capital									
Series B	**591,409,572**		**435,609,543**	600,262,388		439,839,411	621,092,663		450,876,454
Total	**591,414,572**		**$435,613,239**	600,267,388		$439,843,107	621,097,663	$	450,880,150

Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

2. Shares in treasury

As of December 31, 2018, 2017 and 2016 total shares in treasury area as follows:

	2018	2017	2016
Shares in treasury (1)	**37,831,460**	31,458,735	10,628,460
Shares in long term incentive plan trust (2)	**2,480,091**	–	–
Total share in treasury	**40,311,551**	31,458,735	10,628,460

(1) The Board of Directors approved on October 25, 2018 the cancellation of 25,269,045 shares that had been repurchased by the Entity under the stock repurchase program. On December 10, 2018, the entity filed a request with the National Banking and Exchange Commission (CNBV) to update the number of shares issued in the National Securities Records, such request is currently in process.

(2) An employee share trust was established in 2018, in conjunction with the 20-20 Long Term Incentive Plan. Such trust was created by the Entity as a vehicle to distribute shares to employees under the mentioned incentive plan (see note 16) and is consolidated by the Entity. The shares granted to the eligible executives and deposited in the trust accrue dividends any time the ordinary shareholders receive dividends and those dividends do not need to be returned to the Entity if the executive forfeits the award.

3. Fully paid ordinary shares

	Number of shares		Amount		Additional paid-in capital
Balance as of December 31, 2015	631,137,923	$	455,741,735	$	349,557,056
Vested shares	163,089		104,640		173,193
Repurchase of shares	(10,203,349)		(4,944,225)		(6,693,021)
Balance as of December 31, 2016	621,097,663	$	450,880,150	$	343,037,228
Vested shares	118,670		58,201		91,769
Repurchase of shares	(20,948,945)		(11,095,244)		(15,858,458)
Balance as of December 31, 2017	600,267,388		439,843,107		327,270,539
Vested shares	567,788		297,786		479,413
Repurchase of shares	(9,420,604)		(4,527,654)		(6,728,913)
Balance as of December 31, 2018	**591,414,572**	**$**	**435,613,239**	**$**	**321,021,039**

4. Dividend payments

Pursuant to a resolution of the general ordinary stockholders' meeting on March 21, 2018, the Entity declared a dividend of approximately $0.079 per share, for a total dividend of $47,897,981. The dividend was paid on April 13, 2018 in cash.

Pursuant to a resolution of the general ordinary stockholders' meeting on March 2, 2017, the Entity declared a dividend of approximately $0.064 per share, for a total dividend of $39,110,027. The dividend was paid on March 30, 2017 in cash.

Pursuant to a resolution of the general ordinary stockholders' meeting on April 4, 2016, the Entity declared a dividend of approximately $0.046 per share, for a total dividend of $28,825,690. The dividend was paid on April 19, 2016 in cash.

5. Earnings per share

The amounts used to determine earnings per share are as follows:

		2018		2017		2016
Basic Earnings per shares						
Earnings attributable to ordinary share to outstanding (1)	**$**	**92,675,577**	$	126,030,181	$	45,082,793
Weighted average number of ordinary shares outstanding		**597,380,020**		609,850,516		630,259,650
Basic Earnings per share		**0.155**		0.207		0.072
Diluted Earnings per shares						
Earnings attributable to ordinary shares outstanding and shares in Incentive Plan Trust (1)	**$**	**93,060,330**	$	126,030,181	$	45,082,793
Weighted average number of ordinary shares plus shares in Incentive Plan trust		**599,860,111**		609,850,516		630,259,650
Diluted earnings per share		**0.155**		0.207		0.072

(1) Total earnings	$	93,060,330
Less: Earnings attributable to shares in Incentive Plan trust		384,753
Earnings attributable to ordinary shares outstanding	$	92,675,577

Shares held in the Incentive Plan trust accrue dividends which are irrevocable, regardless if the employee forfeits the option award. Earnings used for basic and diluted EPS are adjusted for such dividends.

