Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Condensed Consolidated Interim Statements of Financial Position

As of March 31, 2019 and December 31, 2018
(In US dollars)

Assets	Notes	31/03/2019 (Unaudited)	31/12/2018
Current assets:			
Cash, cash equivalents and restricted cash	4	$ 59,523,449	$ 64,483,395
Financial assets held for trading	5	746,979	724,399
Recoverable taxes	6	16,287,783	26,340,810
Operating lease receivables	7	8,449,059	8,130,553
Prepaid expenses		2,349,227	537,428
Total current assets		87,356,497	100,216,585
Non-current assets:			
Investment property	8	1,918,279,788	1,884,621,430
Right-of-use asset	9	1,448,466	-
Office furniture - Net		2,266,449	2,490,902
Derivative financial instruments	17	1,436,326	2,380,863
Guarantee deposits made and restricted cash		4,406,676	4,376,105
Total non-current assets		1,927,837,705	1,893,869,300
Total assets		$ 2,015,194,202	$ 1,994,085,885

Liabilities and stockholders' equity

Current liabilities:			
Current portion of long-term debt	10	$ 4,318,610	$ 4,513,388
Lease liabilities -short term	9	547,308	-
Accrued interest		4,740,315	5,315,332
Accounts payable and client advances		2,331,550	2,788,387
Taxes payable, mainly income taxes		1,144,502	412,853
Accrued expenses		2,003,559	3,663,962
Total current liabilities		15,085,844	16,693,922
Non-current liabilities:			
Long-term debt	10	695,712,802	695,284,034
Lease liabilities-long term	9	921,389	-
Guarantee deposits received		13,355,823	13,053,383
Dividends payable		52,214,000	-
Deferred income taxes	14.2	216,161,941	215,350,973
Total non-current liabilities		978,365,955	923,688,390
Total liabilities		993,451,799	940,382,312
Litigation and other contingencies	17		
Stockholders' equity:			
Capital stock	11.1	435,329,298	435,613,239
Additional paid-in capital		320,581,592	321,021,039
Retained earnings		303,555,574	333,833,754
Share-based payments reserve		5,507,315	5,507,719
Foreign currency translation		(44,236,807)	(43,938,783)
Valuation of derivative financial instruments	17	1,005,431	1,666,605
Total stockholders' equity		1,021,742,403	1,053,703,573
Total liabilities and stockholders' equity		$ 2,015,194,202	$ 1,994,085,885

See accompanying notes to condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Profit or Loss and Comprehensive Income

For the three months ended March 30, 2019 and 2018
(In US dollars)

	Notes	Three Months ended 31/03/2019 (Unaudited)	Three Months ended 31/03/2018 (Unaudited)
Revenues:			
Rental income		$ 36,290,385	$ 31,375,151
Property operating costs:			
Related to properties that generate rental income	13.1	(1,338,009)	(943,602)
Related to properties that do not generate rental income	13.1	(222,134)	(161,410)
Gross profit		34,730,242	30,270,139
Administration expenses	13.1	(4,313,463)	(3,870,401)
Depreciation		(337,236)	(112,284)
Other Income and Expenses:			
Interest income		14,307	15,507
Other income and expenses net		(207,438)	165,968
Transaction costs on debt issuance		-	(52,603)
Interest expense		(9,181,172)	(7,364,358)
Exchange gain		1,240,277	3,885,611
Gain on revaluation of investment property		11,954,926	7,257,528
Total other income and expenses		3,820,900	3,907,653
Profit before income taxes		33,900,443	30,195,107
Income tax (expense) benefit	14.1	(11,964,623)	5,518,686
Profit for the period		21,935,820	35,713,793
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
- Fair value gains from derivative financial instruments		(661,174)	1,516,173
- Exchange differences on translating other functional currency operations		(298,024)	(1,077,528)
Total comprehensive income for the period		$ 20,976,622	$ 36,152,439
Basic and diluted earnings per share	12.5	$ 0.037	$ 0.059

See accompanying notes to condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Stockholders' Equity

For the three months ended March 31, 2019 and 2018
(In US dollars)

