VESTA

# innovesting

ANNUAL REPORT

# index

Corporación Inmobiliaria Vesta, S.A.B. de C.V. (Vesta) is a publicly-traded corporation listed on the Mexican Stock Exchange. We are engaged in the development and administration of industrial parks, industrial buildings and distribution centers for leasing in Mexico.


22 A clear business vision…

40 …inspired by a “Vest in Class” culture

62 …focused on sustainability

82 … and with excellent returns for our shareholders.

114 Appendix


**Forward-Looking Statements**

This report may contain certain forward-looking statements and information relating to the Company that reflects the current views and/or expectations of the Company and its management with respect to its performance, business and future events. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain words like “believe,” “anticipate,” “expect,” “envisages,” “will likely result,” or any other words or phrases of similar meaning. Such statements are subject to a number of risks, uncertainties and assumptions. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this presentation and in oral statements made by authorized officers of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# innovesting

## Why Innovesting?

**Innovation is our top priority.**

**We innovate by creating a "Vest in Class" corporate culture.**

**We continually invest to ensure the sustainability of our developments.**


### Vision

To develop sustainable industrial real estate for the enhancement of human wellbeing.

### Mission

To achieve excellence in industrial real estate development through an entrepreneurial team that generates efficient and sustainable real estate solutions.

GRI: 4.8

## Our tenants are world-class multinational companies

# industry

**102**
CLIENTS

**50%**
OF OUR PORTFOLIO GROWTH COMES FROM THE EXPANSION OF OUR CLIENTS' OPERATIONS

## We integrate supply chains in our Park-to-Suit® developments

# integration

**OUR PRODUCTS:**

- PARK-TO-SUIT®
- BUILD-TO-SUIT BUILDINGS
- MULTI-TENANT BUILDINGS

**109**
PROPERTIES

**We are a “Vest in Class” company focused on building long-term relationships**

# inspiration

**36**
EMPLOYEES

**36%**
OF OUR EMPLOYEES ARE WOMEN

VESTA
2014 Annual Report

# 1,343,434 $m^2$
## LAND BANK

# 1,560,021 $m^2$
## GROSS LEASABLE AREA

PRESENCE IN
12 STATES
OF MEXICO

# information


**NORTH:**
Surface area $M^2$: 246,883
Portfolio share: 15.8%
Number of buildings: 28
Number of clients: 22
Land bank $M^2$: 440,364

**CENTER:**
Surface area $M^2$: 447,518
Portfolio share: 28.7%
Number of buildings: 23
Number of clients: 27
Land bank $M^2$: 149,056

**BAJÍO:**
Surface area $M^2$: 865,620
Portfolio share: 55.5%
Number of buildings: 58
Number of clients: 53
Land bank $M^2$: 754,014





**GRI:** 2.1, 2.2, 2.5, 2.6, 2.7, DMA EC

# Message from the Chairman of the Board of Directors and Chief Executive Officer

**VESTA**
2014 Annual Report

**VESTA'S PERFORMANCE IN 2014 WAS EXTRAORDINARY. A STRONGER INDUSTRIAL REAL ESTATE MARKET, A SUBSTANTIAL EXPANSION OF THE AUTOMOTIVE INDUSTRY AND THE RECOVERY OF THE U.S. ECONOMY ALL CONTRIBUTED TO THESE RESULTS.**

During the year, we developed a strategic plan called Vesta Vision 20/20, in which we set four key objectives for the year 2020: i) doubling the company's market capitalization; ii) doubling the size of our property portfolio; iii) increasing corporate responsibility and risk management actions; and iv) increasing our investment in our most important asset: our human capital.

With this plan, we will take Vesta to the next level through actions such as these:

**Collaborative talent:** Convinced that we have a talented and entrepreneurial team, we want to strengthen our philosophy of cooperation in order to take advantage of the qualities of each of our executives and improve the company's overall performance. We also designed a results-based long-term incentive plan that ensures that the interests of our team are aligned with those of our shareholders.

**Organizational differentiation:** We have developed business capabilities that have enabled us to remain successful in volatile times: i) a lean operating management; ii) functional, flexible and versatile corporate governance bodies; iii) a fundamental strategy focused on the client; iv) great regional experience and management; and v) a solid financial position. One example of this was shareholder approval for a follow-on public offering in January 2015, in which we issued new shares for approximately US$230 million on the Mexican Stock Exchange (BMV).

**"Vest in Class" Governance:** another unique quality of our company is our Board of Directors, the majority of which are independent members (80%), diverse in terms of experience, culture and gender. The board is in turn supported by six committees (Audit, Corporate Practices and Nominating, Investment, Debt and Equity, Ethics and Social and Environmental Responsibility), all of which are chaired over by board members, and in most cases by independent board members, which accelerates the decision-making process, allows us to adapt quickly to the market and rapidly execute projects according to the various levels.

Over the year we increased our gross leasable area (GLA) by 16.5%, to 1.6 million square meters, with a vacancy rate (same store terms) of 7.8%, compared to 8.9% the year before. Net leasing revenues grew 18.5%, compared to a projected growth of 14.0%. Operating and EBITDA margins were also better than we expected, ending the year at 90.0% and 82.8%, respectively.

We have a wide range of clients in fast-growing industries that are transforming their businesses and redesigning the way we live, through innovative productive schemes and cutting-edge technology. At Vesta we understand this trend and make it our job to know about their operations in order to help them generate efficiency by designing world-class industrial parks and buildings.

**GRI:** 1.1, 1.2



Another outstanding achievement of the year was our entry into the Mexican Stock Exchange's Sustainable Index, confirming us as one of the most sustainable companies in the country. Aware that our operations affect the climate in which we operate, we developed a social and environmental policy that includes stronger ties to communities, primarily through educational programs that are also supported by our stakeholders.

Also, as part of our commitment to reducing our environmental footprint, we obtained LEED certifications of certain buildings, built new structures under eco-efficient principles and invested more in renewable energy than in previous years. As part of our role as promoters of change, we adhere to the United Nations Global Compact.

We know there are many investment options on the market, so we are deeply grateful to our investors for the time they have spent getting to know our company, our developments and various members of our executive team. This trust is vital to our ability to continue attracting investment and supporting our ambitious growth plan. We are clearly aware that our role is to continue managing the company transparently and focusing on results that exceed expectations.

I'd like to extend a special recognition to all of my coworkers for their tremendous dedication and effort, because only through the committed work of all of us can we build an extraordinary company.

Today, Mexico has an advantage over other countries, primarily because of its superior labor productivity, its macroeconomic stability, its position as a great manufacturing country and its trade openness to the world. We intend to continue seizing the opportunities this situation offers.

We have entitled this report **Innovesting,** because we are a young, enthusiastic company, with the capacity to innovate and take on new challenges, and a dedicated ambition to contribute to Mexico's greatness.

**Lorenzo Berho C.**
Chairman of the Board Of Directors and
Chief Executive Officer

VESTA
2014 Annual Report

# Our History


**98** — Incorporation of Vesta

**99** — First loan from GE Capital

**00** — Investment by Ned Spieker (founder of Spieker Properties)

**04** — Investment DEG
Investment CalPERS

**05** — Acquisition of La Mesa Industrial Park in Tijuana
Acquisition of buildings Nestlé

**06** — Leverage buy out CalPERS
Investment DEG

**07** — Acquisition of the Los Bravos portfolio in Ciudad Juárez
Joint venture with GE Capital: Aerospace Park BOMBARDIER
Investment Broadreach Capital Partners
Investment Deka

**08** — Acquisition of the Lintel portfolio in Bajío

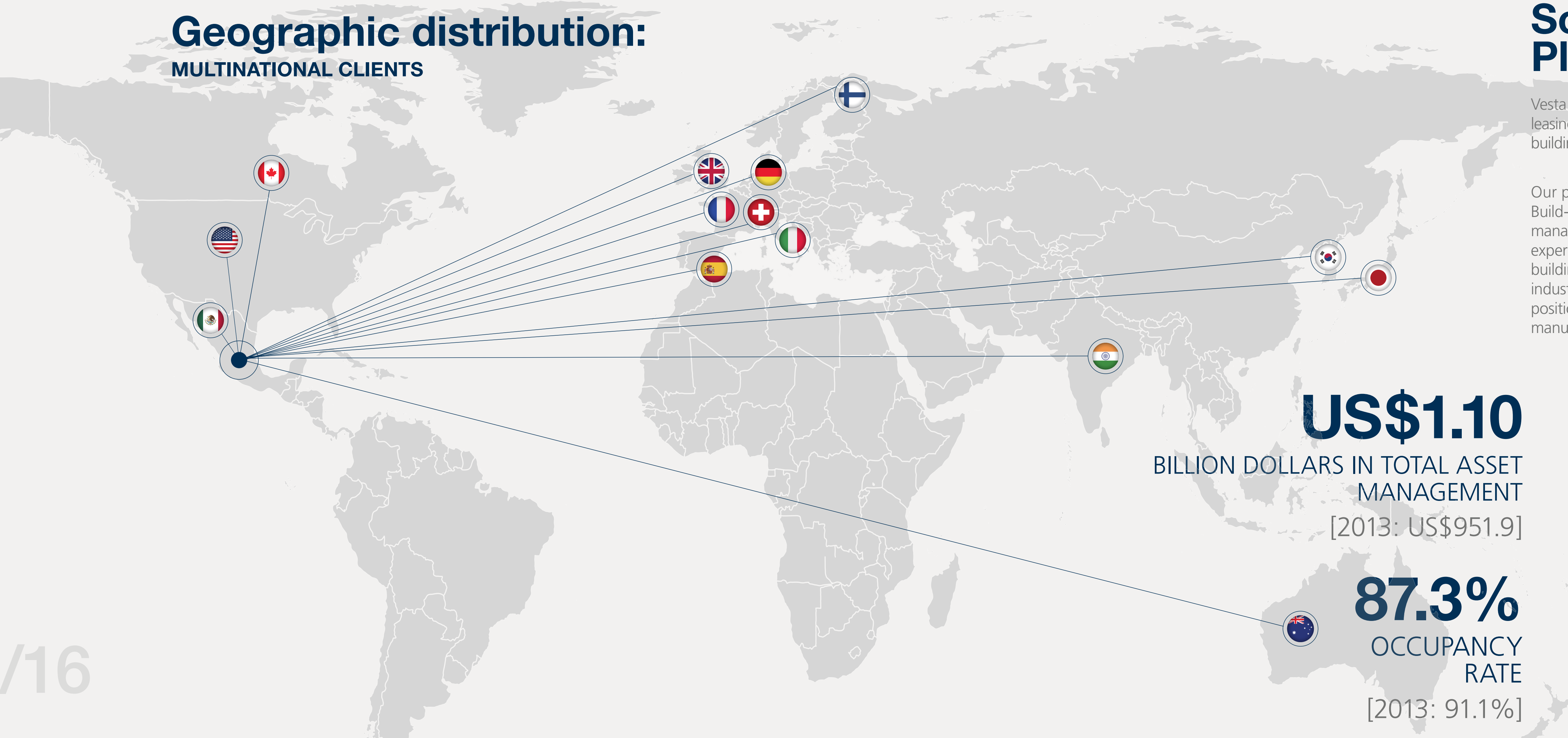
**12** — Initial Public Offering (IPO) BMV

**13** — Nissan Park-to- suit®
Follow-on BMV

**14** — BRP Park-to- suit®
Included in the BMV Sustainable IPC index
Strategic planning Vesta Vision 20/20

**15** — Follow-on BMV

# Geographic distribution:
## MULTINATIONAL CLIENTS



### INDUSTRIAL REAL ESTATE
# Solutions Platform

Vesta is a company engaged in developing, leasing and managing industrial parks, industrial buildings and distribution centers in Mexico.

Our products include Parks-to-Suit®, Build-to-Suit and multi-tenant buildings managed by an industrial real estate experienced team. This extensive supply of buildings is located in the fastest-growing industrial areas in Mexico, giving us a strategic position to benefit from the expansion of manufacturing and logistics in Mexico.

**US$1.10**
BILLION DOLLARS IN TOTAL ASSET MANAGEMENT
[2013: US$951.9]

**87.3%**
OCCUPANCY RATE
[2013: 91.1%]

**109**
PROPERTIES
[2013: 102]

**102**
CLIENTS
[2013: 91]


| | |
|---|---|
| Automotive | 39.9% |
| Food and beverages | 15.8% |
| Aerospace | 11.7% |
| Others | 11.3% |
| Logistics | 11.2% |
| Medical devices | 3.7% |
| Plastics | 3.5% |
| Recreational vehicles | 2.9% |





### OUR MAIN CLIENTS:

| | Nestlé | Nissan | Safran | Bombardier | Italika Motocicletas | BRP | Kimberly-Clark | American Axle & Manufacturing | Brady | Chrysler |
|---|---|---|---|---|---|---|---|---|---|---|
| % of GLA* | 10.7% | 4.2% | 3.9% | 3.8% | 2.7% | 2.5% | 2.2% | 2.2% | 1.9% | 1.9% |
| Years with Vesta | 10 | 1 | 6 | 7 | 5 | 2 | 5 | 1 | 1 | 1 |

* GLA - Gross Leasable Area

GRI: 2.2

VESTA
2014 Annual Report

# Performance in facts and figures

## FINANCIAL

**US$1,101.4**
MILLION IN TOTAL ASSET MANAGEMENT

**US$69.3**
MILLION IN TOTAL REVENUES

**US$66.6**
MILLION IN NET OPERATING INCOME (NOI)

### Revenues

| | |
|---|---|
| 2011 | 50.2 |
| 2012 | 51.9 |
| 2013 | 58.5 |
| 2014 | 69.3 |

**US$57.4**
MILLION EBITDA

### Occupancy rate

| | |
|---|---|
| 2011 | 87.3% |
| 2012 | 91.1% |
| 2013 | 89.1% |
| 2014 | 87.3% |

### Net operating income (NOI)

| | |
|---|---|
| 2011 | 44.4 |
| 2012 | 48.4 |
| 2013 | 56.0 |
| 2014 | 66.6 |

## CORPORATE GOVERNANCE

**TEN**
BOARD MEMBERS
(8 INDEPENDENT)

**SIX**
COMMITTEES
ALL CHAIRED BY BOARD MEMBERS

- Investment Committee
- Social and Environmental Responsibility Committee
- Audit Committee
- Ethics Committee
- Debt and Equity Committee
- Corporate Practices and Nominating Committee

**83%** OF OUR COMMITTEES ARE CHAIRED BY AN INDEPENDENT BOARD MEMBER

## LEASE

**5.5** YEARS AVERAGE LEASE TERM

**86%** FLOAT

GRI: 2.8, EC1

GRI: 4.1

# Performance in facts and figures

## ENVIRONMENTAL

**US$791,767**

IN ENVIRONMENTAL INVESTMENT

4.8%

OF GROSS LEASABLE AREA WITH LEED CERTIFICATION

40%

OF OUR OFFICES HAVE LEED CERTIFICATION

127.4 kWp

OF PHOTOVOLTAIC CAPACITY INSTALLED



GRI: 2.8, DMA EC, EN3, EN16, EC1



## SOCIAL

36

TOTAL EMPLOYEES

**US$304,599.4**

INVESTED IN EMPLOYEE HEALTH BENEFITS

**US$142,172**

INVESTED IN SOCIAL PROJECTS

**US$50,000**

INVESTED IN TRAINING MID-LEVEL EMPLOYEES

36%

OF OUR EMPLOYEES ARE WOMEN



GRI: EC1, LA1, LA2, LA10, LA13

**VESTA**
2014 Annual Report

# A clear business vision…

**OUR GOAL IS TO DOUBLE THE COMPANY'S SIZE BY 2020**

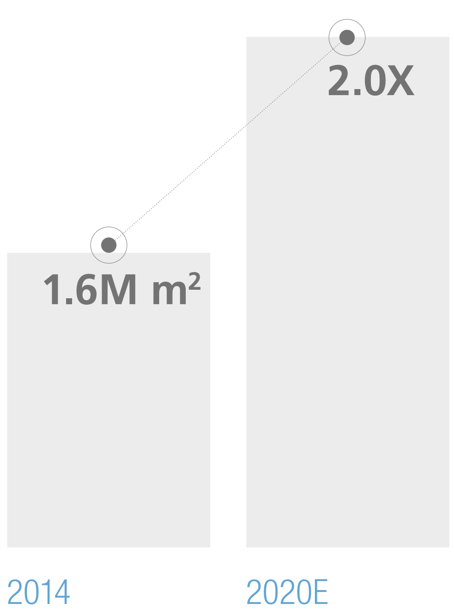
# VESTA VISION 20/20

**At Vesta, we focus on maximizing value for our shareholders and other stakeholders through sustainable growth. We intend to double our market capitalization and portfolio in the next six years. To achieve these goals, we have defined actions that include transforming our decision-making process to have a fully institutional governance, focusing on the fastest growing markets and geographies of the country, and continuing to grow our portfolio of Class A buildings under inventory building, build-to-suit and park-to-suit schemes, strengthening our value offering through sustainable projects and value-added services.**

## WE ARE TRANSFORMING OURSELVES FOR THE FUTURE, DOUBLING THE SIZE OF OUR COMPANY IN A SUSTAINABLE WAY

Our strategy has been based on the accumulation of competitive advantages, such as the quality of our portfolio, the soundness of our corporate governance, the agility of our industrial processes, the regional presence we have established through local offices, and our ability to recruit and retain talent, one of our most important assets.