12. PROPERTY OPERATING COSTS AND ADMINISTRATION EXPENSES

1. Property operating costs consist of the following:

a. Direct property operating costs from investment properties that generated rental income during the year:

	2018	2017	2016
Real estate tax	$ 1,322,097	$ 1,285,697	$ 1,090,743
Insurance	392,293	366,613	302,400
Maintenance	1,030,590	873,367	748,043
Structural maintenance accrual	167,253	168,502	–
Other property related expenses	1,936,385	1,412,224	1,243,203
	$ 4,848,618	$ 4,106,403	$ 3,384,389

b. Direct property operating costs from investment property that did not generate rental income during the year:

	2018	2017	2016
Real estate tax	$ 302,280	$ 268,448	$ 293,602
Insurance	48,972	53,731	51,280
Maintenance	111,412	100,440	148,689
Other property related expenses	365,418	464,069	498,486
	828,082	886,688	992,057
Total property operating	$ 5,676,700	$ 4,993,091	$ 4,376,446

2. Administration expenses consist of the following:

	2018	2017	2016
Employee direct benefits	$ 8,798,898	$ 7,849,558	$ 6,270,379
Auditing, legal and consulting expenses	1,957,828	1,282,256	1,212,794
Property appraisal and other fees	448,965	359,832	352,357
Indirect equity issuance and trading costs	109,592	209,168	181,309
Marketing expenses	1,020,523	1,328,200	1,136,642
Other	1,815,748	1,405,893	1,223,070
	14,151,554	12,434,907	10,376,551
Long-term incentive - Note 16	1,942,810	1,477,031	860,125
Total	$ 16,094,364	$ 13,911,938	$ 11,236,676

13. INCOME TAXES

The Entity is subject to ISR. The statutory ISR rate is 30%.

13.1 Income taxes are as follows:

	2018	2017	2016
ISR expense:			
Current	$ 21,892,031	$ 15,137,320	$ 6,134,040
Deferred	13,091,239	16,393,917	48,862,618
Total income taxes	$ 34,983,270	$ 31,531,237	$ 54,996,658

13.2 The effective ISR rates for fiscal 2018, 2017 and 2016 differ from the statutory rate as follows:

	2018	2017	2016
Statutory rate	30%	30%	30%
Effects of exchange rates on tax balances	(1)%	(6)%	27%
Effects of inflation	(2)%	(5)%	(4)%
Other	–	1%	2%
Effective rate	27%	20%	55%

13.3 The main items originating the deferred ISR liability are:

	2018	2017	2016
Deferred ISR assets (liabilities):			
Investment property	**$ (215,221,274)**	$ (207,074,235)	$ (199,134,089)
Effect of tax loss carryforwards	**598,913**	4,097,337	14,205,287
Other provisions and prepaid expenses	**(728,612)**	(1,228,463)	(804,262)
Deferred income taxes - Net	**$ (215,350,973)**	$ (204,205,361)	$ (185,733,064)

To determine deferred ISR the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates.

13.4 A reconciliation of the changes in the deferred tax liability balance is presented as follows:

	2018	2017	2016
Deferred tax liability at the beginning of the period	**$ (204,205,361)**	$ (185,733,064)	$ (144,140,530)
Movement included in profit or loss	**(11,145,612)**	(16,393,916)	(48,862,618)
Movement included in other comprehensive income	**1,945,627**	(2,078,381)	7,270,084
Deferred tax liability at the end of the year	**$ (215,350,973)**	$ (204,205,361)	$ (185,733,064)

13.5 The benefits of restated tax loss carryforwards for which the deferred ISR asset has been recognized can be recovered subject to certain conditions. Restated amounts as of December 31, 2018 and expiration dates are:

Year of Expiration	Tax Loss Carryforwards
2026	$ 1,996,377
	$ 1,996,377

14. FINANCIAL INSTRUMENTS

14.1 Capital management

The Entity manages its capital to ensure that the Entity will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balance.

The capital structure of the Entity consists of net debt (total borrowings, including the current portion, as detailed in Note 10 offset by cash and bank balances) and equity of the Entity (comprising issued capital, additional paid-in capital, retained earnings and other comprehensive income as detailed in Note 11). The Entity is not subject to any externally imposed capital requirements.