	Capital stock	Additional paid-in capital	Retained earnings	Share-Based payments reserve	Foreign currency translation	Valuation of Derivate Financial Investment	Total stockholders' equity
Balances as of January 1, 2018	$ 439,843,107	$ 327,270,539	$ 288,671,405	$ 3,300,560	$ (37,332,563)	$ 579,076	$ 1,022,332,124
Share-based payments	-	-	-	489,771	-	-	489,771
Dividends declared	-	-	(47,897,981)	-	-	-	(47,897,981)
Repurchase of shares	(916,049)	(1,298,750)	-	-	-	-	(2,214,799)
Comprehensive income	-	-	35,713,793	-	(1,077,528)	1,516,174	36,152,439
Balances as of March 31, 2018	$ 438,927,058	$ 325,971,789	$ 276,487,217	$ 3,790,331	$ (38,410,091	$ 2,095,250	$ 1,008,861,554
Balances as of January 1, 2019	$ 435,613,239	$ 321,021,039	$ 333,833,754	$ 5,507,719	$ (43,938,783)	$ 1,666,605	$ 1,053,703,573
Dividends declared	-	-	(52,214,000)	-	-	-	(52,214,000)
Vested shares	507,967	803,095	-	(1,311,062)	-	-	-
Share-based payments	-	-	-	1,310,658	-	-	1,310,658
Repurchase of shares	(791,908)	(1,242,542)	-	-	-	-	(2,034,450)
Comprehensive income	-	-	21,935,820	-	(298,024)	(661,174)	20,976,622
Balances as of March 30, 2019 (unaudited)	$ 435,329,298	$ 320,581,592	$ 303,555,574	$ 5,507,315	$ (44,236,807)	$ 1,005,431	$ 1,021,742,403

See accompanying notes to condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2019 and 2018
(In US dollars)

	30/03/2019 (Unaudited)	31/03/2018 (Unaudited)
Cash flows from operating activities:		
Profit before income taxes	$ 33,900,443	$ 30,195,107
Adjustments:		
Depreciation	222,426	112,284
Depreciation of right-of-use assets	114,810	-
Gain on revaluation of investment property	(11,954,926)	(7,257,528)
Effect of foreign exchange rates	(1,240,277)	(3,885,611)
Interest income	(14,307)	(15,507)
Interest expense	9,181,172	7,364,358
Expense recognized in respect of share-based payments	1,310,658	489,771
Working capital adjustments:		
(Increase) decrease in:		
Operating lease receivables - Net	(318,506)	(1,076,447)
Recoverable taxes	135,087	(1,153,224)
Prepaid expenses	(1,811,799)	(1,415,480)
Increase (decrease) in:		
Accounts payable	(785,956)	(2,579,163)
Accrued expenses	(1,660,403)	(414,703)
Income taxes paid	(517,446)	(3,730,881)
Net cash generated by operating activities	26,560,976	16,632,976
Cash flows from investing activities:		
Purchases of investment property	(20,385,168)	(33,300,527)
Acquisition of office furniture	(112,783)	(115,686)
Financial assets held for trading	(22,580)	(61,610)
Interest received	14,307	15,507
Net cash used in investing activities	(20,506,224)	(33,462,316)
Cash flows from financing activities:		
Financial leasing paid	(134,967)	-
Repurchase of treasury shares	(2,034,450)	(2,214,799)
Repayments of borrowings	(317,797)	-
Interest paid	(9,164,014)	(5,234,849)
Guarantee deposits granted	(30,571)	127,612
Guarantee deposits collected	302,440	957,555
Borrowings	-	26,600,000
Net cash used in financing activities	(11,379,359)	20,235,519
Effects of exchange rates changes on cash	364,661	2,942,274
Net (decrease) increase in cash, cash equivalents and restricted cash	(4,959,946)	6,348,453
Cash, cash equivalents and restricted cash at the beginning of the period	65,218,707	91,737,021
Cash, cash equivalents and restricted cash at the end of the period	$ 60,258,761	$ 98,085,474

See accompanying notes to condensed consolidated interim financial statements.

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 eleven 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 8 which was recognized in the current period.

2. Application of new and revised International Financial Reporting Standards (IFRS)

In the current period, 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, 2019

2.1 New and amended IFRSs that are mandatorily effective for the current year

IFRS 16, *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 was issued in January 2016 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. "Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of -use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity has adopted this standard in its consolidated financial statements, the impacts derived from the adoption can be observed in note 9.

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 to four 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.

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 3 Business Combinations

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

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 directors of the Company do 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 unaudited 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 accompanying unaudited consolidated interim 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 condensed consolidated interim financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of International Financial Reporting Standard ("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. Interim financial condensed statements

The accompanying condensed consolidated interim financial statements as of March 31, 2019 and 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim*

Financial Reporting, and have not been audited. In the opinion of Entity management, all adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying condensed consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of the Entity and their respective notes for the year ended December 31, 2018.