**Growth**








# WE DESIGNED A NEW ORGANIZATIONAL STRUCTURE TO SUPPORT OUR GROWTH STRATEGY

This year we focused on developing the Vesta Vision 20/20 plan, reviewing key aspects of the company and setting ambitious but at the same time feasible targets. Among these goals is to double our leasable area to 3.4 million m$^2$.

In the coming years, we will focus on strengthening our businesses in the fastest-growing regions of Mexico, where we already have a substantial presence, in addition to attracting leading global players in the most dynamic industries. We have also placed a priority on maintaining long-term relationships with our current clients by renewing contracts and taking advantage of their expansion in Mexico.

In pursuit of this strategy, we have identified two main actions:

· Actively investing in land banks in key regions, as a source of sustained growth.
· Overhauling the company's organizational architecture to ensure our capacity for execution and control.

## Organizational architecture

We conducted an in-depth review of our organizational architecture, including our structure, processes and systems, and the company's philosophy, and decided as a result to adjust some functions and chains of command to maximize the potential of the goals we set.

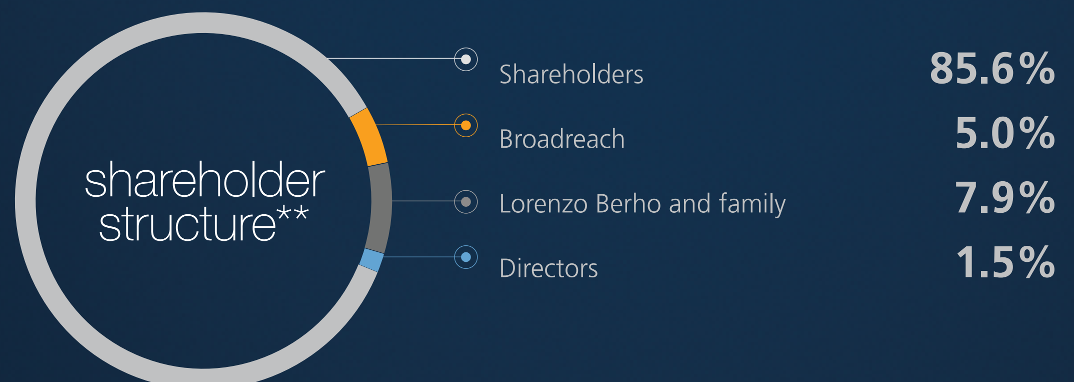
The structural changes include:

· Restructuring and strengthening key areas (Investment, Legal, Communications) and the creation of an Internal Audit area.
· Designing a functional structure for the operative business areas (Operations and Development), with the support of the Administration and Finance area.
· Strengthen the Operations area, to include the Sales and Asset Management areas. The latter was created in order to attend to the current portfolio, with a focus on property maintenance, as well as creating and following up on relationships with tenants.





# Corporate Structure*


* Corporate structure as of March 2015
** Shareholder structure as of March 2015

GRI: 2.3, 2.9

## SUSTAINABLE BUSINESS STRATEGY

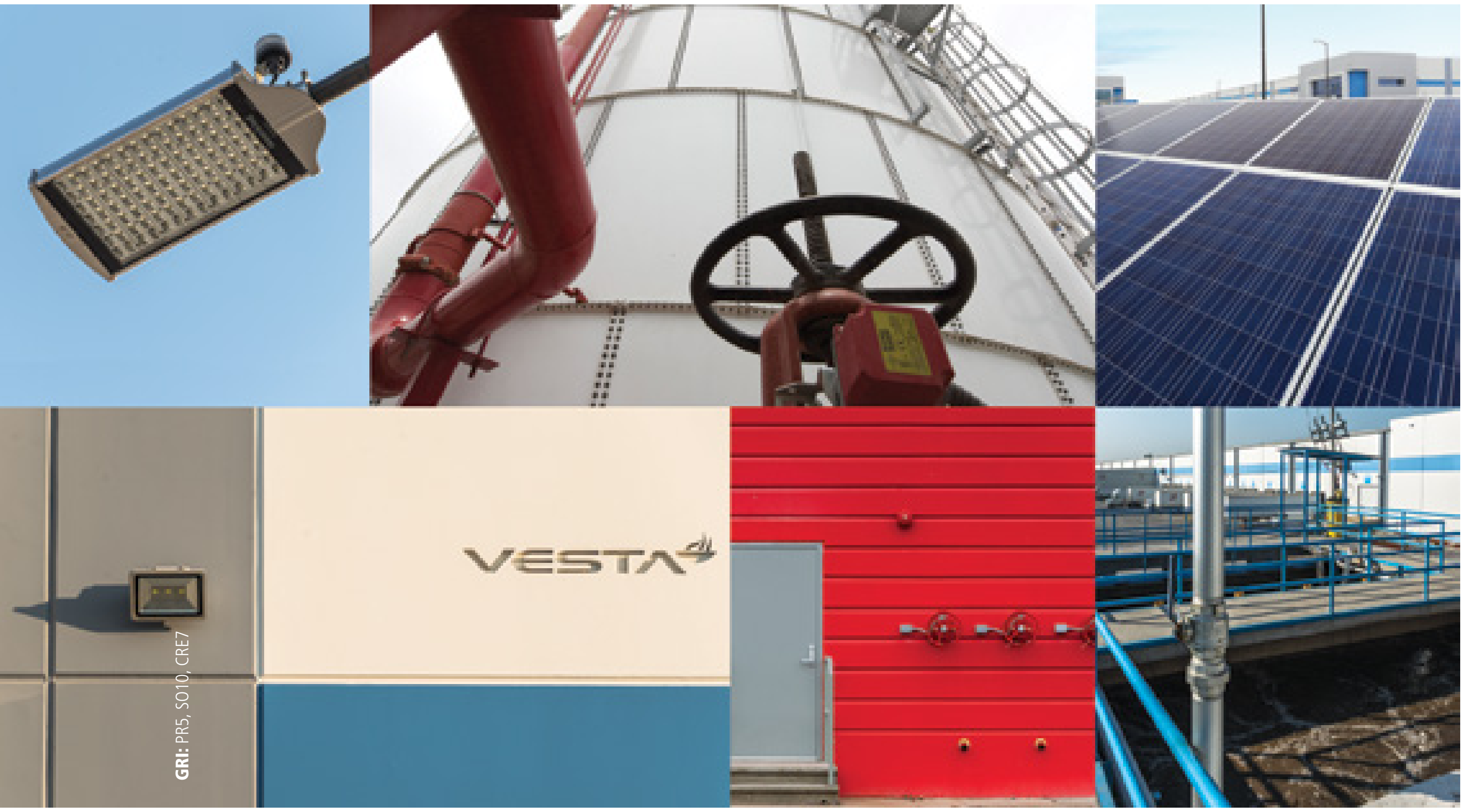
At Vesta, we are convinced that quality is a good investment. We have a business concept different from the rest of the market because we know that having best practices makes us a sustainable company, strengthening our permanence and our ability to grow.

**SUSTAINABILITY IS AN INTRINSIC VALUE IN OUR COMPANY**

Our buildings are designed for multi-functional companies and multinational firms seeking the highest standards, design and functionality, focused primarily on the export market.

Our developments also incorporate concepts of sustainability, like the Phase 1 Environmental Risk Assessments, before buying land and after building the structure; incorporating treatment plants, concrete paving, LED lighting, solar panels for energy supply for common areas and building exteriors, sustainable construction methods and high-quality materials, among other characteristics. Furthermore, the density of our buildings has a maximum range of 50% constructed area to 50% open area, giving us larger gardens and yards for loading and vehicle maneuvering. All of our buildings are located in established industrial zones, so we have experienced no social conflicts of any kind.






GRI: PR5, SO10, CRE7



### Outsourcing construction services and other related services

Because Vesta is a development company, construction of its buildings is outsourced to contractors, which are selected through transparent competitive bidding, part of our system of quality management for assigning projects. We also developed a set of Sustainability Requirements for Suppliers, a document that communicates our environmental and social commitment and ensures that our suppliers' processes and construction activities are consistent with our sustainability policies and international commitments, including the principles of the Global Compact. It also guarantees that contractors and suppliers are of the highest quality, and mitigates the risks inherent in construction. Furthermore, since we promote best practices and working conditions in all of our projects and facilities, encouraging prevention through order and cleanliness, we avoid incidents with our stakeholders such as a breach of legal codes and regulations regarding product health and safety.

Although we do not control the activities or consumption of water, electrical energy and raw materials by our tenants, we consider it part of our commitment to promote and inform them about the benefits of eco-efficiency. Accordingly, in building our industrial bays we try to use materials and technologies that offer our clients versatile, creative, affordable and high-quality solutions. We supervise the entire construction process to systematize production, maximize productivity, minimize waste and guarantee the quality of the structures.

We also promote competition between contractors, which translates into lower costs, greater value proposition, greater innovation, very high quality buildings and the ability to offer competitive options to current and future clients. Since this company was founded, and because of our strong focus on client service, we have never experienced a significant delay or cost overrun in building the properties we have developed.

We choose our contractors based on specific criteria: extensive experience and solid reputation in executing construction projects similar to those that we require, proven financial capacity, good relationship with suppliers, use of advanced construction and engineering techniques, a high level of technical consistency, quality and timeliness in the delivery of developments and, in certain cases, certifications, for example LEED.

The contracts we sign with these construction, design and engineering firms are in keeping with market terms and conditions, and fees are established as a predetermined percentage of the total cost of the work or service. To guarantee a transparent selection process, our internal engineering and management teams prepare and organize a competitive bidding process based on price, estimated time of completion and technical capacity.

We also require that all of our suppliers and clients comply with the legal obligations applicable to them, including the provisions of the Federal Labor Law. Through project managers, external firms that report directly to the company, Vesta ensures compliance with these obligations.



GRI: EN24, HR1, PR2, DMA SO



## Monitoring the construction process

The process of building the industrial bays and distribution centers that we develop is monitored internally by our engineers, whose job it is to anticipate any problem in the process in order to reduce rebuilding costs and guarantee that the development is completed on time. External project managers, which serve as auditors, are hired to control costs, terms and the technical quality of construction in our industrial bays.

We also focus on continual process improvement, enabling us to manage our portfolio with increasing efficiency. We have ISO 9001-2008 certification in 100% of our operations, which is subject to annual audits.

We also have LEED certification in 4.8% of our gross leasable surface area and 40% of our offices. We have an internal standard called Eco-Efficient, which we developed together with DEG and an independent third party, with which all of our new inventory buildings must comply. We have a Sustainable Construction Manual that must be followed by all of our contractors.

In 2015, we want to become the first company in Mexico certified with the WELL Building Standard® for our new corporate offices. This standard rates the well-being of people through the physical spaces that make up the workplace, identifying specific architectural and design conditions that favor employee efficiency, wellness and health.

Furthermore, in 2013 we began developing a program to systematize our processes on both the commercial and administrative areas (CRM and SADI). A specialized company provided support for developing this internal program to Vesta's specific needs.

**100%** of our operations are ISO 9001-2008 certified

**4.8%** of Gross Leasable Area is LEED certified

**40%** of our offices are LEED certified



**WE MONITOR THE DEVELOPMENT PROCESS ACCORDING TO OUR SUSTAINABLE CONSTRUCTION HANDBOOK**



GRI: CRE8

## CUSTOM-FIT PRODUCTS

Our products include Parks-to-Suit®, Build-to-Suit and Multi-Tenant buildings, all of them built with sustainable criteria and located in the fastest-growing areas of development in Mexico. Most of the properties in our current portfolio are Class A buildings, meaning they meet the highest market quality standards.

### Park-to-Suit®

CUSTOM-DESIGNED AND BUILT INDUSTRIAL PARKS THAT MEET THE SPECIFIC NEEDS OF SUPPLY CHAINS.

### Build-to-Suit

BUILDINGS DESIGNED AND BUILT TO MEET THE SPECIFIC NEEDS OF OUR CLIENTS.

### Multi-tenant Buildings

THESE BUILDINGS CONFORM TO STANDARD INDUSTRY SPECIFICATIONS AND ARE DESIGNED TO BE ADAPTED FOR TWO OR MORE TENANTS.

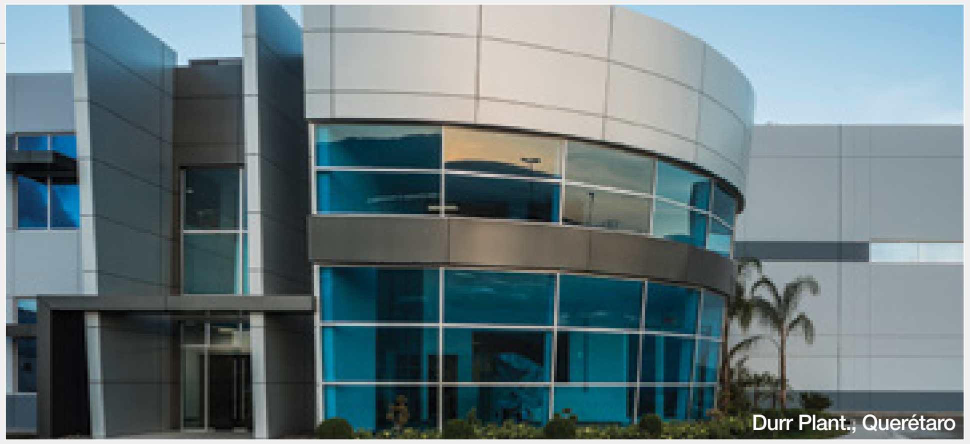
GRI: 2.2





**WE DESIGN FLEXIBLE PRODUCTS THAT SUPPORT OUR CLIENTS´GROWTH REQUIREMENTS**

Douki Seisan Park, Aguascalientes



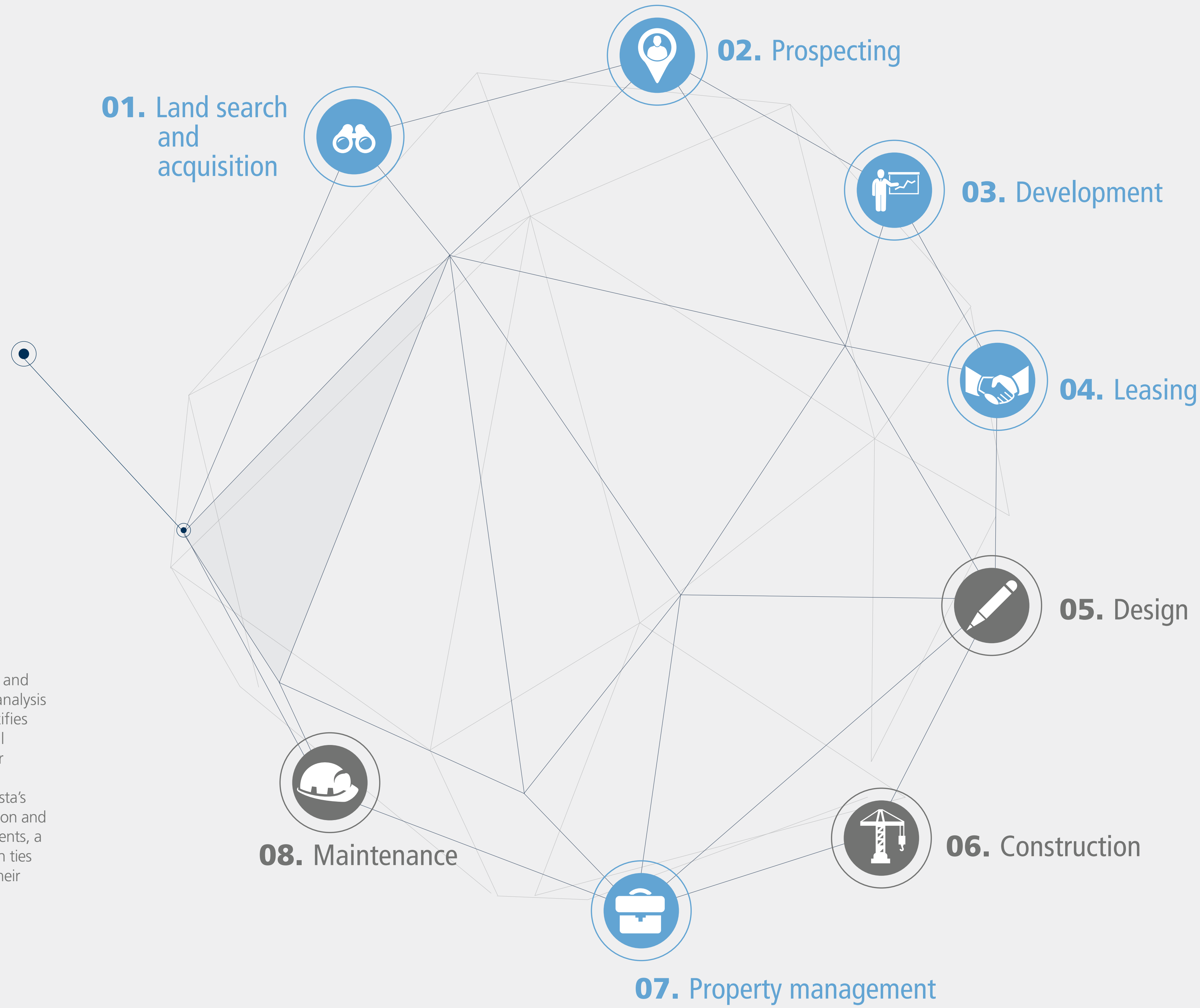
Durr Plant., Querétaro

Querétaron Industrial Park, Querétaro

Over the years, we have created a network of long-term relationships with our extensive client base, characterized by a high rate of tenant retention. 85.2% of our total GLA has been renewed by the original tenant. This retention rate is the clear result of the personalized service and comprehensive attention we offer through our regional directors, who have a deep knowledge of the industrial real-estate business in their region.