14.2 Leverage ratio

The Board reviews the capital structure of the Entity on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The leverage ratio at end of following reporting periods was as follows:

	2018	2017	2016
Debt	**$ 699,797,422**	$ 581,994,879	$ 340,871,417
Cash, cash equivalents and restricted cash	**(64,483,395)**	(91,001,709)	(50,720,751)
Financial assets held for trading	**(724,399)**	(677,828)	(613,015)
Net debt	**634,589,628**	490,315,342	289,537,651
Equity	**1,053,703,573**	1,022,332,124	959,384,899
Net debt to equity ratio	**60%**	48%	30%

14.3 Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the consolidated financial statements.

The Entity's principal financial assets are bank balances, cash equivalents and restricted cash as disclosed in Note 5, operating lease receivables as disclosed in Note 8, derivate financial instruments disclosed within this note, and financial assets held for trading in the note 6. The Entity's principal financial liability is long-term debt as disclosed in Note 10.

14.4 Financial risk management objectives

The Entity seeks to minimize the effects of market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The use of financial derivatives is governed by the Entity's policies approved by the board of directors. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

14.5 Market risk

The Entity's activities expose it primarily to the financial risks of changes in interest rates (see 14.8 below) and foreign currency exchange rates (see 14.7 below). The Entity enters into an interest rate swaps to mitigate the risk of rising interest rates.

Market risk exposures are measured using value-at-risk (VaR) supplemented by sensitivity analysis.

14.6 Foreign currency risk management

The Entity is exposed to foreign exchange risk, primarily with respect to the Mexican peso and to the US dollar in respect of one of its subsidiaries whose functional currency is the Mexican peso. Foreign exchange risk arises from future commercial transactions and recognized monetary assets and liabilities.

The carrying amounts of the Entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period as well as the relevant exchange rates are as follows:

	2018	2017	2016
Exchange rates:			
Mexican pesos per US dollar at the end of the period	**19.6829**	19.7354	20.6640
Mexican pesos per US dollar average during the year	**19.2371**	18.9302	18.6567
Monetary assets:			
Mexican pesos	**$ 592,340,267**	$ 651,151,481	$ 515,823,400
US dollars	**347,594**	445,751	361,656
Monetary liabilities:			
Mexican pesos	**$ 25,320,881**	$ 51,171,796	$ 22,097,747
US dollars	**31,782,583**	26,992,726	38,691,165

14.7 Foreign currency sensitivity analysis

The following table details the Entity's sensitivity to a 10% appreciation or depreciation in the US dollar against the Mexican peso. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency exchange rates. A positive number below indicates an increase in profit or equity where the US dollar appreciates 10% against the relevant currency. For a 10% depreciation of the US dollar against the Mexican peso, there would be a comparable impact on the profit or equity, and the balances below would be negative:

	2018	2017	2016
Profit or loss impact:			
Mexican peso – 10% appreciation – gain	**$ (2,618,883)**	$ (2,763,745)	$ (2,654,782)
Mexican peso – 10% depreciation – loss	**3,200,857**	3,377,910	2,172,094
U.S. dollar – 10% appreciation – loss	**(61,873,174)**	(52,391,517)	(33,932,951)
U.S. dollar – 10% depreciation – gain	**61,873,174**	52,391,517	33,932,951

14.8 Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates, or entering into interest rate swap contracts where funds are borrowed at floating rates. This minimizes interest rate risk together with the fact that properties owned by the Entity generate a fixed income in the form of rental income which is indexed to inflation.

Interest rate swap contracts

Under interest rate swap contracts, the Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

The following table detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

	Contracted fixed interest rate **2018**	Notional principal value **2018**	Fair value assets (liabilities) **2018**
Outstanding receive floating pay fixed contracts	1,944	$ 150,000,000	$ 2,380,863

	Contracted fixed interest rate 2017	Notional principal value 2017	Fair value assets (liabilities) 2017
Outstanding receive floating pay fixed contracts	1.944	$ 150,000,000	$ 827,251

14.9 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. The Entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Entity's exposure and the credit ratings of its counterparties are monitored, and the transactions consummated are entered into with approved counterparties. The Entity's maximum credit risk is the total of its financial assets included in its statement of financial position.

The Entity's clients operate in a variety of industries. Its real estate portfolio is primarily concentrated in the food and beverage, automotive, aerospace, medical, logistics and plastics industries. The Entity's exposure to these industries subjects it to the risk of economic downturns in such industrial sectors to a greater extent than if its properties were more diversified across other industries.