The accounting policies and methods of computation are consistent with the audited consolidated financial statements for the year ended December 31, 2018, except for the mentioned in Note 3.

d. Basis of consolidation

The condensed consolidated interim 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 or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary. 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	**31/03/2019 (Unaudited)**	**31/12/2018**	**Activity**
QVC, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
QVC II, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
WTN Desarrollos Inmobiliarios de México, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Baja California, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Bajio, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Querétaro, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R.L. de C.V. (1)	99.99%	99.99%	Holds investment properties
CIV Infraestructura, S. de R. L. de C. V.	(1)	(1)	Holds investment properties
Vesta DSP, S. de R. L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Management, S. de R.L. de C.V.	99.99%	99.99%	Provides administrative services to the Entity

Subsidiary/entity	Ownership percentage 31/03/2019 (Unaudited)	31/12/2018	Activity
Servicio de Administración y Mantenimiento Vesta S. de R.L. de C.V.	99.99%	99.99%	Provides administrative services to the Entity
EnerVesta S. de R.L. de C.V.	99.99%	(3)	Provides administrative services to the Entity
Trust CIB 2962	(2)	(2)	Vehicle to distribute shares of employees under the Long Term Incentive Plan

(1) On April 27th, 2018, the board of directors of the Entity, unanimously approved the merger of Proyectos Aeroespaciales, S. de R.L. of C.V., with CIV Infraestructura, S. de R. L. de 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.

(3) On August 28th, 2018 was created EnerVesta, S. de R.L. de C.V. However, the company started their operations in 2019.

e. 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.

f. 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.

g. 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.

h. 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 16.

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.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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) <u>The Entity as lessor</u>

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) <u>The Entity as lessee</u>

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Entity recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made

p. 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.

q. 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.

r. Employee benefits

<u>Employee benefits for termination</u>

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

<u>Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")</u>

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.

<u>Statutory employee profit sharing ("PTU")</u>

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 March 31, 2019 and 2017, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

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.

i. 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.

ii. 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.

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 10, 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 10 and 16.

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:

	31/03/2019 (Unaudited)	31/12/2018
Cash and bank balances	$ 59,412,042	$ 64,434,016
Restricted cash	111,407	49,379
	59,523,449	64,483,395
Non-current restricted cash	735,312	735,312
Total	$ 60,258,761	$ 65,218,707

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 expected to be fulfilled. Non-current restricted cash was classified within guarantee deposits made in the accompanying consolidated statements of financial positon.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; they are classified as level 1 in the IFRS fair value hierarchy.

6. Recoverable taxes

	31/03/2019 (Unaudited)	31/12/2018
Recoverable value-added tax (“VAT”)	$ 9,680,038	$ 11,008,204
Recoverable income taxes	685,783	7,000,756
Recoverable dividend tax	5,720,041	8,202,066
Other receivables	201,921	129,784
	$ 16,287,783	$ 26,340,810

8. Operating lease receivables

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

	31/03/2019 (Unaudited)	31/12/2018
0-30 days	$ 7,547,638	$ 6,944,766
30-60 days	232,366	373,514
60-90 days	439,921	229,724
Over 90 days	229,134	582,549
Total	$ 8,449,059	$ 8,130,553

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, 84% and 85% of all operating lease receivables are current as of March 31, 2019 and December 31, 2018, 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 3% and 5% of all operating lease receivables as of March 31, 2019 and December 31, 2018, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 5% and 3% of all operating lease receivable as of March 31, 2019 and December 31, 2018. Operating lease receivable outstanding greater than 90 days represent 3% and 7% of all operating lease receivable as of March 31, 2019 and December 31, 2018.

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 March 31, 2019 and December 31, 2018 are $434,034 (unaudited) and $350,314, respectively.

iii. Client concentration risk

As of March 31, 2019 and December 31, 2018, one of the Entity's client accounts for 23% or $1,944,399 (Unaudited) and 23% or $1,883,826, respectively, of the operating lease receivables balance. The same client accounted for 5% and 6% (Unaudited) of the total rental income of Entity for the three month periods ended March 30, 2019 and 2018, respectively. No other client accounted for more than 6% of the total rental income of the Entity for the three months ended March 31, 2019 and 2018.