Additionally, more than 50% of the company's growth comes from our existing client base, and our ability to offer them solutions for expanding the properties they currently occupy or moving into new regions. These factors have earned Vesta a reputation synonymous with quality and service in the industrial real-estate market.

# Value Chain




**Core competencies**

- With commercial intelligence and strategic foresight based on analysis and key relations, Vesta identifies reserves of land and industrial developments appropriate for attracting new clients.
- One of the main sources of Vesta's growth is the renewal, expansion and recommendation of current clients, a sign of our ability to strengthen ties with our tenants by meeting their needs.

GRI: PR1





**85.2%**
**tenant retention rate**

**OUR DEVELOPMENT PROCESS IS FOCUSED ON MAKING OUR CLIENTS OPERATIONS MORE EFFICIENT**

**Third parties**

- Design is the responsibility of a prestigious international architectural firm, which guarantees the best design for each building.
- Selected construction firms bid on Vesta projects and are supervised for compliance with quality, cost and time specifications, an important competitive tool.
- Legal procedures and permits are handled by local specialists.
- Maintenance of the facilities is provided by various contractors.
- The flexibility of Vesta's model enables it to select the most innovative, functional and profitable designs for responding to our clients' preferences and needs.

## OUR CRM PROGRAM IS DESIGNED TO MANAGE AND STRENGTHEN CUSTOMER RELATIONSHIPS

### Client satisfaction

Another key aspect of our performance is knowing how satisfied our clients are. Because of this, we have designed an organizational structure with a regional focus that enables us to offer personalized service through our regional directors. We also conduct satisfaction surveys annually to obtain information on the quality, design and performance of the leased properties, as well as the service and response capacity of our employees. This means we can find out which of our products and services meet their expectations and identify opportunities to improve our service and processes, in order to optimize building functions and maintenance and our communication with all of them. It also gives us information for participating together in social and environmental responsibility projects.

In 2014 we developed a Customer Relationship Management (CRM) program through which we will be able to manage and improve communications with our clients, better serve their needs and attend promptly to new prospects. Because of the continuing importance of fostering long-term relationships with our current clients and guaranteeing that our products and services exceed their needs at every phase of the process—which we believe translates into higher retention rates—we intend to continue designing our strategy based on their needs and the trends we see in the market.

Our customer satisfaction survey has been applied for eight years in a row, and in this time it has helped us improve our performance levels. The responsibility for conducting the survey lies with the commercial director, and the actions identified as a result of our clients' answers are the responsibility of the regional directors.

The 2014 survey yielded the following results:

| 88% | 76% | 71% |
|---|---|---|
| rate the attitude and availability of our administrative, commercial and operating personnel as good/excellent. | are fully satisfied with the service Vesta provides. | believe the effectiveness with which we solve their problems was good/excellent. |

GRI: PR5, PR7



**+50%**
**OF OUR GROWTH COMES FROM THE EXPANSION OF OUR CLIENTS' OPERATIONS**

Case study

Vesta takes care of its employee´s wellbeing

## WELLNESS:
## New corporate headquarters

Vesta will be moving into new corporate headquarters in 2015. Our new space will fit our current image: a dynamic, visionary and fast-growing firm.

Our new surroundings will express our brand and corporate values: to be an excellent company with the best team of employees, contributing to a corporate spirit of efficiency and quality, in a climate of fellowship and teamwork. And by transmitting these values, we will also communicate and inspire our clients with our business vision.

We know that a well-lit, comfortable and functional workplace promotes physical and mental wellness. That's why our new offices will combine spaces for working alone and in a team, with a flexible mix of open and private spaces, as well as areas for taking a break. Aligning the design of our spaces with our business objectives means building the ideal place for efficiency and productivity, encouraging a relationship between employees and clients. By design, the space will be nourished with the energetic spirit emanating from Vesta, creating an atmosphere consistent with a well-motivated team: airy, with a comfortable temperature and natural light, open spaces, good acoustics, and an avant-garde industrial appeal.

One basic element of the new offices will be state-of-the-art technology to facilitate communication and make it easier to share information; technology integrated throughout the space so that our team at headquarters as well as in regional offices can share the achievements and progress of our projects in real time. As a complement, a latest-generation videoconferencing system will enable us not only to save time but to establish a global presence and transmit the image we want our clients to perceive: that of a cutting-edge, innovative company.

Besides having LEED certification, our new offices aim to be the first in Mexico certified by Delos with the WELL Building Standard®, which takes into account seven fundamental aspects: Air, Water, Nourishment, Light, Fitness, Comfort and Mind. It is the first protocol of its kind that focuses on human wellness within the built environment. It identifies specific conditions, that when holistically integrated into building architecture and design, enhance the health and well-being of the occupants.

As an expression of our brand, these new offices will be aligned with our business and our mission. This means not just using our logo and corporate colors, but incorporating design elements that foster an attitude consistent with our corporate values and strategies among employees and visitors. This space will therefore reflect our brand, grounded in quality, high service standards, contemporary aesthetics, and dedication to excellence.

This new environment will be a symbol of our identity, translating our values of credibility and reliability, positioning us as a pioneer in our market, passionate about sustainability and product quality.

**OUR NEW OFFICES WILL PROMOTE THE PHYSICAL WELLBEING OF OUR EMPLOYEES**

INTERNATIONAL WELL BUILDING INSTITUTE™





Some of the indicators measured for certification of our new headquarters include:

**AIR**
- Air quality standards
- Smoke-free area
- Excellent ventilation
- Air filters
- Cleaning protocol
- Air filtering management
- Controlled humidity
- Air quality monitoring
- Advanced air purification system
- Cleaning equipment

**WATER**
- Water quality and quantity
- Detection of non-organic contaminants
- Detection of organic contaminants
- Fresh water additives
- Regular water quality testing
- Water treatment

**NOURISHMENT**
- Fruits and vegetables
- Hand washing
- Nutritional information
- Menus
- Safe ingredients for food preparation
- Portion size
- Special diets
- Pantry
- Conscious eating

**LIGHT**
- Visual lighting design
- Circadian lighting design
- Controlled light intensity
- Design of work stations without glare
- Color quality
- Surface design
- Controls to reduce glare and light intensity
- Daylight modeling

**FITNESS**
- Programs to encourage activity
- Structured conditioning
- Spaces for physical activity
- Support for active transport
- Exercise equipment

**COMFORT**
- Handicapped-accessible design standards
- Virtual and physical ergonomics
- Shielded from intrusive outside noise
- Moderation of inside noise
- Thermicity
- Odor control
- Reverberation time
- Sound reducing surfaces
- Sound barriers

**MIND**
- Health and wellness awareness
- Inclusive design
- Beauty and design
- Adaptable spaces
- Healthy sleep policy
- Business travel
- Workplace health policy
- Family support
- Self monitoring
- Fair organization

**VESTA**
2014 Annual Report

# …inspired by a “Vest in Class” culture

**WE ARE COMMITTED TO MAINTAIN WORLD-CLASS STANDARDS**

# WE HAVE AN EXPERIENCED AND MULTI-CULTURAL "VEST IN CLASS" BOARD OF DIRECTORS

## "VEST IN CLASS" CORPORATE GOVERNANCE

We have focused on keeping our corporate governance practices in line with the highest compliance standards. This ensures that Vesta remains an institutional, orderly and transparent company, grounded in integrity and ethics.

The Board of Directors is one of Vesta's most important governance bodies, and its purpose is to execute and oversee that shareholders' decisions are taken into action, and to decide on general administration policies for the company.

The Board is made up of ten members, eight of which are independent members as the term is defined by the Mexican Securities Market Law. Each member has his or her respective alternate. Lorenzo Manuel Berho Corona, who is Chairman of the Board, is also the company's Chief Executive Officer. All Board members are selected on the basis of their experience, professional background and character, and are approved by the shareholders. Board member nominations are ratified each year.

Furthermore, and to ensure that the Board has all the information it needs to make the best decisions on the company's operation, every session includes a brief talk updating members on key current events, such as the macroeconomic situation in Mexico, the financial markets, performance of the automotive market or supply chain dynamics, among others. These talks may be accompanied by a visit to some project, industrial bay or company of interest. Board members consider this practice to be highly valuable for their optimum performance.



* **Article 26.-** Independent Board Members and, when such is the case, their respective alternates, must be selected on the basis of their experience, capacity and professional reputation, and must also be able to execute their duties free of any conflicts of interest and without regard to their personal, equity or economic interests.
The general shareholders' meeting in which members of the Board are appointed or ratified or, when such is the case, that in which those appointments or ratifications are announced, shall qualify Board members' status as independent. With due regard to the foregoing, a director cannot be considered independent if such director is:

I. An employee or officer of the company or of another company that is a member of the same corporate group as the company, or their statutory auditor.
II. A person that, without being an employee or officer of the company, has influence or authority over the company or its officers, or over another company that is a member of the same corporate group as the company.
III. A shareholder that is a part of the control group of the company.
IV. An important client, supplier, debtor or creditor (or a partner, director or employee thereof).
V. A client or supplier is considered important if its sales to or purchases from the company represent more than ten percent of its total sales or purchases within the prior year.
VI. a family member, spouse or concubine of any of the persons mentioned in I through IV, above.

**GRI:** 4.1, 4.2, 4.3, 4.7

**VESTA**
2014 Annual Report


| | Board Member | Age | Since | Atten-dance | Country | Alternate | Age | Since | Atten-dance | Country |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Lorenzo Manuel Berho Corona** | 55 | 2001 | 100% | Mexico | Lorenzo Dominique Berho Carranza | 32 | 2001 | 0% | Mexico |
| 2 | Stephen B. Williams* | 64 | 2001 | 100% | USA | Michael Peckham* | 56 | 2014 | 0% | USA |
| 3 | Javier Fernández Guerra* | 58 | 2001 | 100% | Mexico | José Humberto López Niederer* | 54 | 2011 | 0% | Mexico |
| 4 | Marlene Carvajal* | 36 | 2012 | 40% | Germany | Karl Heinz Kloecker* | 60 | 2009 | 60% | Germany |
| 5 | Enrique Carlos Lorente Ludlow* | 42 | 2007 | 100% | Mexico | Stefan Blum* | 57 | 2014 | 0% | Germany |
| 6 | John Andrew Foster | 54 | 2011 | 100% | USA | Craig Gladstone Vought | 52 | 2012 | 0% | USA |
| 7 | Wilfrido Castillo Sánchez Mejorada* | 73 | 2014 | 100% | Mexico | José Antonio Pujals Fuentes* | 76 | 2006 | 0% | Mexico |
| 8 | Óscar Francisco Cazares Elías* | 55 | 2014 | 60% | Mexico | Daniela Berho Carranza | 30 | 2014 | 40% | Mexico |
| 9 | Francisco Uranga* | 51 | 2011 | 60% | Mexico | Jorge Alberto de Jesús Delgado Herrera* | 68 | 2011 | 20% | Mexico |
| 10 | Luis De la Calle Pardo* | 55 | 2011 | 80% | Mexico | Javier Mancera Arrigunaga* | 55 | 2011 | 20% | Mexico |

**Chairman
*Independent Member

Vesta considers a Board Member as independent when he or she meets the qualifications listed in Article 26 of the Securities Market Law.* 80% of our Board consists of regular independent members.

For more information about our Board of Directors, or to contact one of its members, please write to our Chief Legal Counsel at the following e-mail: etica@vesta.com.mx

## Diversity in the Board of Directors

Vesta's Board of Directors is made up of 10 regular members, one of whom is a woman and eight are independent according to the definition of the Securities Market Law. One of our regular Board Members is German, two are from the United States, and the rest are Mexican.

### Sustainability issues dealt with by the Board of Directors

- Long-term incentive and compensation plan for executives
- Corporate governance
- Compensation for board members and committee members
- Strategic planning for social responsibility activities
- Creation of Debt and Equity Committee
- Process Management System (Legosoft)
- Mexican Stock Exchange Sustainability Index

### Board of Directors: Meeting dates and attendance

| | Dates | Attendance |
|---|---|---|
| **2014 Board of Directors** | January 30 | 100% |
| | February 26 | 80% |
| | April 24 | 100% |
| | July 14 | 100% |
| | October 23 | 100% |

## Board of Directors Supporting Committees

Vesta's Board of Directors has six committees supporting it in its duties, in various areas of specialization. Each of these committees, which reports directly to the Board, has at least one Board member on it.

| Audit committee | Corporate Practices and Nominating Committee | Investment Committee | Ethics Committee | Social and Environmental Responsibility Committee | Debt and Equity Committee |
|---|---|---|---|---|---|
| **Chairman** | | | | | |
| Karl Heinz Kloecker (Independent member) | Javier Mancera (Independent member) | John A. Foster (Corporate member) | José A. Pujals (Independent member) | Jorge A. Delgado (Independent member) | Javier Fernández (Independent member) |
| **Members** | | | | | |
| Stephen B. Williams (Independent member) | José A. Pujals (Independent member) | Lorenzo Berho (Chairman of the Board) | Alejandro Pucheu (Chief Legal Counsel) | Daniela Berho (Corporate member) | John A. Foster (Corporate member) |
| José López Niederer (Independent member) | Stephen B. Williams (Independent) member) | Stephen B. Williams (Independent member) | Elías Laniado (Regional Director) | Roque Trujillo (Chief Development Officer) | Stephen B. Williams (Independent member) |
| | | | | Diego Berho (Development Manager) | Lorenzo Berho (Chairman of the Board) |
| | | | | | Wilfrido Castillo (Independent member) |







### Committee meeting dates and attendance

| | Date | Attendance |
|---|---|---|
| **Audit Committee** | February 24 | 100% |
| | April 22 | 66% |
| | July 22 | 66% |
| | October 21 | 100% |
| **Corporate Practices and Nominating Committee** | January 17 | 100% |
| | January 24 | 100% |
| | July 16 | 100% |
| | September 5 | 100% |
| | October 1 | 100% |
| | October 20 | 100% |
| | December 22 | 100% |
| **Investment Committee** | January 14 | 100% |
| | January 16 | 100% |
| | March 31 | 100% |
| | April 16 | 100% |
| | June 26 | 100% |
| | September 4 | 100% |
| | September 30 | 100% |
| | November 5 | 100% |
| | November 14 | 100% |
| | December 2 | 100% |
| **Ethics Committee** | November 19 | 100% |
| **Social and Environmental Responsibility Committee** | February 20 | 100% |
| | July 1 | 100% |
| **Debt and Equity Committee** | October 20 | 100% |
| | December 23 | 100% |

**100%**
of our Board of Directors' supporting committees are chaired by a Board Member

**83%**
of our supporting committees are chaired by an independent Board Member

**100%**
of the members of our Audit and Corporate Practices and Nominating committees are made up of independent Board Members

## Material issues addressed by each of the Committees

| | | | | |
|---|---|---|---|---|
| **Audit Committee** | | Financial statements | External auditor | Accounting practices |
| **Corporate Practices and Nominating Committee** | Long and short-term incentive plans for executives | Evaluation of key executives | Remuneration of executives in special cases; definition of those cases | Addressing and resolving, when necessary, conflicts of interest |
| **Investment Committee** | Project analysis | Approving investments | Approving projects with a person from the sustainability department | |
| **Ethics Committee** | Follow up on requests or complaints received through the whistleblowers' hotline | Code of Ethics | | |
| **Social and Environmental Responsibility Committee** | Approval of budget and goals | Participation in regional social projects | Corporate energy strategy | International indicators and evaluations |
| **Debt and Equity Committee** | Market analysis | General strategy and financing policies | Financial growth | Recommendations on capital and debt strategy |

As the table above indicates, the Corporate Practices and Nominating Committee is responsible for addressing and resolving conflicts of interest that may arise in the company, except those which by nature must be resolved directly by the Board of Directors.

Emoluments to members of the Board of Directors and committees are approved by shareholders, based on the recommendations of the Corporate Practices and Nominating Committee. Compensation to key executives is based on the degree of responsibility of each and an evaluation of their goals and objectives. This compensation is reviewed and voted on by the Corporate Practices and Nominating Committee and the Board of Directors, when required.

If any shareholder or employee wishes to send some communication, we have a section on the webpage at vesta.com.mx. This communication will be evaluated by the Ethics Committee (etica@vesta.com.mx) and, if appropriate, channeled to the Board of Directors. Stakeholders also have access to the investors' relations office through the e-mail address investor.relations@vesta.com.mx

The Social and Environmental Responsibility Committee is in charge of preparing and applying the company's environmental and social policies and presents an annual report to the Board of Directors, in which, among other matters, it summarizes the activities and degree of compliance of projects relating to the company's social and environmental responsibility policies. The independent board member Jorge Delgado, chairman of that Committee, is in charge of overseeing matters relating to stakeholders.

In addition, since 2014, a member of the Social and Environmental Responsibility Committee attends meetings of the Investment Committee in order to ensure that the environmental policy is applied and social impacts and risks—environmental, social and corporate governance—are assessed in all new investments.