The Entity currently leases two distribution facilities to a single customer, which represent 9% of its total portfolio's gross leasable area (unaudited), and 23%, 40% and 29% of its operating lease receivable balance and 6%, 7% and 11% its annualized rents as of and for the years ended December 31, 2018, 2017 and 2016, respectively. If this customer were to terminate its lease agreements with the Entity, the Entity may experience a material loss with respect to future rental income.

14.10 Liquidity risk management

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The maturity of the long-term, its current portion and the accrued interest at December 31, 2018 is as follows:

	Weighted average interest rate %	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Long-term debt	4.92%	$ 194,778	$ 4,318,610	$ 205,878,337	$ 496,585,256	$ 706,976,981
Accrued interest		11,034,950	24,603,263	145,442,871	50,500,303	231,581,387
		$ 11,229,728	$ 28,921,873	$ 351,321,208	$ 547,085,559	$ 938,558,368

14.11 Fair value of financial instruments

14.11.1 Fair value of financial assets that are measured at fair value on a recurring basis

The Entity's investments are classified as level 1 in the IFRS 13 fair value hierarchy since they are traded in an active market.

The interest rate swap held by the Entity is classified as level 2 in the IFRS 13 fair value hierarchy as it derives from market inputs and prices. Other disclosures required by the standards are not deemed material.

14.11.2 Fair value of financial instruments carried at amortized cost

The fair value of long-term debt and its related current portion as of December, 31, 2018, 2017 and 2016 is $707,100,000, $590,500,000 and $347,500,000, respectively. This measurement is classified as level 2, since management uses an adjusted observable discount rate to determine fair value of debt.

Management considers that the carrying amounts of all other financial assets and other financial liabilities recognized in the consolidated financial statements approximate their fair values.

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

15.1 Compensation of key management personnel

The remuneration of Entity's management and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. The remuneration of members of key management personnel during the year was as follows:

		2018		2017		2016
Short-term benefits	$	**4,955,056**	$	3,804,628	$	4,244,325
Share-based compensation expense		**1,942,810**		1,477,031		860,125
	$	**6,897,866**	$	5,281,659	$	5,104,450

16. SHARE-BASED PAYMENTS

16.1 Details of the share-based plans of the Entity

The Entity has granted shares to its executives and employees under two different plans as follows:

i. Under the Vesta 20-20 Long-term Incentive Plan (the Vesta 20-20 Incentive Plan or LTI), as approved by the Board of Directors, the Entity will use a "Relative Total Return" methodology to calculate the total number of shares to be granted. The shares granted each year will vest over the three years following the grant date.

ii. The total number of shares to be granted during the six-year period is 10,428,222 shares at the expected performance. The shares to be used to settle this plan were issued by the Entity during January 2015; no awards will be paid in cash. The granted shares are contributed to a trust and delivered in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

From 2015 to 2020 the plan consists on awarding the eligible executives of the company (15 executives during 2018). The actual grant ranges from a minimum threshold level, an expected amount and a maximum potential grant. The actual grant is determined based on these levels are determined at the beginning of each fiscal year by the Corporate Practice Committee.

Grant Year		Shares granted in LTI Trust		Exercised Shares		Shares granted	Plan Parameters MIN	TARGET	MAX
2015		–		–		–	–	1,738,037	2,600,000
2016		1,347,325		(449,108)		898,217	695,215	1,738,037	2,607,056
2017		1,581,874				1,581,874	695,215	1,738,037	2,607,056
2018		–		–		–	1,000,000	2,500,000	3,750,000
Total	$	2,929,199	$	(449,108)	$	2,480,091			

iii. The total number of shares to be granted in each of the six years ranges from 695,215 to 1,738,037 shares, at the expected performance level, to a maximum of 2,607,055 shares, if the Entity's shares perform at peak performance compared to other publicly traded entities in each year.

iv. Under the 2014 Long-term Incentive Plan (the 2014 Incentive Plan), the Entity has a share-based plan for 12 top executives of the Entity. In accordance with the terms of the plan, as approved by the board of directors, based on certain performance metrics, the Entity executed a long-term incentive plan that will be settled by the Entity with its own shares which have been repurchased in the market. Under this plan, eligible executives will receive compensation, based on their performance during 2014, settled in shares and delivered over a three-year period. For this plan shares are kept in treasury and may be placed in a trust; they will be delivered to the executives in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