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 19 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, except for two lease agreements which contain a purchase option at market conditions at the end of the lease term.

v. Non-cancellable operating lease receivables

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

	31/03/2019 (Unaudited)	31/12/2018
Not later than 1 year	$ 133,980,727	$ 131,017,926
Later than 1 year and not later than 3 years	241,493,941	230,133,415
Later than 3 year and not later than 5 years	236,778,600	239,526,395
Later than 5 years	125,235,558	128,475,873
	$ 737,488,826	$ 729,153,609

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 and comprehensive 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 (Unaudited)	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	Q1 2019: 9.40% Q1 2018: 9.35%	The higher the discount rate, the lower the fair value.
			Exit cap rate	Q1 2019: 8.80% Q1 2018: 8.75%	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: 4.0% in 2019 and 4.1% in 2018 U.S.: 2.1% in 2019 and 2.1% in 2018	The higher the inflation rate, the higher the fair value.
			Absorption period	From 3 to 9 months	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	Q1 2019: 20.15 Q1 2018: 18.65	The higher the exchange rate, the lower the fair value
Land reserves	Level 3	Market value	Price per acre	Weightebd average price per acre $108,185	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:

	31/03/2019 (Unaudited)	31/12/2018
Buildings and land	$ 1,838,679,890	$ 1,817,308,000
Land improvements	30,564,113	28,193,736
Land reserves	93,949,000	92,523,000
	1,963,193,003	1,938,024,736
Less: Cost to complete construction in-progress	(44,913,215)	(53,403,306)
Balance at end of year	$ 1,918,279,788	$ 1,884,621,430

The reconciliation of investment property is as follows:

	31/03/2019 (Unaudited)	31/12/2018
Balance at beginning of year	$ 1,884,621,430	$ 1,701,006,371
Additions	20,714,288	138,831,289
Foreign currency translation effect	989,145	(8,039,032)
Gain on revaluation of investment property	11,954,925	52,822,802
Balance at end of year	$ 1,918,279,788	$ 1,884,621,430

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, S. de R. L. de C. V. (PAE), 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 PAE 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 35 years as of March 31th, 2019.

PAE 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 35 years as of March 31, 2019). With respect to such rights, all construction, addition and improvements made by PAE 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 39 years. The infrastructure and all the related improvements were built by and are managed by the Company.

As of March 31, 2019 and December 31, 2018, the Entity's investment properties have a gross leasable area (unaudited) of 30,416,390 square feet (or 2,825,775 square meters) and 29,867,577 square feet (or 2,774,789 square meters), respectively and they were 90.4% and 91.8% occupied by tenants, respectively. As of March 31, 2019 and December 31, 2018, investment properties with a gross leasable area of 949,159 square feet (or 88,180 square meters) and 1,041,753 square feet (or 96,782 square meters), respectively, were under construction, representing an additional 3.12% and 3.49% of the Entity's total leasable area.

10. Entity as lessee

a) Rights to use:

Rights to use	January 1, 2019 (Unaudited)	Additions	Disposals	March 31, 2019 (Unaudited)
Property	$ 1,260,626	-	-	$ 1,260,626
Vehicles and office equipment	302,650	-	-	302,650
Cost of Rights to use	$ 1,563,276	$ -	$ -	$ 1,563,276

Depreciation of Rights to use	January 1, 2019 (Unaudited)	Additions	Disposals	March 31, 2019 (Unaudited)
Property	$ -	$ (91,302	$ -	$ (91,302)
Vehicles and office equipment	-	(23,508	-	(23,508)
Accumulated Depreciation	-	(114,810	-	(114,810)
Total	$ 1,563,276	$ (114,810	$ -	$ 1,448,466

b) Lease obligations:

	January 1, 2019 (Unaudited)	Additions	Disposals	Interests paid	Repayments	March 31, 2019 (Unaudited)
Lease liabilities	$1,563,276	$ -	$ -	$ 40,388	$ (134,967)	$1,468,697

c) Analysis of maturity of liabilities by lease:

Finance lease liabilities	(Unaudited)
Not later than 1 year	$ 547,308
Later than 1 year and not later than 5 years	1,201,831
Later than 5 years	-
	1,749,139
Less: direct cost	(280,446)
Total lease liability	$ 1,468,692

11. 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	31/03/2019 (Unaudited)	31/12/2018
Syndicated Loan	$ 150,000,000	Variable rate plus margin (1)	(1)	July 2021	$ 150,000,000	$ 150,000,000
MetLife 10-year	150,000,000	4.55%	(2)	August 2026	150,000,000	150,000,000
MetLife 7-year	47,500,000	4.35%	(3)	April 2022	47,182,203	47,376,981
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	45,000,000
Series B Senior Note	45,000,000	5.85%	(5)	May 2028	45,000,000	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	26,600,000
					706,782,203	706,976,981
Less: Current portion					(4,318,610)	(4,513,388)
Less: Direct issuance cost					(6,945,569)	(7,179,559)
Total Long-term debt					$ 695,712,802	$ 695,284,034

(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

(5) amortizations of principal and interest until it matures on December 1, 2027. The loan is secured by 21 of the Entity's investment properties.