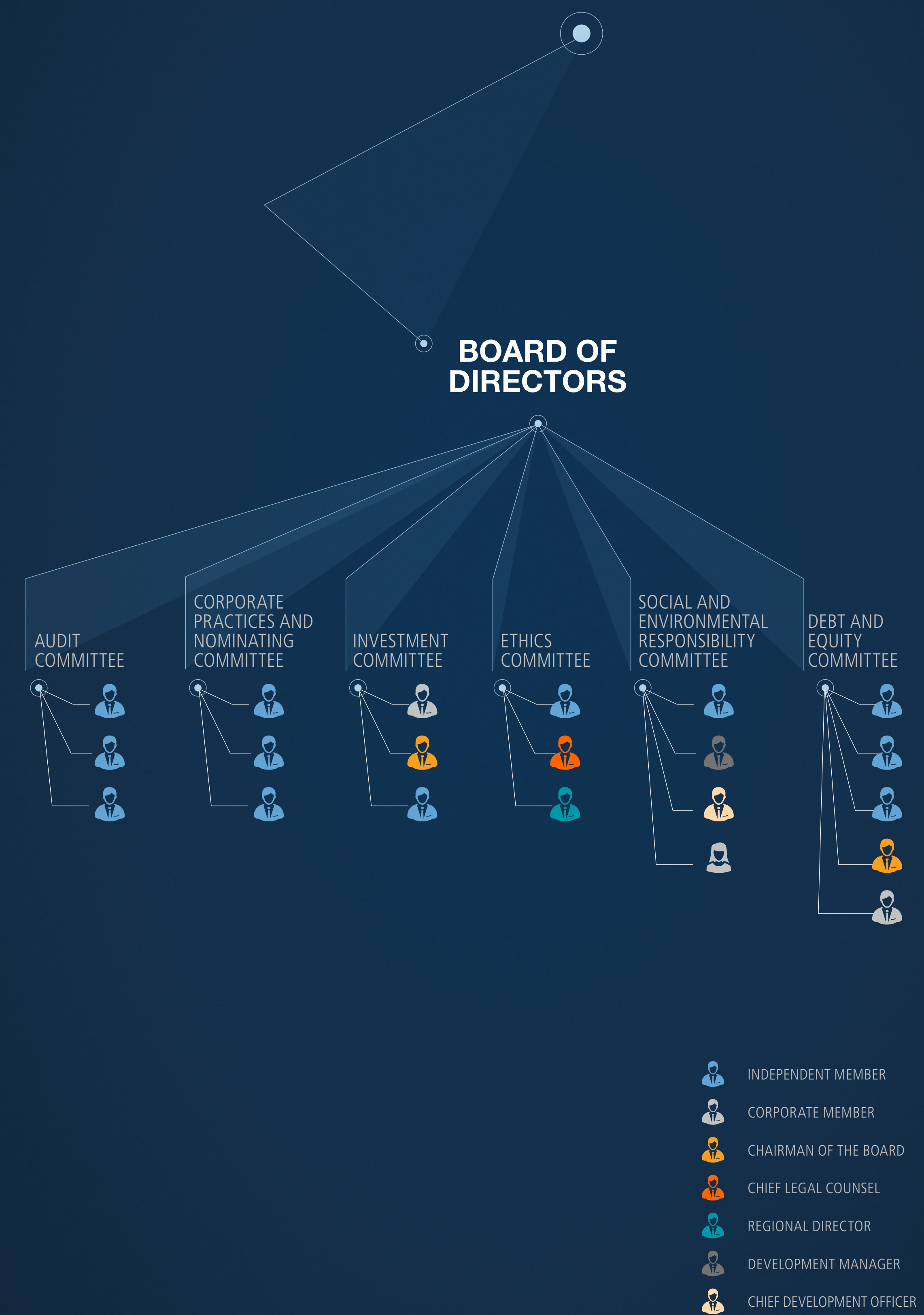
GRI: 4.4, 4.5, 4.6, 4.8, 4.10





## SUSTAINABILITY MANAGEMENT

At Vesta, we manage sustainability from the board of directors, which follows up on initiatives through the Ethics and Social and Environmental Responsibility Committees, both of which are chaired by a member of the Board, who is in charge of reporting back to the Board on follow-up and the agreements obtained.

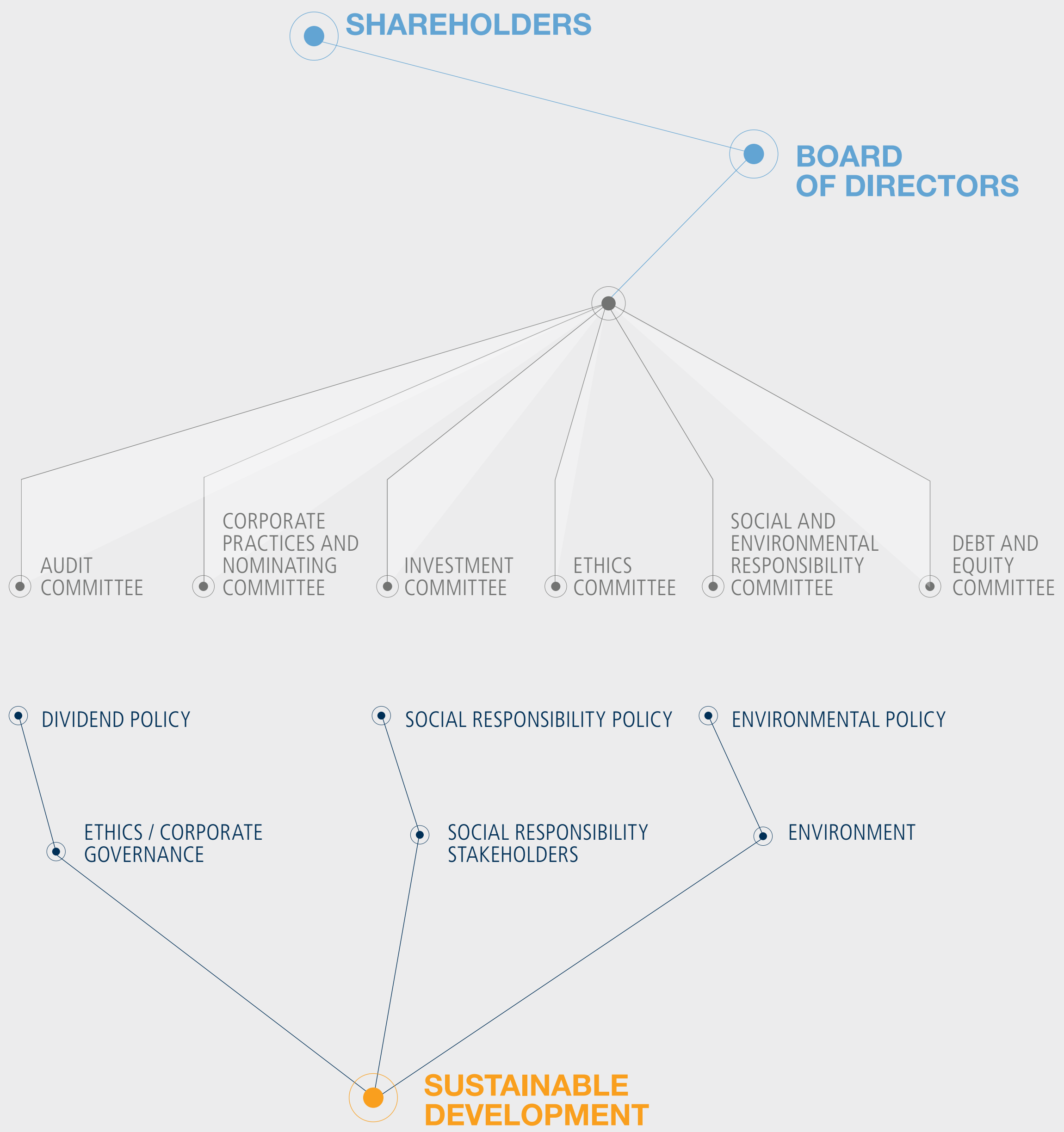


## Social and Environmental Responsibility Committee

The Social and Environmental Responsibility Committee is a standing committee responsible for strategy, inspection and evaluation of the company's social responsibility performance and environmental impact.

The committee is made up of experts in this field and includes at least one member of the Board of Directors. It consists of a Independent Board Member (Chair), Chief Development Officer, Corporate Board Member and the Development Manager.

At Vesta, we take into account our environmental and social commitment in every investment decision we make. Projects that are presented to the Investment Committee for approval must also be signed off on by the Sustainability Manager, which guarantees that the company's environmental policy is followed and helps identify possible social or environmental risks.








## Ethics Committee

### Mission of the Ethics Committee

To encourage and sustain an exercise in moral reflection which makes every case a learning opportunity for the organization, constantly enriching the ethical conscience, trust and character of all of the company's employees.

### Objectives of the Ethics Committee

1. Encourage compliance with the company's code of ethics, including knowledge of the code, understanding and assimilation throughout the organization.
2. Deciding on a system of consequences aimed at reinforcing compliance with the code.
3. Processing ideas, suggestions, concerns, complaints and moral feedback, drafting recommendations to the organization that are consistent with the system of consequences.
4. Identifying issus where ethical standards (or the system of consequences) are insufficient or nonexistent and, when necessary, establishing them.
5. Strengthening ethical culture in the organization.

The Ethics Committee is in charge of receiving and processing any type of complaint or report relating to application of the code of ethics, or any departure from its rules by the organization or stakeholders. It is also responsible for making changes to ensure the code of ethics is complete and up-to-date.

The Committee is made up of experts in this field and includes at least one member of the Board of Directors. The committee members are Independent Board Member (Chair), Chief Legal Counsel and Regional Director.

For any idea, question, suggestion, comment, complaint or congratulation, write to the Ethics Committee at: etica@vesta.com.mx

## Code of Ethics - Business conduct and whistleblowers' hotline

Our Ethical Commitment, published on the company's website, expresses Vesta's intent, and that of its people, in this regard. Because we are aware that ethical decisions are what shapes the character of people and institutions, we direct our actions unceasingly to the pursuit of this value, which we consider to be vital in our organization.

This document is the product of reflection, work and dialogue by representatives of the various stakeholders that make up our organization: clients, shareholders, suppliers, employees, our partners in the real estate industry, society and government, the environment and, through our employees, their families.

Our code aspires to be a tool that is used every day as a guide when faced with decisions about concrete ethical topics. Every moment in the history of an organization presents specific challenges, sometimes completely unprecedented, in areas of moral conduct. This code offers orientation for such situations, and although it cannot cover every hypothetical situation our consciences may have to face, it does deal with many critical situations the organization may encounter. It should therefore be conceived as an open document, which may be enriched in the future by the contribution of all stakeholders represented in it, as well as by the experience of applying the code itself.

GRI: 4.8

# WE BELIEVE IN INTEGRITY AS A FUNDAMENTAL BUSINESS PRINCIPLE

Any breach of this code may result in sanctions and consequences such as a warning, termination of the labor relationship and legal action.

At Vesta, all our business and stakeholder relationships are based on the principle of integrity. We believe this ethical approach is what makes us competitive and different in Mexico's real-estate industry, and we guarantee it through our good corporate governance, transparency and the implementation of anti-corruption policies. As a result, we have never had a corruption-related incident. We also have a policy of not contributing to political parties or conducting transactions with related parties. We comply fully with all the applicable provisions, including the Law on Prevention and Identification of Transactions with Illegal Resources.

As a result of this ethical and transparent approach, Vesta has not had to pay any significant fines for violating the law, nor have there been any complaints regarding incidents of corruption, discrimination, child labor, monopolistic practices, forced labor, violation of human rights or indigenous rights—actions that are clearly unacceptable according to our Code of Ethics. Any violation of this type may be reported in writing or anonymously through our webpage at (vesta.com.mx) or by sending an e-mail to the Ethics Committee (etica@vesta.com.mx), These channels are open to all of our stakeholders.

We value our clients' trust and privacy, and we therefore take the measures necessary to protect their personal data and the theft of their information, like including confidentiality clauses in all of our contracts. Additionally most of the information we receive from our clients is public. As for third parties, our marketing programs do not involve advertising that is subject to standards or codes. Accordingly, we have had no incidents or fines in this regard.

All of our stakeholders are advised to write to etica@vesta.com.mx to report any violation of the above codes and policies. Every report is analyzed and followed up formally by the Ethics Committee.

**GRI:** 4.8, SO2, SO3, SO4, SO6, SO7, SO8, DMA SO, PR3, PR6, PR7, PR8, DMA PR, HR2, HR4, HR9, HR10, HR11, SO4, DMA HR





VESTA
2014 Annual Report

### Sustainability Department

Among the primary duties of the Sustainability Department are ensuring that the company follows a sustainable strategic path. It reports directly to the Social and Environmental Responsibility Committee and the company's Chief Executive Officer. The Integrated Annual Report is reviewed by the Chief Executive Officer, Chief Financial Officer, Chief Legal Counsel, Commercial Director, Investor Relations Department, Chief Development Officer and the Sustainability Department. After their review, the report is published and made available to all of our stakeholders.

In 2014, Vesta participated in the selection process to become a member of the Mexican Stock Exchange (BMV) SustainableIndex, which takes into account international standards in the areas of environmental and social performance, corporate governance, stakeholders, supply chain and products, among others. The participating companies are evaluated by two independent firms that are experts in sustainability issues. Vesta was chosen as one of the 34 most sustainable Mexican companies listed on the Mexican Stock Exchange. Our inclusion in this index gives us an even greater commitment to investing, monitoring and reporting on non-financial performance related to our financial performance. The index gives us greater visibility with new domestic and international investors.

The Sustainability Department welcomes ideas, questions, comments and suggestions from all our stakeholders at sustentabilidad@vesta.com.mx

The company received the support of the German Development Bank (Deutsche Investitions und Entwicklungsgesellschaft mbH, or DEG, a past Vesta investor) in developing the Vesta Sustainable Construction Handbook.

As part of our sustainable business management, we know that Vesta is exposed to three main types of risk, related to our business, to Mexico and to our shares and main shareholders. Before approving any investment, the Investment Committee identifies and quantifies these risks and incorporates them into the decision making process. The evaluation of these risks yields information that helps us to identify business opportunities that have become a competitive advantage.

Empresa Sustentable

## VESTA IS A MEMBER OF THE MEXICAN STOCK EXCHANGE SUSTAINABILITY INDEX

### Risks

**Business risks**

- Economic situation of other countries
- Socio-political and environmental factors affecting prospective or ongoing businesses
- Financial market volatility
- Compliance with contractual obligations
- Slowdown in our clients' industries
- Financing availability
- Natural phenomena
- Legal, environmental and safety provisions
- Succession of key executives
- Competition
- Climate Change

**Mexico's risks**

- Economic conditions in Mexico
- Socio-political risks
- Macroeconomic situation
- Exchange rate, inflation, interest rates, etc.
- Changes in legislation

**Risks related to our shares and our shareholders**

- Market price of our shares
- Main shareholders - influence over operations
- Dividend payments
- Massive stock selloff

**VESTA**
2014 Annual Report

## OUR "VEST IN CLASS" CULTURE IS SUPPORTED BY AN ENTREPRENEURIAL OPERATIONAL TEAM

### LEADING TEAM

Our team is Vesta's most important asset, and that is why retaining and developing talent is crucial. The dedication and professionalism of our people have enriched our work and created the best industrial real estate development team in Mexico. Most of our board members and executives have worked in the same team for more than 10 years and have a specialized knowledge of the Mexican industrial real-estate market. Lorenzo Manuel Berho Corona, our founder, Chairman of the Board and Chief Executive Officer, has 35 years of experience in the real-estate industry. 28% of our team has been with Vesta since its inception

All of our employees work at Vesta out of their own conviction, and all have a labor contract. Employees are hired through the same formal procedure and, in accordance with our Code of Ethics, we offer equal opportunities without regard to race, ethnic group, gender, beliefs, religion, age, physical disability or sexual preference. We have therefore never been involved in any incident of forced or compulsory labor and, as we mentioned above, we have a channel for making anonymous reports to the Ethics Committee through our webpage at www.vesta.com.mx.

Vesta hires all its employees directly through its subsidiary Vesta Management, S. de R.L. de C.V., which assembles a file on each of them, including proof of address, taxpayer ID, population registry code and other data, depending on the position to be filled. Through this process we guarantee that all employees are of legal age to work. In any case, we make the e-mail address of our Ethics Committee available to all our stakeholders in the event they wish to file some complaint or express a concern.



**GRI:** EC7, HR4, HR7, HR6, DMA HR

100% of our employees are full-time employees, and 0% have temporary contracts. We had 36 employees in 2014. All our personnel enjoy the same benefits according to the law: annual bonus, vacation bonus, disability and social security. Furthermore, since all workers are hired under individual labor contracts and are, due to their functions cataloged "trusted employees". None are (quitar is) represented under a collective bargaining agreement, and therefore there is no need to give prior notice of organizational changes in those agreements nor are we at risk of violating the freedom of association.