16.2 Fair value of share options granted in the year

i. Vesta 20-20 Incentive plan - Based on the performance of the Entity's shares for the years ended December 31, 2018, 2017 and 2016, the shares granted were 3,379,720, 637,200 and 863,499, respectively.

ii. 2014 Incentive Plan - The fair value of the share awards granted under the 2014 Plan, was determined based on a fixed amount of cash determined as per the Entity's plan. It is assumed that executives will receive the awards after vesting date. The expense under this plan affects the cash position of the Entity.

16.3 Compensation expense recognized

The long-term incentive expense for the years ended December 31, 2018, 2017 and 2016 was as follows:

		2018		2017		2016
Vesta 20-20 Incentive Plan	$	**1,933,246**	$	1,430,143	$	840,985
2014 Incentive Plan		**9,564**		46,888		19,140
Total long-term incentive expense	$	**1,942,810**	$	1,477,031	$	860,125

Compensation expense related to these plans will continue to be accrued through the end of the service period.

16.4 Share awards outstanding at the end of the year

As of December 31, 2018, there are 2,480,091 shares outstanding with a weighted average remaining contractual life of 13 months.

17. LITIGATION, OTHER CONTINGENCIES AND COMMITMENTS

Litigation

In the ordinary course of business, the Entity is party to various legal proceedings. The Entity is not involved in any litigation or arbitration proceeding for which the Entity believes it is not adequately insured or indemnified, or which, if determined adversely, would have a material adverse effect on the Entity or its financial position, results of operations or cash flows.

Commitments

As mentioned in Note 9, all rights to construction, improvements and infrastructure built by the Entity in the Queretaro Aerospace Park and in the DSP Park automatically revert back to the government of the State of Queretaro and to Nissan at the end of the concessions, which is approximately in 42 and 36 years, respectively.

18. FINANCIAL STATEMENTS ISSUANCE AUTHORIZATION

On February 14, 2019 the issuance of the consolidated financial statements was authorized by the Board of Directors, consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to approval at the General Ordinary Shareholders' Meeting, where the stockholders may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

* * * * * *

CONTACT

102-3, 102-53

CORPORATE HEADQUARTERS
Paseo de los Tamarindos 90 Torre 2, 28th Floor
Cuajimalpa de Morelos
Mexico City, 05120
Phone: +52 (55) 5950 0070

TOLUCA I
Av. de las Partidas s/n
Col. Villa de Santín Otzolotepeo
Toluca, Mexico State 50070
Phone: +52 (722) 249 7283

TOLUCA II
Isidro Fabela 120
Col. San Blas Otzacatipan
Toluca, Mexico State, C.P. 50230

QUERÉTARO
Av. de la Montaña 100 Km 28.5
Carretera Querétaro-San Luis Potosí
Parque Industrial Querétaro Santa Rosa Jáuregui
Querétaro, C.P. 76220
Phone: +52 (442) 240 9273

TIJUANA
Blvd. Agua Caliente 10611-1201
Centro Corporativo Centura
Col. Aviación
Tijuana, Baja California, C.P. 22420
Phone: +52 (664) 972 9473

CIUDAD JUÁREZ
Av. del Charro No. 215, Third Floor. Local 3B Zona Sur,
Fraccionamiento Sicomoros, Torre Cantabria
Ciudad Juárez, Chihuahua, C.P. 32349
Phone: +52 (656) 378 0330

AGUASCALIENTES
Ejido Peñuelas
Carretera Panamericana Sur Km 112
Del. Peñuelas
Aguascalientes, Aguascalientes, C.P. 20340
Phone: +52 (449) 688 2601

SILAO
Plaza de la Paz 102, Edificio G100 int 601,
Col. Puerto Interior, C.P. 36275
Silao de la Victoria, Guanajuato, C.P. 36275
Phone: +52 (472) 117 9120

TLAXCALA
Virgen de la Caridad 19
Ciudad Industrial Xicoténcatl II
Huamantla, Tlaxcala, C.P. 90500
Phone: +52 (247) 102 4736