(6) 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 March 31, 2019.

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 March 2020	$ 8,291,939
As of March 2021	140,460,254
As of March 2022	47,725,175
As of March 2023	4,608,725
Thereafter	501,377,500
Less: direct issuance cost	(6,750,791)
Total long-term debt	$ 695,712,802

12. Capital stock

a. Capital stock as of March 31, 2019 and December 31, 2018 is as follows:

	2019 (unaudited)		2018	
	Number of shares	Amount	Number of shares	Amount
Fixed capital				
Series A	5,000	$ 3,696	5,000	$ 3,696
Variable capital				
Series B	590,871,290	435,325,602	591,409,572	435,609,543
Total	$ 590,876,290	$ 435,329,298	591,414,572	$ 435,613,239

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.

b. Shares in treasury

As of March 31, 2019 and December 31, 2018 total shares in treasury area as follows:

	31/03/2019 (unaudited)	**31/12/2018**
Shares in treasury (1)	35,223,621	37,831,460
Shares in long term incentive plan trust (2)	5,631,479	2,480,091
Total share in treasury	40,855,100	40,311,551

(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.

c. Fully paid ordinary shares

	Number of shares	**Amount**	**Additional paid-in capital**
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
Vested shares	976,400	507,967	803,095
Repurchase of shares	(1,514,682)	(791,908)	(1,242,542)
Balance as of March 31, 2019	590,876,290	$ 435,329,298	$ 320,581,592

d. Dividend payments

Pursuant to a resolution of the general ordinary stockholders meeting on March 15, 2019, the Entity declared a dividend of approximately $0.089 per share, for a total dividend of $52,214,000. The dividend was paid by quarter starting on April 15, 2019, July 15, 2019, October 15, 2109 and January 15, 2020 in cash.

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.

e. Earnings per share

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

		March 31, 2019 (Unaudited)		December 31, 2018
Basic Earnings per shares				
Earnings attributable to ordinary share to outstanding (1)	$	21,728,734	$	92,675,577
Weighted average number of ordinary shares outstanding		590,890,589		597,380,020
Basic Earnings per share		0.036		0.155
Diluted Earnings per shares				
Earnings attributable to ordinary shares outstanding and shares in Incentive Plan Trust (1)	$	21,935,820	$	93,060,330
Weighted average number of ordinary shares plus shares in Incentive Plan trust		596,522,068		599,860,111
Diluted earnings per share		0.037		0.155

(1) Total earnings	$	21,935,820
Less: Earnings attributable to shares in Incentive Plan trust		207,086
Earnings attributable to ordinary shares outstanding	$	21,728,734

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

13. Property operating costs and administration expenses

13.1 Property operating costs consist of the following:

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

		Three Months ended 31/03/2019 (Unaudited)		Three Months ended 31/03/2018 (Unaudited)
Real estate tax	$	357,309	$	342,729
Insurance		102,133		81,111
Maintenance		231,062		187,156
Structural maintenance accrual		16,308		60,426
Other property related expenses		631,197		272,180
	$	1,338,009	$	943,602

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

	Three Months ended 31/03/2019 (Unaudited)	Three Months ended 31/03/2018 (Unaudited)
Real estate tax	$ 99,047	$ 48,023
Insurance	8,209	5,337
Maintenance	11,777	19,580
Other property related expenses	103,101	88,470
	222,134	161,410
Total property operating costs	$ 1,560,143	$ 1,105,012

13.2 Administration expenses consist of the following:

	Three Months ended 31/03/2019 (Unaudited)	Three Months ended 31/03/2018 (Unaudited)
Marketing expenses	$ 142,170	$ 392,738
Auditing, legal and consulting expenses	333,852	269,272
Property appraisal and other fees	193,086	88,604
Direct employee benefits and other benefits	2,862,751	2,287,846
Other administrative expenses	88,843	335,615
Equity trading related costs	-	30,364
	3,616,701	3,404,439
Long-term incentive - Note 15	692,761	465,962
	$ 4,313,463	$ 3,870,401

14 Income taxes

The Entity is subject to ISR. The rate of current income was 30%.