**64%**
Men

**36%**
Women

| | | 2013 | 2014 |
|---|---|---|---|
| **Number of employees** | Men | 19 | 23 |
| | Women | 11 | 13 |
| | Total | 30 | 36 |
| | Average age | 43 | 41 |
| | Senior executive women | 0 | 0 |
| | Managerial level women | 4 | 4 |
| | Staff level women | 7 | 9 |
| **Employees by age range** | <25 | 3 | 0 |
| | 26-30 | 7 | 9 |
| | 31-35 | 3 | 6 |
| | 36-40 | 4 | 7 |
| | >41 | 13 | 14 |
| **Employees by category** | Senior executives | 11 | 11 |
| | Managers | 11 | 13 |
| | Staff | 8 | 12 |

### Employee breakdown by region

| | | | 2013 | | | 2014 |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| **Headquarters** | 10 | 7 | 17 | 13 | 8 | 21 |
| **North** | 1 | 3 | 4 | 2 | 3 | 5 |
| **Ciudad Juárez** | 1 | 0 | 1 | 1 | 0 | 1 |
| **Bajío** | 6 | 1 | 7 | 5 | 1 | 6 |
| **Central** | 1 | 0 | 1 | 2 | 1 | 3 |
| | 19 | 11 | 30 | 23 | 13 | 36 |

### Age range of our employees by category

| Level | Age range | Men | Women | Total |
|---|---|---|---|---|
| **Senior executives** | < 30 | 0 | 0 | 0 |
| | 30-40 | 4 | 0 | 4 |
| | 41-50 | 2 | 0 | 2 |
| | > 50 | 5 | 0 | 5 |
| | Total | 11 | 0 | 11 |
| **Managers** | < 30 | 2 | 1 | 3 |
| | 30-40 | 5 | 1 | 6 |
| | 41-50 | 1 | 0 | 1 |
| | > 50 | 1 | 2 | 3 |
| | Total | 9 | 4 | 13 |
| **Staff** | < 30 | 1 | 5 | 6 |
| | 30-40 | 1 | 0 | 1 |
| | 41-50 | 0 | 2 | 2 |
| | > 50 | 1 | 2 | 3 |
| | Total | 3 | 9 | 12 |





VESTA
2014 Annual Report

## ATTRACTING, DEVELOPING AND RETAINING TALENT IS KEY FOR OUR GROWTH STRATEGY

To ensure that we conform to best employment practices, we have a Corporate Practices and Nominating Committee which, among other activities, oversees the actions of the Chief Executive Officer, approves compensation for senior executives and is committed to providing a workplace environment suitable for the optimum performance of our employees. The Committee is headed by an independent Board Member and a member that sits on the Ethics Committee. The chairman of this committee is in charge of analyzing personnel-related issues.

### Compensation plans

At Vesta, we have a compensation plan consistent with the characteristics of the job each employee is assigned. The Chief Executive Officer and Chief Financial Officer are in charge of reviewing compensation mechanisms and have prepared compensation tables consistent with the company's objectives. Besides being aligned with the company's economic results, compensation takes into account the individual goals defined for each position and agreed upon previously.

We conducted a strategic planning exercise in 2014, one of the strategic pillars is human capital: employee retention strategies, career plans and compensation plans. In order to compare the base of wages, salaries and benefits for 100% of people against national and international practice in our industry, we regularly have an independent firm conducting comparative studies of compensation.

As a result of this analysis, we are taking steps toward making the necessary adjustments. The analysis showed that our lowest salary level is six times higher than the minimum wage, the difference between the lowest and highest wage is 19 times, and the average salary is 46 times higher than the minimum wage.

All Vesta employees have short-term incentive mechanisms. We also have a long-term incentive plan for senior executives and some key executives structured on the basis of a dual component. Besides the base salary, this compensation includes: (i) a short-term incentive scheme (STI) paid in cash and linked to operating terms, individual metrics and return on equity during the current year; and (ii) a long-term incentive scheme (LT) with a three year vesting schedule in company stock and linked to the return on Vesta shares in proportion to the return on the shares of our competitors (Total Relative Return).

Our strategic recruitment and retention plan includes the physical move of our corporate headquarters, which will create a better workplace, improve employee productivity and enhance communication between various regions and stakeholders.

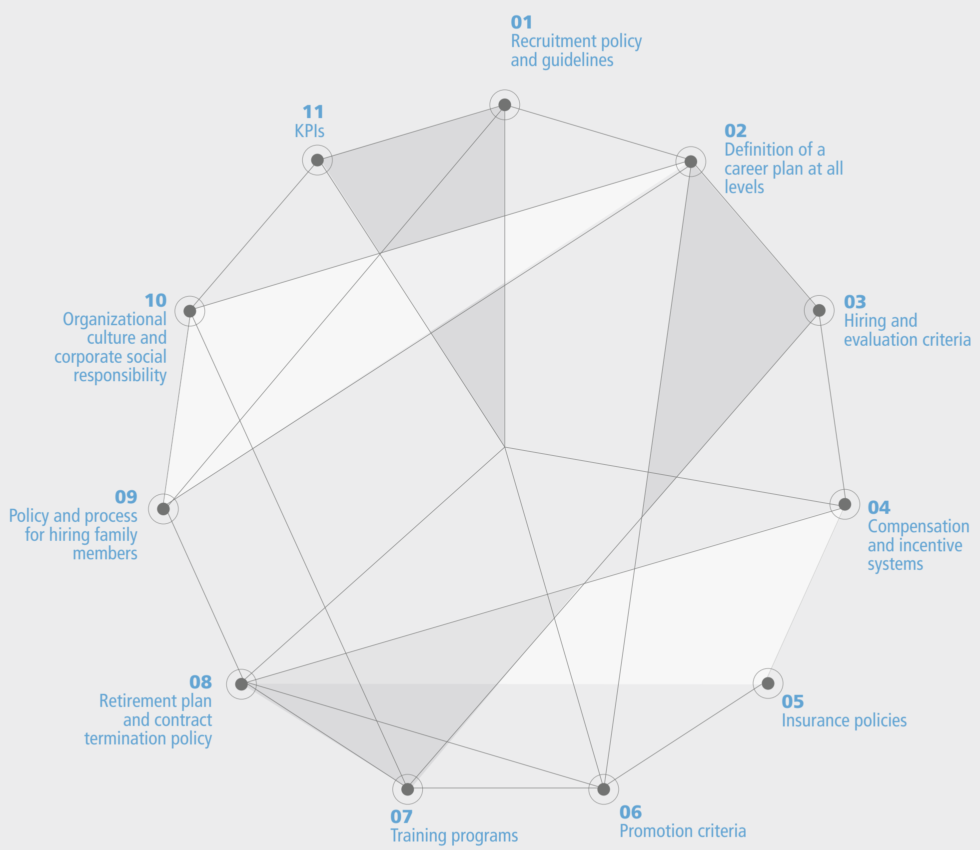
## "Vest in class" employee development

Part of our enterprising spirit is the advancement of our employees. We have a training program within the company that provided 150 work hours of training during the year, focused on managerial positions, averaging 4.2 work hours per employee.

In addition to institutional training, we have adopted criteria of respecting each employee's needs as regards his or her personal development. This includes personalized training courses consistent with their job description and personal interests. All of our employees are given the flexibility to attend courses or master's degree programs or teaching.

Senior executives receive an objective measurement of their pay; their compensation is closely linked to the added value we offer to all our stakeholders. 100% of our senior executives receive a professional performance review, and the performance bonus of 18% of them is closely related to meeting our Sustainability objectives.

Vesta carries out long-term human resource planning which includes the following:






GRI: LA10, LA11, LA12, DMA LA



## Health and safety

All employees have private medical insurance and, depending on their level, this benefit extends to employees and their economic dependents (spouse and children under 25).

| Insurance | Investment in 2014 |
|---|---|
| Medical insurance, employees | US$23,238 |
| Medical insurance, senior executives | US$264,145 |
| Life insurance, employees | US$17,215 |
| Total invested in employee health | US$304,599 |

**US$304,599** invested in employee insurance

In addition to the above, all company employees have a life insurance policy. And as part of our health care measures, every two years our senior executives, or 30% of our employees, are entitled to a medical checkup at healthcare institutions in Mexico. As the table above shows, we invested a total of US$304,599 in our employees' health.

Our maternity and paternity policy exceeds the regulatory minimum and includes flex time for adjusting back to working life after a child is born, encouraging a balance between work and family life. Although there were no maternity or paternity leaves in 2014, in previous years we had a retention rate of 100% after these leaves. This policy also applies to adoptions.

For Vesta, employee safety is a priority. We have a civil protection committee that represents all our employees and is responsible for coordinating personnel in Mexico City in the event of earthquake, fire, flooding and/or social risks. Nevertheless, because we do not, again, have any unionized personnel, there are no agreements of this type in the areas of health and safety as might be included in collective bargaining agreements.

Given the nature of our business, 100% of our employees work in offices, which reduces the risk of occupational accidents. Out of a 81,648 total work hours during the year, we recorded no fatalities or days lost in connection with occupational health and safety issues.

| | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|
| Fatalities at Vesta | 0 | 0 | 0 | 0 |
| Contractor fatalities | 0 | 0 | 1 | 0 |
| Hours worked | | | 67,000 | 81,648 |
| Frequency Index | 0 | 0 | 0 | 0 |
| Total Work Days Lost Rate | 0 | 0 | 0 | 0 |
| Absence rate | 0 | 0 | 0 | 0 |



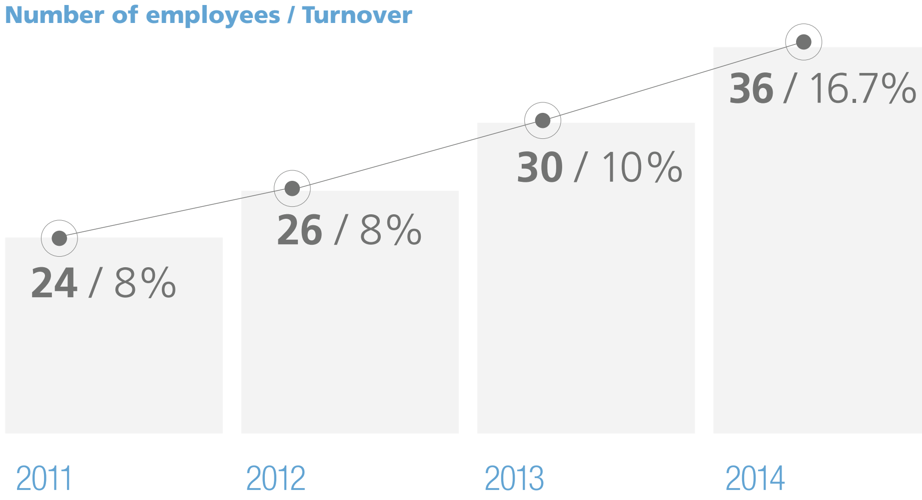
GRI: DMA LA, LA6, LA7, LA8, LA9, LA15

We recognize the importance of health and safety systems, and we comply with all legal requirements in 100% of our offices and parks. Because the company does not build directly, but rather hires outside contractors for construction, we do not require certifications relating to that activity.

During the year we received two fines for late payment of taxes and construction licenses, totaling US$43,542. We have taken the necessary measures to avoid this happening again in the future.

Because of our labor practices, personnel turnover is low, but it has risen proportionately as the number of employees has grown. Between 2013 and 2014, we had a turnover rate of 16.7% although the number of employees increased from 30 to 36, by 20%, with the hiring of six employees.

**Number of employees / Turnover**




This turnover index reflects that Vesta prizes stability and talent retention, as evident in the average length of employment with the company, which is 5.8 years.



GRI: DMA LA, CR6, LA2



Case study

## INTERNSHIPS AT VESTA: A strategic investment

The purpose of the internship program held from May 30 to June 19, 2014 was to give young participants a vision of Vesta within the context of Mexico's industrial real estate sector, its trends and opportunities.

The program was designed to give seven young people from three countries a broad-based perspective on the tremendous possibilities this industry has for Mexico. By linking them to Vesta's management team and shareholders through meetings and visits to our developments, we were able to give participants a deeper knowledge of the company's operating and management model.

The internship experience had two components. The first was theoretic, and included an overview of Vesta, its history and its commercial and industrial development models, its growth strategy, its role as a responsible company, corporate governance and ethics, project evaluation, sustainable construction standards and LEED certifications. It also included the legal and financial aspects of operating a publicly-traded real-estate company, investor relations, and the presentation of annual reports.

The second component was practical, and included introductions to our stakeholders and more than ten visits to various Vesta properties—automotive plants, projects under development, the Querétaro Aerospace Park, general offices of some of our clients, industrial buildings for e-commerce, and others, in Mexico City, Toluca, Querétaro and Ciudad Juárez, and the installation of solar panels for two days to benefit the communities where we operate, as part of our social responsibility program.

Each of the participants prepared a research project on new business opportunities for Vesta in Mexico, and the program concluded with an individual presentation about Vesta at the Mexican Stock Exchange.

This was clearly a memorable and enriching experience for all these young people, and we are confident it will have a positive influence on their choice of career. Programs such as this confirm our commitment to sustainability and investing in education, which, in the words of our CEO, "is part of our legacy for future generations."

**THE PURPOSE OF THE PROGRAM WAS TO GIVE YOUNG PARTICIPANTS A WIDE PERSPECTIVE OF THE OPPORTUNITIES IN THE INDUSTRIAL REAL ESTATE SECTOR IN MEXICO**




GRI: LA11

**VESTA**
2014 Annual Report

# …focused on sustainability

**"VEST IN CLASS" IS MINIMIZING THE ENVIRONMENTAL IMPACT OF OUR DEVELOPMENTS**

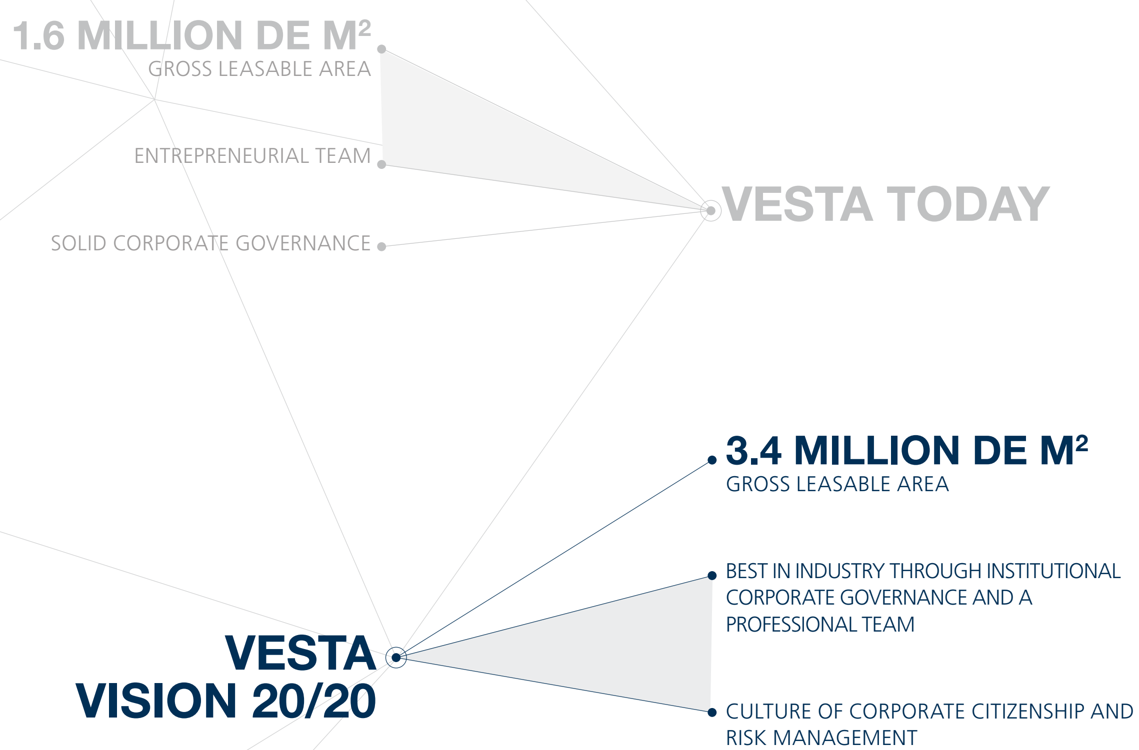
# WE INTEGRATE OUR STAKEHOLDERS IN OUR SUSTAINABILITY STRATEGY

## COMMITMENT TO STAKEHOLDERS

For Vesta, acting sustainably means building our business with a long-term vision and strengthening relationships with our stakeholders. We conducted an internal review to identify some parameters of best practices in the company's performance, the current global sustainability context in the real-estate industry, and material topics to our stakeholders: clients, shareholders, suppliers, employees, real-estate industry partners, society and government.

Although the aforementioned internal review was the basis to know which are our main stakeholders, we will be more explicit in the 2015 report about the process for determining them.

We also carried out a strategic planning exercise that combines the vision of all of the company's areas through 2020, which can be summed up as shown in the table below:




GRI: 4.15





# Components of our 20/20 Sustainable Vision

From this strategic planning exercise, developed with independent experts in the field of planning, with information from Vesta employees and other stakeholders, and taking into account macroeconomic and corporate prospects, we identified risks and opportunities and their implications.

## STRATEGIC GROWTH PLAN

2020 Goals

DEVELOPMENT
1.8 MILLION DE $M^2$
1.3x the current pace of development

MANAGEMENT
3.4 MILLION DE $M^2$
2.2x the management capacity of our current portfolio

**Current key capabilities**

- Culture and leadership
- Talent
- Structure
- Systems and processes

**Key capacities to empower**

- Value creation for our stakeholders
- Culture and leadership
- Talent
- Structure
- Systems and processes
- Environmental, social, economic and corporate governance risk management

GRI: EC2





We also carried out an internal materiality exercise, which will be updated on a regular basis taking four main factors into account, as follows:

**EXTERNAL FACTORS**

- Best practice parameters in our industry worldwide
- External consultants hired by Vesta
- Financial and sustainability metrics and indicators
- Audit of non-financial information

**BUSINESS STRATEGY**

- Strategic business planning
- Growth planning toward 2020
- Business risks

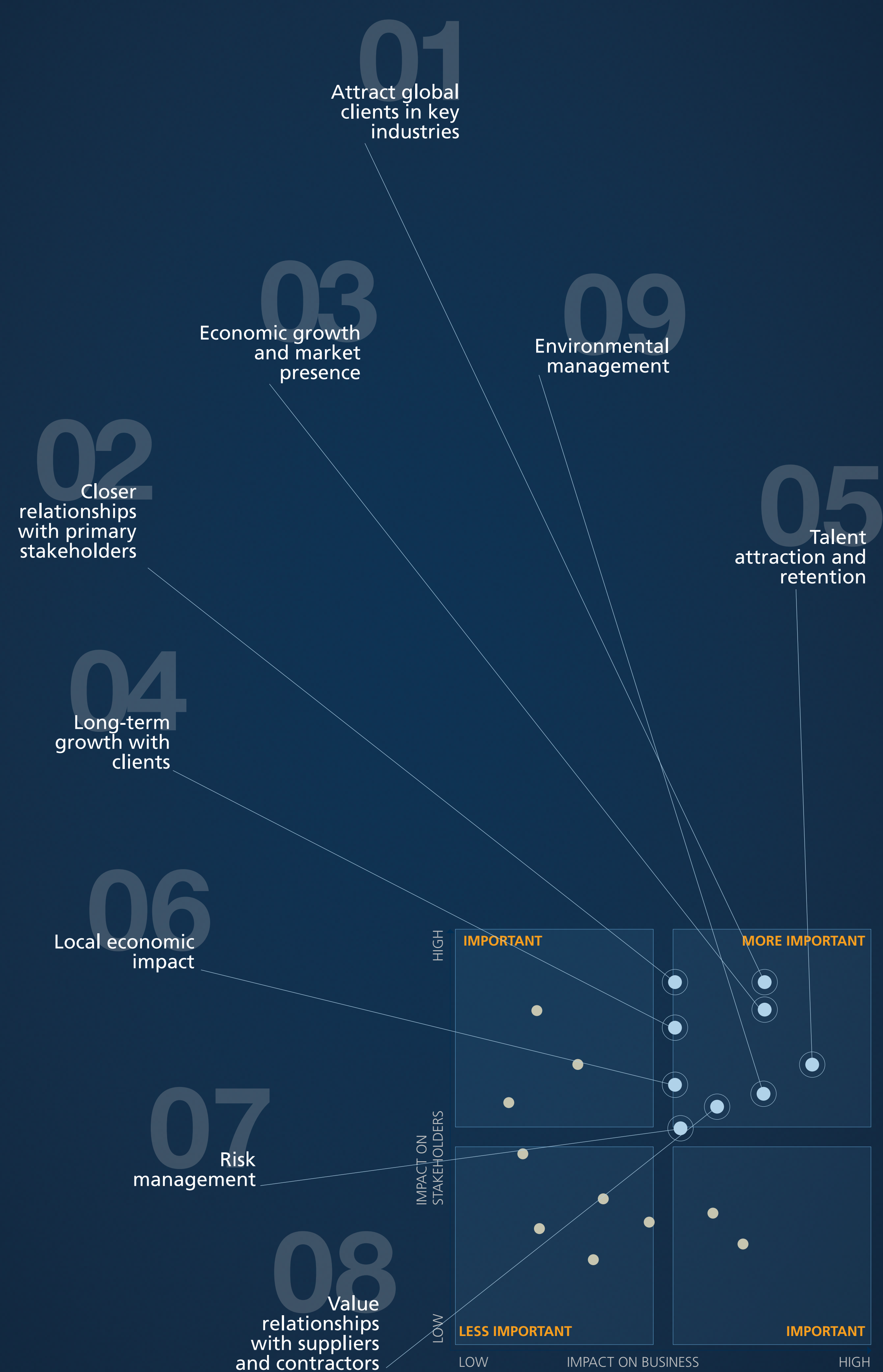
**STAKEHOLDERS**

- One-on-one meetings with employees and investors
- Surveys and feedback from clients, suppliers and contractors
- Open channels of communication

**NON-FINANCIAL PERFORMANCE**

- Regional projects
- Social and environmental initiatives with our various stakeholders

Based on this mix of factors, we identified the priority issues for sustainability. The next step is to follow up and prioritize them based on the level of risk they pose for the business and for stakeholders.








Once the most important issues for our stakeholders are defined, we are committed to keeping them informed in a transparent, responsible and timely manner, depending on the specific information needed by each group. To do so, we have various channels of communication and feedback.

| Type of communication | Frequency | Vesta value proposition |
|---|---|---|
| **Clients** | | |
| Client satisfaction survey<br>Ongoing group and individual meetings<br>Building maintenance and contract renewal program<br>Participation in industry events and forums in the various regions<br>Tenant Appreciation Day<br>Participation in joint local social responsibility projects<br>Media presence<br>Research articles in specialized journals<br>Official openings<br>Web page | Ongoing | Offer Class-A buildings and industrial parks in the best locations<br>Offer the highest quality engineering and architecture<br>High degree of customer service and execution capacity |
| **Shareholders** | | |
| Shareholders' meetings<br>Quarterly call creating a forum for Q&A with management<br>Integrated annual report<br>Annual report to the BMV and CNBV<br>Investor relationships office<br>One-on-one meetings with shareholders, investors, financial analysts and banks<br>Visits to properties and industrial parks<br>Web page | Ongoing | Value generation<br>Modern portfolio<br>High rates of return |
| **Suppliers** | | |
| Open interaction in calling for competitive bids from contractors<br>Work meetings and calls<br>Sending of a weekly report during the construction process<br>Supplier development through Vesta's sustainable construction handnbook | Ongoing | Credibility<br>Payment |
| **Employees** | | |
| Quarterly management review<br>Participation in events and conferences<br>Training programs<br>Performance review<br>Whistleblowers' hotline<br>Monthly internal newsletter<br>Web page<br>Open door policy with senior executives<br>E-newsletter | Ongoing | Provide the best place to work<br>Work environment that encourages learning<br>Professional and personal development<br>Fair and responsible compensation |
| **Real-estate industry partners** | | |
| Active participation in industry associations<br>Participation as speakers and sponsors of industry events<br>Ongoing meetings with brokers<br>Visits to buildings and industrial parks<br>Media interviews<br>Research articles in industry journals<br>Mentions in magazines dealing with foreign investment and sustainable issues | Ongoing | Long-term relationships<br>Response capacity |
| **Society** | | |
| Participation in local projects with the community where we operate<br>Open communication before and during development of our industrial parks<br>Whistleblowers' hotline<br>Advertorials in newspapers circulating in regions where we are present<br>Research articles in industry magazines<br>Press invitations to openings and cornerstone-laying events at our developments<br>Mentions in magazines dealing with foreign investment and sustainable issues<br>Web page | Ongoing | Long-term relationships<br>Credibility<br>Direct and indirect economic impacts |
| **Government** | | |
| Active participation in forums and events focused on attracting foreign investment<br>Meetings and calls<br>Research articles in specialized journals<br>Mentions in magazines dealing with foreign investment and sustainable issues | Ongoing | Closer relationships for developing and capitalizing key projects |



**GRI:** 4.14, 4.15, 4.16

# WE ARE COMMITTED TO A CULTURE OF TRANSPARENCY

## COMUNICATION WITH OUR STAKEHOLDERS

Besides keeping our stakeholders informed through these actions, we respond to their key concerns and issues through various communication channels. The main channel is our webpage, through the following e-mail address: info@vesta.com.mx. We receive mostly service offerings, employment applications, offerings of land or industrial buildings, and information requests about our business.

Investors can request information at investor.relations@vesta.com.mx, where they are attended directly by the investor relationships area.

These communications are analyzed and forwarded to the correct area, which will make the appropriate recommendations or close the matter, as the case may be. All communications are handled with the utmost confidentiality.



GRI: 4.17



## SOCIAL PERSPECTIVE

We are aware of the impact our operations have on social and industrial development in Mexico. Our projects have clear benefits for the communities where we operate: they create jobs for qualified employees, transfer knowledge and create an economic flow in educational and environmental actions or initiatives.

We have been consistent in our investment policy for social impact actions, investing US$0.01 for every square foot rented each year. We have also involved our stakeholders in social initiatives, which we are convinced has a multiplying effect on the communities where we operate. In 2014, we invested US$142,172 in social impact initiatives, benefiting society and our stakeholders.

In 80% of the regions where we are located we have been implementing development programs with local communities and, in keeping with our commitment to social responsibility, we focus on three main areas:

- Joint projects with our clients and other stakeholders
- Projects in the communities where we operate
- Projects that include our employees

Together with our stakeholders, we invested more than 842 work hours in social projects.

Furthermore, in keeping with our organizational culture, we consider it crucial to be actively involved in non-profit institutions, associations and organizations related to the company's objectives, in order to influence the debate and development of laws and public policies that affect our industry.

We also participate in industry associations at the local and regional levels, in order to positively influence decisions that improve sustainability to the industry. In the past year we were involved in various such activities.



**Lorenzo Berho, Vesta's Chief Executive Officer**

Regional Chair Latin America of Real Estate Network YPO-WPO, the purpose of which is to share best practices in the real estate business and increase the professionalism of companies by educating their leaders. Chairman of the Bilateral Mexico-Germany Committee of the Mexican Foreign Trade Council, in charge of strengthening the strategic alliance between these two countries through investment, trade, technology transfer and personal training.

**Rodolfo Balmaceda, Vesta's Chief Communications Officer**

Since December 2013, Rodolfo has been President of the Mexican Industrial Parks Association (AMPIP), in charge of improving industrial infrastructure standards in Mexico and thus make the country more competitive, to the benefit of manufacturing and logistics users, to help raise awareness on the importance of sustainable development, and job creation.

**Elías Laniado Laborín, VP New Businesses and Juan Carlos Talavera, VP New Businesses**

Active participation in independent organizations to promote the specific vocation of their states (Baja California and Chihuahua) in various disciplines, to attract investment and encourage transparency and efficiency in the industry.

**Juan Carlos Talavera, VP New Businesses**

Chairman of the Ciudad Juárez chapter of the Business Coordinating Council helping to address and develop solutions to pressing issues, particularly reducing crime problems in the region.

**Francisco Estrada, VP New Businesses**

Chairman of the Bajío Industrial Parks Association, helping increase the competitiveness, promotion and development of the Bajío region.

Through its developments, Vesta creates direct and indirect jobs. These are qualified positions, relating to high value-added manufacturing, which in turn propel specialized professional education for Mexican workers.

GRI: 4.12, 4.13, SO1, SO5, SO9, EC9, DMA HR

Case Study

## ADOPT A SCHOOL: a sign of our social commitment

At Vesta, we are proud of the community impact we have in the regions where we operate. One example of this is our "Adopt a School" social responsibility program, which we launched in 2014, and whose aim was to adopt a school near our industrial parks and support studies for students in the community, with the support of our employees, suppliers, civil society, teachers and the local government.

"Adopt a School" is a strategic initiative that helps us act as corporate citizens in areas where we have presence. This is not mere philanthropy; it is turning community challenges into an opportunity to become allies with our local stakeholders.

Our first project was the Faustino Arciniega Morales Primary School in San Blas, municipality of Toluca, a few blocks from the Vesta Park Toluca II industrial park. After talking with school administrators and teachers and conducting a poll among community leaders, we began the work of renovating the school with the help of eight contractors and 14 workers. These works included installing photovoltaic panels, water and electrical infrastructure, remodeling classrooms and renovating common areas and sports facilities. A total of 780 work hours were invested in this project.

Thanks to the joint work with suppliers, today this school is a pioneer in renewable energy in Mexico, one of the few public primary schools in the country with solar panels for didactic use and for generating renewable energy. Students can have the first-hand experience of seeing photovoltaic panels in operation, and it also reduces the school's electricity bill. More than 60 work hours of training were given to students, teachers and parents on the subject of renewable energy.

The impact of this initiative keeps on growing. We directly benefited 49 children and 35 families, and five of the mothers work in Vesta's industrial buildings. It has also built closer relationships with community leaders, teachers, students, parents and authorities, creating an exemplary company-community-government relationship where everyone has a fundamental role to play.

Today, more than ever, we know that our license to operate must be endorsed by the communities neighboring our facilities, and that programs like Vesta's "Adopt a School" strengthen our relationship with suppliers and clients, forge closer community ties and send a strong strategic message to local authorities.



GRI: EC8, DMA SO

# SOCIAL PERFORMANCE SUMMARY



### Social performance and priorities

| Past | Present | | Future | |
|---|---|---|---|---|
| 2013 | 2014 | Status | Medium term | Long term |
| · Sustainable IPC rating by evaluator: Universidad Anáhuac: 3.80/10<br>EIRIS: 15/60 | · We were included for the first time in the Mexican Stock Exchange's Stock Exchange Sustainability Index.<br>· Sustainable IPC rating by evaluator Universidad Anáhuac: 7.27/10<br>EIRIS: 28/60 | On going | · Remain in the Sustainability IPC Index | · Be the sustainability leader in the industry |
| · Bloomberg ESG Disclosure total score: 21.9 | · Bloomberg ESG Disclosure total score: 32.6 | On going | · Improve our Bloomberg ESG rating | · To be an industry benchmark for information transparency |
| · Qualify for inclusion in international indexes | · Included for the first time in the Green Real Estate Sustainability Benchmark: 32/100 | On going | · Continue being part of international industry indexes | · Attract investment through presence in performance indexes |
| · Social initiatives in 50% of the regions where we operate<br>· We have social action guidelines | · Social initiatives in 75% of the regions where we operate under social action guidelines | Complete | · Implement initiatives aligned with our social investment strategy<br>· Increase our participation in regions where we operate | · Participate in 100% of the regions where we operate |
| · 50% of employees participated in volunteer work | · Benefiting 193 people<br>· 842 work hours invested in social initiatives<br>· US$142,172 invested in social impact initiatives<br>· Donated US$10,345 to Baja California's CRIT | Complete | · Maintain mechanisms for measuring social impact | · Establish KPIs that are integrated into our strategy |
| · Created the Social and Environmental Responsibility Committee which reports directly to the Board of Directors | · The Social and Environmental Responsibility Committee held two meetings and one work session, attended by 100% of its members | On going | · Strengthen relationship with stakeholders through joint projects | · Establish a strategy for verifying performance of social investment |
| · Ethics workshop provided to employees<br>· 30% of employees received a performance review | · All employees have a short-term incentive program<br>· 30% of workers have a long-term incentive program | On going | · Establish strategic human resources objectives<br>· Introduce an employee engagement survey | · Establish a Career Plan for all our employees<br>· Provide an annual performance review for all employees |
| · Monitor, report and publish non-financial information in our integrated report and web page | · Published our second integrated annual report under GRI guidelines, which was downloaded 3,699 times in 21 countries<br>· Non-financial public information was audited by an independent firm at the request of a tenant | Complete | · Expand coverage of performance indicators<br>· Continue communicating with stakeholders | · Audit our performance indicators every year |
| | · Created a newsletter for Vesta's employees | On going | · Expand the newsletter's coverage to other stakeholders | · Involve stakeholders in the newsletter's content |
| | · Participate actively in two international conferences of responsible investors | On going | · Attract potential responsible investment to the company | · Explore different mechanisms of long-term financing with sustainability guidelines |

On going    Complete

## ENVIRONMENTAL PERSPECTIVE

Vesta is engaged exclusively in developing industrial properties for rental, and in most contracts, tenants are responsible for paying for what they consume. The industries in which these tenants work range from distribution centers to manufacturing. For this reason, energy intensity depends on the tenants' own processes, over which Vesta has no control, although when we bid on developing a project, we always include recommendations on eco-technologies, eco-efficiencies and certifications.

In areas where we do have an influence, however, we try to offer the most efficient products. For example, all the buildings we developed over the past year had energy-saving external lighting. We also took on the task of installing renewable energy systems in our tenants' industrial buildings in order to offset the effects of consuming energy from non-renewable sources.

Independently of the fact that all our developments are only in industrial designated areas, before beginning construction we conduct an environmental impact analysis, to be sure our operations do not affect protected natural areas or zones with a high biodiversity value. We therefore have no impact on natural habitats or endangered species.

Our strategy at Vesta is to develop multi-tenant (inventory) buildings as well as build-to-suit and park-to-suit developments. To provide efficient products, in 2012 we developed a Sustainable Construction Handbook together with DEG, in order to help incorporate sustainability principles into the company's industrial properties and thus strengthen our commitment to the environment and society.

The strategies suggested by this manual focus on developing best practices, from the selection and development of the land, acquisition and management of materials and resources, through development of an optimum plan for monitoring, in order to ensure that energy and water facilities are functioning properly. Other examples of what the manual includes are:

**Sustainable sites:** Measures to reduce pollution and control site disturbance, such as the implementation of erosion and sedimentation plan, the use of permeable paving, and other sustainable materials on exteriors, are to be implemented on VESTA's new developments; protecting habitats, existing site resources and contributing to reduce the heat island effect.