14.1 Income taxes are as follows:

	Three Months ended 31/03/2019 (Unaudited)	Three Months ended 31/03/2018 (Unaudited)
ISR expense:		
Current	$ 11,167,037	$ 10,736,361
Deferred	797,586	(16,255,047)
Total benefit (income) taxes	$ 11,964,623	$ (5,518,686)

14.2 The main items originating the deferred ISR liability are:

	31/03/2019 (Unaudited)	31/12/2018
Deferred ISR liability:		
Investment properties	$ (214,178,970)	$ (215,221,274)
Effects of tax loss carryforwards	-	598,913
Other provisions and prepaid expenses	(1,982,971)	(728,612)
Deferred income taxes – Net	$ (216,161,941)	$ (215,350,973)

To determine deferred ISR, the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates. The effective rate differs from the statutory rate mainly due to the impact of the appreciation of the Peso during the period as compared to the dollar which had an impact on the tax basis of the Entity's assets which for tax purposes are peso denominated.

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

	31/03/2019 (Unaudited)	31/12/2018
Deferred tax liability at the beginning of the period	$ (215,350,970)	$ (204,205,361)
Movement included in profit or loss	(797,586)	(11,145,612)
Movement included in other comprehensive income	(13,381)	1,945,627
Deferred tax liability at the end of the period	$ (216,161,938)	$ (215,350,973)

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:

	Three Months ended 31/03/2019 (Unaudited)	Three Months ended 31/03/2018 (Unaudited)
Short-term benefits	$ 875,255	$ 723,436
Share-based compensation expense	693,012	465,962
	$ 1,568,267	$ 1,189,398

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), 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 and the shares will be 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 (14 executives during 2019). The actual grant ranges from a minimum threshold level, an expected amount and a maximum potential grant, these levels are determined at the beginning of each fiscal year by the Corporate Practice Committee.

Grant Year	Shares granted in LTI Trust	Cumulative Exercised Shares	Shares granted	Plan Parameters MIN	TARGET	MAX
2015	-	-	-	-	1,738,037	2,600,000
2016	1,347,325	(898,217)	449,109	695,215	1,738,037	2,607,056
2017	1,581,874	(527,291)	1,054,583	695,215	1,738,037	2,607,056
2018	4,176,478	-	4,176,478	1,000,000	2,500,000	3,750,000
Total	7,105,677	(1,425,508)	5,680,169			

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. Plan parameters change for 2018, as shown in ii above

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, and 2017, the shares granted were 3,379,720 and 637,200, 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 nine and three months ended March 30, 2019 and 2018 was as follows:

	Three Months ended 31/03/2019 (Unaudited)	Three Months ended 31/03/2018 (Unaudited)
Vesta 20-20 Incentive Plan	$ 692,761	$ 487,330
2014 Incentive Plan	-	2,441
Total long-term incentive expense	$ 692,761	$ 489,771

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 March 31, 2019 and December 31, 2018, there are 5,680,170 (Unaudited) and 2,480,091 shares outstanding with a weighted average remaining contractual life of 17 months.

17. Financial Instruments

Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates, in case of borrowing funs at floating rates Vesta uses interest rate swap contracts, because investment 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 2019	Notional principal value 2019	Fair value assets (liabilities) 2019
Outstanding received floating pay fixed contracts (Unaudited)	1.944	$ 150,000,000	$ $1,436,326

	Contracted fixed interest rate 2018	Notional principal value 2018	Fair value assets (liabilities) 2018
Outstanding received floating pay fixed contracts	1.944	$ 150,000,000	$ 2,380,863

18. 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 8, 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 41 and 35 years, respectively.

19 Subsequent Events

On April 22nd, 2018 Vesta entered into an agreement to sell a 1.6 million sf industrial property portfolio located in Querétaro and Toluca for a total of US$ 109.3 million, excluding transaction fees and tax related costs. Vesta also entered into a services agreement with the buyer to provide property management of the divested portfolio. The transaction is subject to approval by the Mexican Antitrust Commission (COFECE) final resolution and to other regulatory items.

20. Unaudited condensed consolidated interim financial statements issuance authorization

On April 25, 2019 the issuance of the accompanying unaudited condensed consolidated interim financial statements was authorized the Board of Directors and consequently do not reflect events after this date.

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