**Water efficiency:** Water saving fixtures are to be installed on buildings and gardens. Additionally native or adaptive plants will be selected for landscape design to minimize water requirements. Wastewater will be treated on site to reduce potable water use. Rainwater will be harvested for reuse, and to minimize pollution of nearby rivers and water bodies.

**Energy and atmosphere:** The insulation of current shells will be improved to increase thermal comfort within the buildings, and to reduce HVAC systems energy requirements. Additionally, exterior lighting will be upgraded to LED luminaries reducing the shell's operation cost. Photovoltaic panels are also recommended to achieve further energy savings and reduce dependency on fossil fuels.

**Materials and resources:** Regional, recycled and green materials will be incorporated in the project to reduce the building environmental impact, and to contribute to the economic development of the place. Storage for recyclables will be included in the project to incentivize recycling among employees and visitors.

**Indoor Environmental Quality:** Special attention will be given to finishes, reducing the amount of volatile organic compounds that affects the employees' health and productivity. Accessibility to daylight and natural views will be procured to generate healthier environments. Increased insulation will be installed for the envelope to increase thermal comfort of occupants. Measures to reduce exposure to tobacco smoke will be taken to improve air quality of buildings.

**GRI:** EN 6, EN 7, EN11, EN12, EN13, EN14, EN15, EN 26, CRE5, DMA EN, DMA HR





### Materials management

Regional, recycled and green materials will be incorporated in the project to reduce the building environmental impact, and to contribute to the economic development of the place. Storage for recyclables will be included in the project to incentivize recycling among employees and visitors.

| Product | Unit | Amount |
|---|---|---|
| Concrete | $m^3$ | 74,989 |
| Structural steel | tons | 4,745 |
| Metal plate | tons | 1,268 |

*Includes all buildings completed in 2014 - 214,096 $m^2$

### Energy management

Vesta is consistent with its products as well as its operations. At the moment, 40% of the company's offices are LEED certified (Ciudad Juárez and Querétaro) and our goal is to also certify our corporate headquarters. Our international certifications have inspired some of our clients in these regions to obtain certifications for the properties they rent as well, an example of how we promote more efficient operations. This year, the Querétaro office, the Bombardier MA-2 building and the Bombardier Recreational Products (BRP) building obtained LEED certifications.

The tables below show our direct and indirect energy consumption as well as the energy intensity of our buildings in 2013 and 2014.

#### Direct and indirect consumption of energy broken down by primary sources

| | 2013 | | 2014 | |
|---|---|---|---|---|
| | kWh | GJ | kWh | GJ |
| Energy consumption in existing locations | 116,427 | 419.13 | 243,620* | 877.03 |
| Energy consumption in new locations | 10,972 | 39.49 | 139,603 | 502.57 |
| Total | 127,399 | 458.63 | 383,223 | 1,379.60 |
| Investment | US$26,297.2 | | US$99,967.3 | |

*Includes locations that were not monitored in 2013

| Installed photovoltaic capacity | 2013 | 2014 | 2015 Target* |
|---|---|---|---|
| kWp | 34.30 | 93.14 | 89.55 |
| Accumulated | 34.30 | 127.44 | 216.99 |
| Growth | - | 272% | 70% |

*Subject to expected portfolio growth

#### Building energy intensity

| | 2013 | 2014 |
|---|---|---|
| kWh per employee | 4,246.6 | 9,942.8 |
| kWh per $m^2$ | .1 | .2 |

**GRI:** EN1, EN3, EN4, EN5, DMA EN, CRE1

## Water management

In order to monitor our water consumption, in 2013 we hired an independent firm to conduct a measurement exercise, which involved analyzing water bills and meter readings from 2012 to 2014 and cross-checking the information. Since the exercise yielded mixed results, we chose to install latest-generation water meters in our industrial parks so we can measure our water intake with more precision. Since we have the most influence in the parks we operate, and this is also where consumption may be higher, we will be focusing on monitoring them.

### Water consumption in the Vesta Park I and El Coecillo parks:

| Park | 2014 |
|---|---|
| Vesta Park I | 7,213 $m^3$ |
| El Coecillo | 8,636.3 $m^3$ |

The scope of these measurements will increase every year.

We have introduced initiatives in our parks to capture water, treat and reuse it for watering, which significantly reduces the use of fresh water. Capturing water in Vesta's operations has had no impact on any water source.

## Emissions and waste management

Due to the nature of our business, Vesta's main emissions have to do with electrical energy use. Carbon emissions relating to electricity are as follows:

| 2013 | 2014 |
|---|---|
| 64* ton $CO_2e$ | 179* ton $CO_2e$ |

*Scope: emissions resulting from direct consumption of electricity

### Impact of operations on GHG emissions

| | 2013 | 2014 |
|---|---|---|
| Ton $CO_2$ per employee | 2.1 | 5 |
| Kg $CO_2$ per $m^2$ | .05 | .1 |

*Scope: Direct consumption of electricity

The following are the figures on GHG emissions intensity:

| 2013 | 2014 |
|---|---|
| 1.1 ton of $CO_2$ per sales | 2.6 ton of $CO_2$ per sales |

*Scope: Direct consumption of electrical energy



GRI: EN8, EN9, EN10, EN 16, DMA EN, CRE3, CRE 4



## OUR ECO-EFFICIENT ACTIONS REDUCE ENVIRONMENTAL IMPACT

Because our activities involve only the development of industrial parks, we do not generate NOx, SOx, or other types of emissions.

Vesta has taken significant initiatives to help reduce emissions and create a modern portfolio of properties which includes buildings with LEED certification, as well as our internal Eco-Efficient building certification. As we only develop industrial properties, through independent project managers we ensure that our contractors meet all the sustainable construction requirements, which include the use of environmentally-friendly refrigerants to reduce impact in the event of a spill, and PCB-free transformers.

All our waste is generated by the service areas, according to the required specifications. We are also constantly monitoring water quality. The most significant waste is mud from the wastewater treatment plants and maintenance of parks and offices, which are handled by a company certified in waste management. No significant spills have been reported, nor do we transport hazardous waste.

In 2014, the amount of environmental fines paid by Vesta totaled US$4,398, in relation to the delay in construction of regional impact. The necessary prevention, mitigation and remediation measures have been taken.

Treated wastewater from Vesta parks has the permitted quality for discharge into national rivers. We have a system for reviewing and monitoring the quality of treated water and no impact on our activities has been reported.

Furthermore, because all of Vesta's buildings have a useful life of approximately 30 to 50 years, none has reached the end of its useful life.

Also, and because we only administer the developments, we do not have workers who commute to the worksite—this corresponds to the contractors who carry out the construction, and the companies that operate in our buildings.

**30 to 50** years is the approximate useful life of our buildings

The following shows the total amount of environmental expenses and investments:

| Investment in USD | 2014 |
|---|---|
| Photovoltaic energy | 276,753 |
| Switch to LED lighting | 54,112 |
| *External LED lighting in multi-tenant buildings | 460,902 |
| Total | 791,767 |

*Based on inventory Buildings - 90,267$m^2$



GRI: EN18, EN19, EN20, EN21, EN22, EN23, EN25, EN24, EN27, EN28, EN29, EN30, DMA EN, DMA HR

Case Study

## SUSTAINABLE TECHNOLOGY
### With a vision of the future

Solar photovoltaic energy is one of the most viable clean energy sources for the future, because it produces emission-free renewable electricity. With this in mind, at Vesta we have decided to use this technology as much as possible, and have already included it in various of our industrial parks.

Furthermore, because we target multi-national firms—international companies that share our business principles—this action translates into a valuable asset that brings not only economic benefits for our tenants, but a commitment to the environment in the regions where we operate.

The installed systems generate energy savings equivalent to the consumption of the common areas, and through installed monitor screens we can determine the real amount of energy being generated.

The table below shows the solar photovoltaic equipment we have installed in various regions of the company. We have the capacity to generate 200 MWh of energy per year, avoiding the emission of almost 100 metric tons of $CO_2$.



| Region | Capacity (Installed as of December 31, 2014) | Annual generation (estimated for 2015) | $CO_2$ reduction (estimated for 2015) tons |
|---|---|---|---|
| Querétaro | 31.4 kWp | 50,176 kWh | 25 |
| Aguascalientes | 24.5 kWp | 39,635 kWh | 19.8 |
| Silao | 19.8 kWh | 31,680 kWh | 15.8 |
| Toluca | 41 kWh | 61,500 kWh | 30.8 |
| San Luis Potosí | 10.7 kWh | 17,032 kWh | 8.5 |
| Total | 127.4 kWh | 200 MWh | 99.9 ton |

GRI: EN5, EN17, EN18

# SUMMARY OF OUR ENVIRONMENTAL PERFORMANCE

VESTA
2014 Annual Report

### Environmental performance and priorities

| Past 2013 | Present 2014 | Status | Future Medium term | Long term |
|---|---|---|---|---|
| · We created the Social and Environmental Responsibility Committee, which reports directly to the Board of Directors | · The Social and Environmental Responsibility Committee met for two meetings and one work session, attended by 100% of its members | Complete | · Regular meetings<br>· Socialize the environmental policy of the entire organization | · Follow up on organizational initiatives and objectives<br>· Check compliance with environmental policy |
| · We have environmental indicators and objectives | · We participated in the Global Real Estate Sustainability Benchmark (GRESB) for the first time | Complete | · Participate in international benchmarks and indexes<br>· Have an environmental management system | · Extend the environmental management system to all our operations |
| · Non-financial information is monitored, reported and published in our integrated report and web page | · The 2013 sustainability information was checked/audited by an independent firm, at the request of a tenant. | Complete | · Expand the coverage of our performance indicators<br>· Monitor consumption | · Audit our sustainability indicators |
| · We certified LEED our first industrial building (17,064 m²)<br>· 20% of our offices are LEED certified | · 3 of our buildings are LEED certified (56,448m²)<br>· 40% of our offices are LEED certified | On going | · Increase the percentage of square meters with LEED certification in Build-to-Suit properties<br>· Certify corporate headquarters with LEED and WELL Building Standard® | · LEED Certification on 5% of the portfolio |
| · We apply eco-efficiencies based on internally developed standards<br>· Eco-Efficient | · We apply Eco-Efficient guidelines in 100% of our multi-tenant buildings | Complete | · Develop 100% of multi-tenant buildings under Eco-Efficient standards, based on Vesta's Sustainable Construction Handbook | · Implement the Sustainable office program developed by Vesta |
| · We provide environmental training to Vesta's management team, with a focus on LEED certification<br>· We train employees to manage resources and energy | · We provided 60 work hours energy training program together with suppliers and the community | Complete | · Implement environmental training programs and initiatives for our employees and suppliers | · Extend training programs to our stakeholders |
| | · Study of water metering and monitoring<br>· Consumption of water in our parks:<br>· Vesta Park I: 7,213 m²<br>· El Coecillo: 8,636.3 m³ | On going | · Ensure water measurement and monitoring by installing high-tech meters | · Expand the scope of meter installation to all our developments |
| · Energy consumption: 127,399kWh<br>· Installed capacity of renewable energy (FV): 34.3 kWp accumulated | · Energy consumption: 383,223 kWh<br>· Installed capacity of renewable energy (FV): 127.44 kWp accumulated | On going | · Increase accumulated installed capacity of renewable energy by 70% (to 217 kWp) | · Ensure growth of installed energy capacity in line with Vesta's growth plan |
| · GHG emissions from energy use: 64 mton $CO_2$ | · GHG emissions from energy use: 179 mton $CO_2$ | On going | · Expand scope of $CO_2$ measurement | · Be a carbon-neutral company |
| · Prepare an environmental policy and social investment policy | · Environmental investment: US$791,767 | On going | · Maintain investment in environmental eco-efficiencies in material areas for the company | · Grow investment in the environment aligned with the growth plan |

On going    Complete

## ECONOMIC VALUE CREATED AND DISTRIBUTED

We made a variety of investments in infrastructure, like working on public roads—paving or building streets or access roads—electrical infrastructure, lighting, sidewalks, signage, accessibility for handicapped people, access to public transportation and speed bumps. These improvements in areas neighboring our developments benefit communities and contribute to local connectivity and their local economies.

| | | 2014 | | | 2013 |
|---|---|---|---|---|---|
| Total revenues | 100% | $ 69,332,889 | 100% | $ | 58,522,064 |
| Leasing revenues | 97% | $ 67,628,637 | 97% | $ | 56,919,326 |

### Cost breakdown by input

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Property operating expenses | $ | 3,508,009 | $ | 3,325,883.17 |
| Electricity | $ | 290,362 | $ | 229,193.69 |
| Water | $ | 140,213 | $ | 173,828.00 |
| Safety | $ | 481,042 | $ | 400,013.40 |
| Maintenance | $ | 166,229 | $ | 150,667.02 |
| Materials | $ | 47,891 | $ | 86,263.88 |
| Waste collection | $ | 2,233 | $ | 3,181.23 |
| Gas | $ | 10,822 | $ | 8,735.46 |
| | | | | |
| Real-estate tax | $ | 1,151,056 | $ | 1,097,582.6 |
| Insurance | $ | 359,989 | $ | 346,207.6 |
| Maintenance | $ | 527,728 | $ | 438,583.4 |
| Membership in industrial parks | $ | 268,698 | $ | 304,184.5 |
| Legal expenses | $ | 61,746 | $ | 87,442.4 |
| Administrative expenses | $ | 1,822,903 | $ | 1,748,611.4 |
| Leasing | $ | 141,033 | $ | 99,450.4 |
| Communications | $ | 136,427 | $ | 119,792.3 |
| Consultancy and technical support | $ | 128,876 | $ | 38,051 |
| Other current expenses | $ | 483,657 | $ | 495,229.3 |
| Marketing | $ | 862,734 | $ | 746,481 |
| Non deductible | $ | 70,176 | $ | 119,209.5 |
| Clean Park | $ | 0 | $ | 13,062.7 |

*AMOUNTS IN USD



**GRI:** EC1, EC8, DMA EC, DMA LA



## REGIONAL IMPACT

Having an industrial portfolio in high-potential cities has always been a strategic advantage for us. Our success is in part due to our foresight at investing in regions that are today showing remarkable growth, and enable us to offer current and potential clients options in regions that are right for their projects, such as: qualified labor, connectivity, legal and government openness to facilitate their investments.

In order to be prepared to sustain this growth, we acquired land reserves in the state of Guanajuato, adding to the land bank we already own in the cities of Querétaro, San Luis Potosí, State of Mexico, Tijuana and Ciudad Juárez. We acquired 47.3 hectares within Guanajuato Puerto Interior, where 217,000 square meters will be developed in ten buildings. We also acquired an additional 5 hectares in the San Miguel de Allende Business Polygon, to develop a Build-to-Suit property for Stant Corporation, an automotive industry supplier. Vesta has had a significant presence in Bajío for many years and its new investments will enable us to better serve growing demand in this industry, along with other important industries like aerospace and logistics.

Another strategic region for Vesta's growth is central Mexico, which includes the states of Mexico, Puebla and Tlaxcala, already a booming industrial corridor. The parks located in this region will provide a level of connectivity that ensures safe and rapid communication between the country's main points of consumption, as well as important seaports like Veracruz, Tuxpan, Lázaro Cárdenas and Manzanillo.

For example, in February 2015, the Fiat Chrysler Automobiles (FCA) distribution center was opened at the Vesta Park Toluca II, with 45,000 square meters of leasable area. This property will enable the company to store and distribute the more than 65,000 service parts offered to clients of FCA Mexico. The park will have a total of seven buildings and a leasable surface area of approximately 140,000 square meters, ideal for manufacturing and logistics. Another development in this region is Vesta Park Tlaxcala I, in Huamantla, just 20 km from the new Audi plant and where the first companies to set up shop were spanish based, Grupo Antolín and the U.S.-based Lear Corporation.

Vesta has completed other significant negotiations over the past 12 months, like the Bombardier Recreational Products (BRP) project in Ciudad Juárez, with an approximate investment of US$22.2 million and a constructed surface area of 46,500 square meters. This manufacturing center will be the most advanced in the world for this Canadian company, producing all-terrain vehicles, among other products. In August of last year we announced the opening of the Vesta Park Tijuana III, which has 12 hectares of land and in which US$13 million were invested as part of a US$64 million total investment plan in that city in the next three years. The park is located in El Florido, together with the Samsung and Hyundai manufacturing plants, an area with a greater concentration of available labor and strategically positioned for logistics and transportation of merchandise. Its proximity to the border at Otay Mesa and the presence of many companies that manufacture medical devices and electronic components make this park an excelent option for companies operating in these industries.

**US$22.2**
million invested in BRP´s project

# ...and with excellent returns for our shareholders.

**FINANCIAL AND MARKET ANALYSIS**
**AUDITED FINANCIAL STATEMENTS**

VESTA
2014 Annual Report

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenues

### Rental income

Rental income for the year ended December 31, 2014 was US$69.33 million compared to US$58.52 million for the year ended December 31, 2013, which represents an increase of US$10.81 million, or 18.3%. This increase was primarily attributable to:

- An increase of 17.6%, in rental income from new leases in new space or in space that was vacant during 2013 and that is currently leased since 2014; and
- An increase of 1.8%, in rental income resulting from rent adjustments due to inflation protection provisions in our lease agreements. Most of our lease agreements include a provision whereby rents are automatically adjusted on a year to year basis to reflect the change in US Consumer Price Index if the rental payments under the lease agreement are denominated in US dollars or the INPC if the rental payments are denominated in pesos; and
- An increase of 0.3% related to the reimbursement of expenses that we paid on behalf of our customers that later were reimbursed by such customers and that were accounted for under rental income.

These increases were partly offset by:

- A decrease of US$1.96 million, or 3.4%, in rental income from leases that expired during 2013 and which were not renewed in 2014;
- A decrease of US$0.22 million, or 0.4%, from lower rents in leases that expired during 2013 and 2012 and which were renewed at lower rental rates; and
- A decrease of 0.9% due to currency translation effects with respect to rents denominated in pesos.

## Property Operating Costs

Our property operating costs for the year ended December 31, 2014 were US$3.60 million compared to US$3.45 million for the year ended December 31, 2013, which represented an increase of US$0.15 million, or 4.3%.

Of this increase, US$0.22 million is attributable to the direct operating costs of leased investment properties which generated rental income. During 2014 and 2013, these costs amounted to US$2.76 million and US$2.54 million, respectively.

This increase is principally attributable to:

- An increase of US$0.10 million, or 26.5%, in maintenance costs, which were US$0.48 million and US$0.38 million in 2014 and 2013, respectively;
- An increase of US$0.07 million, or 8.7%, in property taxes which were US$0.88 million and US$0.81 million in 2014 and 2013, respectively. Real estate property taxes are paid in pesos. Real estate property taxes paid in 2014 and 2013 were Ps.$15.31 million and Ps.$14.01 million, respectively, resulting in an increase of Ps.$1.30 million, or 9.3%. The value of the peso against the dollar increased from Ps.$12.7681 pesos per US$1.00 in 2013 to Ps.$13.2996 per US$1.00 in 2014;
- Other property related expenses (such as lighting services on our properties, security services in the industrial parks we manage and on our vacant properties) increased from US$1.05 million in the year ended December 31, 2013 to US$1.08 million for the year ended December 31, 2014; and
- An increase of US$0.01 million, or 3.4%, in insurance costs for investment properties. In 2014 and 2013, such costs amounted to US$0.31 million and US$0.30 million, respectively.



In addition, property operating costs of investment properties which have not been leased and which did not generate rental income increased by US$0.07 million. This increase was the result of:

- An increase of US$0.05million in other expenses related to the properties which are generated from the fees paid to industrial parks where we maintain land reserves;
- An increase of US$0.02 million in real estate property taxes for our properties which did not generate income; and
- Maintenance costs of US$0.01 million with respect to investment properties that did not generate income.

## Administration expenses

Administration expenses for the year ended December 31, 2014 were US$8.30 million compared to US$6.80 million for the year ended December 31, 2013, which represents an increase of US$1.50 million, or 22.1%.

This increase is primarily due to the following expenses as a result of the incorporation of management to the Company. During 2014, there was:

- An increase of US$1.29 million, or 22.9%, compared to 2013, due to salary and administration expenses from the personnel who were incorporated to the Company from DV as a result of our initial public offering;
- An increase of US$0.15 million, or 22.9%, in legal and audit expenses;
- Expenses indirectly related to our initial public offering, which totaled US$0.24 million in 2014 and US$0.19 million in 2013 as a result of equity trading related expenses; and
- An increase of US$0.02 million in commissions on property acquisitions.

These increase were partially offset by a reduction of US$ 0.01 million, or 20.7%, in marketing expense.

## Depreciation

Depreciation for the year ended December 31, 2014 was US$0.04 million compared to US$0.08 million for the year ended December 31, 2013.

## Other income and expenses

Other income and expenses for the year ended December 31, 2014 was a loss of US$6.25 million compared to income of US$79.69 million for the year ended December 31, 2013. This decrease was attributable to lower (i) gain resulting for the revaluation of investment properties conducted as of December 31, 2014, which reflects the real estate market conditions as of that date and (ii) income from interest derived from the investments made with the proceeds of the initial public offering and the 2013 follow-on offering. Interest expense decreased as a result of lower average principal amount of outstanding senior secured debt during 2014 compared to 2013.

The 2014 appraisal resulted in a revaluation gain of US$29.95 million compared to US$95.05 million in 2013. The appraisal was delivered to us at the end of December 2014 and reflects the condition of the real estate market observed at the end of 2014.

| | Year ended December 31 | |
|---|---|---|
| | **2014** | **2013** |
| | (thousands of dollars) | |
| Other income and expenses | | |
| Interest income | 5,712.08 | 6,951.57 |
| Other (expenses) income | (290.06) | (62.37) |
| Interest expense | (22,186.99) | (23,441.30) |
| Exchange loss (gain) | (19,433.70) | 1,187.01 |
| Gains on revaluation of investment properties | 29,955.24 | 95,054.25 |
| Total other (expenses) income | (6,243.43) | 79,689.16 |

Interest income decreased by US$1.24 million during the year ended December 31, 2014 to US$5.71 million from US$6.95million in the corresponding period in 2013. This decrease is due to the interest generated by investments in short-term government securities made with the proceeds of our initial public offering and our 2013 follow-on offering. The decrease in interest generated is due to a lower investment balance as we continue to invest in our properties.

Exchange loss for the year ended December 31, 2014 was US$19.43 million compared to an exchange gain of US$0.22 million during the year ended December 31, 2013. This loss is primarily explained by the effect of the movement in the exchange rates between the U.S. dollar and the Mexican peso with respect to the debt of WTN as well as investments we hold in pesos.

Interest expense decreased by US$1.25 million, or 5.4%, during the year ended December 31, 2014 as compared to 2013. This decrease is a result of a lower average principal amount of outstanding senior secured debt during the year ended December 31, 2014, as compared to the corresponding period in 2013.

Gain on revaluation of investment property for the year ended December 31, 2014 decreased by US$65.1 million compared to the year ended December 31, 2013.

### Profit Before Income Taxes

For the reasons described above, our profit before income taxes for the year ended December 31, 2014 was US$51.14 million compared to a profit before income taxes for the year ended December 31, 2013 of US$127.88 million, representing an increase of US$76.74 million.

### Income Tax Expense

Income tax expense for the year ended December 31, 2014 was US$26.92 million compared to an expense of US$38.45 million for the year ended December 31, 2013. This increase was primarily attributable to the difference between deferred tax expenses between 2013 and 2014. Deferred tax expenses mainly reflect (i) changes in the exchange rates as of the end of the year that are used to convert our Mexican peso-denominated asset balances for tax purposes (including our investment property and net tax loss carryforwards) to U.S. dollars, (ii) a benefit resulting from the impact of inflation on the tax basis of our asset balances (including our investment property and net tax loss carryforwards), as allowed by Mexican Income Tax Law (Ley del Impuesto Sobre la Renta), offset by and (iii) the effects of the recognition of fair value on our investment property for accounting purposes that are not reflected for tax purposes, as the tax value of the asset remains a historical cost and is subsequently depreciated.

### Profit for the Year

For the reasons described above, our profit for the year ended December 31, 2014 was US$24.22 million compared to a profit of US$89.43 million for the year ended December 31, 2013.

### Total Comprehensive Income for the Year

Total other comprehensive income includes our profit for the year as described above, plus other comprehensive income which is the impact of the fluctuation in exchange rates in the capital accounts of WTN, which is our only subsidiary which uses the Mexican peso as functional currency. For the year ended December 31, 2014, we recorded other comprehensive gain of US$24.67 million, compared to other comprehensive income of US$89.35 million for the year ended December 31, 2013.

### Cash flow

The following table shows the generation and use of cash for the years ended December 31, 2014 and 2013.

| | Year ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| | (thousands of dollars) | |
| Cash flow generated by operating activities | 32,836.65 | 32,523.94 |
| Cash flow used in investing activities | 29,756.53 | -208,816.79 |
| Cash flow generated by (used in) financing activities | -50,424.09 | 147,606.05 |
| Effects of exchange rate changes on cash | -9,792.13 | 37.5 |
| Net increase (decrease) in cash and cash equivalents | 2,376.97 | -28,649.30 |





### Cash Flow From Operating Activities

The most significant factors in the generation of our cash flow from operating activities are revenues from the rents collected from our tenant base.

Cash flow generated by operating activities in 2014 was US$32.85 million compared to US$32.52 million in 2013. Cash flow generated by operating activities was affected primarily by increases in recoverable taxes totaling US$13.97 in 2014 and US$10.65 million in 2013.

### Cash Flow From Investing Activities

Cash flow used in investing activities was US$29.76 million and US$208.82 million during the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014, our investing activities were primarily related to the construction of new buildings in the Bajio and Central regions. The total amount of investments in 2014 was US$118.51 million, as compared to US$102.94 million in 2013.

### Cash Flow From Financing Activities

Cash flow generated by financing activities was US$50.42 million for the year ended December 31, 2014, compared to cash flow generated by financing activities of US$147.61 million for the year ended December 31, 2013.

In 2013, we successfully raised US$191.55 million, net of direct equity issuance expenses of the offering, through the issuance of 114.57 million shares in our 2013 follow-on offering.

### Debt

As of December 31, 2013, the balance of long term debt reached US$318.03 million, of which US$8.22 million, or 2.6%, is related to short term liabilities, while US$309.81 million, or 97.4%, represents long-term debt.

As of December 31, 2014, the balance of long term debt reached US$306.74 million, of which US$8.63 million, or 2.8%, is related to short term liabilities, while US$ 298.11 million, or 97.2%, represents long-term debt. Both are contracted with General Electric (GE Real Estate de México, S. de R. L. de C.V.). The total debt is guaranteed by most of the Company's investment properties, as well as the income derived from them. At the close of December 31, 2014, 100% of the debt was denominated in US dollars.

### Relevant events in 2014

On December 18, 2014, Vesta announced its plan to invest approximately US$170 million in the State of Guanajuato during the 2015-2018 periods. Vesta acquired 47.3 hectares of land reserves within the Guanajuato Inland Port in Silao, Guanajuato, for a total cost of US$ 18.2 million. The Company plans to develop approximately 217,000 $m^2$ (2,335,768 $ft^2$) in ten buildings, representing a total investment of up to US$81.8 million, including infrastructure costs.

Vesta has signed a binding LOI to acquire land reserves totaling 30.7 hectares within the Poligono Empresarial San Miguel de Allende. The land will be used to develop approximately 142,600 $m^2$ (1,534,933 $ft^2$) in eleven buildings, representing a total investment of up to US$64.9 million. Additionally, Vesta acquired 5 hectares in the same park to develop a 11,305 $m^2$ (121,686 $ft^2$) build to suit project with STANT Corporation, a U.S. automotive supplier. The investment will total US$6.2 million and the rental payments will start in April, 2015. The Cap rate is expected to be 11.3%.

On May 6, Vesta announced that it has signed a binding letter of intent with BRP Mexico, SA de C.V. ("BRP"), for the construction of a "Build to Suit" building in Ciudad Juarez, State of Chihuahua. The development of this project will involve a total investment from Vesta of approximately US$33.2 million to be invested over the next 9 months. Vesta will finance this project with its own resources. This building will have an approximate total gross leasable area of 500,000 SF (46,000 $m^2$) and the term of the lease will be more than 10 years. The construction will be executed by third party contractors with a proven track record for this type of development.

On April 9, Vesta announced the acquisition of land reserves amounting to 11.3 hectares within the Industrial City Xicoténcatl II ("CIX II") located in Huamantla City, Tlaxcala, in which the Company plans to develop up to 50,000 square meters of gross leasable area in three multi-tenant buildings. The main goal of this industrial park is to meet the demand of suppliers in the automobile sector that need to be in close proximity to the new AUDI plant located in San Jose Chiapa, Puebla, where the Q5 model will be manufactured, starting in 2016. The new development will turn into a world-class industrial park specialized in the automobile industry. The park construction will begin in May of this year, and the first buildings will be completed by the end of the year, so any company that decides to establish onsite can begin operating in 2015. The total investment considering the acquisition of the land, infrastructure and the industrial buildings, will amount to Ps. 290 million.

On February 24, Vesta announced that Mr. Alejandro Zarazúa Menchaca has been appointed Director of the Central Region. He will be responsible for the development of the Central Region, as well as for overseeing relationships with current clients, for seeking opportunities for land acquisition and for the commercialization of buildings and parks in the region.

On January 14, Vesta announced today that it has signed an agreement to extend Nissan's Trust contract from 25 years to 40 years. Both companies signed a contract on December 17, 2013 to launch the supplier chain park (Doku Seizan Park) located within the new manufacturing complex Nissan Aguascalientes 2, inaugurated on November 2013.

The total gross leasable area of Nissa comples will amount to 153,870 square meters (1,656,237 SF) and the expected investment for the initial phase would be of approximately US$57 million.

## Analyst Coverage

In compliance with the internal regulation of the BMV, article 4.033.01 Frac. VIII, we inform that we have analyst coverage from the following brokers:

| |
|---|
| Casa de Bolsa Credit Suisse S.A. de C.V. |
| Casa de Bolsa Santander S.A. de C.V. |
| HSBC México S.A. de C.V. |
| Barclays Bank Mexico, S.A. |
| Itaú Corretora de Valores S.A |
| J.P. Morgan Casa de Bolsa, S.A. de C.V. |
| UBS Casa de Bolsa S.A. |





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

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report Dated February 16, 2015

| | |
|---|---|
| Independent Auditors' Report | 90 |
| Consolidated Statements of Financial Position | 91 |
| Consolidated Statements of Profit and Other Comprehensive Income | 92 |
| Consolidated Statements of Changes in Stockholders' Equity | 93 |
| Consolidated Statements of Cash Flows | 94 |
| Notes to Consolidated Financial Statements | 95 |

# INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF CORPORACIÓN INMOBILIARIA VESTA, S. A. B. DE C.V.

## Auditors' Report of the consolidated financial statements

We have audited the accompanying 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, 2014 and 2013, and the consolidated statements of profit and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility 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 International Accounting Standards Board, 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Corporación Inmobiliaria Vesta, S. A. B. de C. V. and subsidiaries as of December 31, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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

**C. P. C. Erick J. Calvillo Rello**

February 16, 2015



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

# Consolidated Statements of Financial Position

As of December 31, 2014 and 2013
(In US dollars)

| | Notes | 2014 | 2013 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 4 | $ 10,674,770 | $ 8,297,797 |
| Financial assets held for trading | 5 | 95,025,988 | 233,052,020 |
| Recoverable taxes | 6 | 27,712,294 | 16,546,275 |
| Operating lease receivables | 7 | 7,505,226 | 6,706,759 |
| Prepaid expenses | | 447,152 | 323,987 |
| Total current assets | | 141,365,430 | 264,926,838 |
| **Non-current assets:** | | | |
| Investment property | 8 | 1,101,352,822 | 951,884,585 |
| Office furniture – Net | | 421,340 | 344,540 |
| Guarantee deposits made | | 2,883,972 | 2,967,835 |
| Total non-current assets | | 1,104,658,134 | 955,196,960 |
| Total assets | | $ 1,246,023,564 | $ 1,220,123,798 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| **Current liabilities:** | | | |
| Current portion of long-term debt | 9 | $ 8,629,108 | $ 8,222,341 |
| Accrued interest | | 3,068,412 | 3,170,268 |
| Accounts payable | | 14,222,235 | 9,484,863 |
| Taxes payable, mainly income taxes | | 1,274,395 | 1,145,743 |
| Accrued expenses | | 1,636,361 | 1,668,000 |
| Total current liabilities | | 28,830,511 | 23,691,215 |
| **Non-current liabilities:** | | | |
| Long-term debt | 9 | 298,109,960 | 309,805,405 |
| Guarantee deposits received | | 5,706,109 | 5,523,169 |
| Deferred income taxes | 13.3 | 115,641,120 | 91,518,603 |
| Total non-current liabilities | | 419,457,189 | 406,847,177 |
| Total liabilities | | 448,287,700 | 430,538,392 |
| Litigation and other contingencies | 16 | | |
| **Stockholders' equity:** | | | |
| Capital stock | 10 | 370,368,712 | 370,368,712 |
| Additional paid-in capital | | 211,869,157 | 211,869,157 |
| Retained earnings | | 211,640,460 | 204,265,028 |
| Share-based payments reserve | | 323,764 | - |
| Foreign currency translation | | 3,533,771 | 3,082,509 |
| Total stockholders' equity | | 797,735,864 | 789,585,406 |
| Total liabilities and stockholders' equity | | $ 1,246,023,564 | $ 1,220,123,798 |

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

For the years ended December 31, 2014 and 2013
(In US dollars)

| | Notes | 2014 | 2013 |
|---|---|---|---|
| **Revenues:** | | | |
| Rental income | | $ 69,332,889 | $ 58,522,064 |
| **Property operating costs:** | | | |
| Related to properties that generate rental income | 12.1 | (2,761,265) | (2,540,720) |
| Related to properties that did not generate rental income | 12.1 | (838,684) | (910,616) |
| Gross profit | | 65,732,940 | 55,070,728 |
| **Administration expenses** | 12.2 | (8,302,946) | (6,799,948) |
| **Depreciation** | | (40,536) | (78,485) |
| **Other Income and Expenses:** | | | |
| Interest income | | 5,712,082 | 6,951,568 |
| Other (expense) income | | (290,063) | (62,365) |
| Interest expense | | (22,186,990) | (23,441,300) |
| Exchange (loss) gain | | (19,433,700) | 1,187,010 |
| Gain on revaluation of investment property | | 29,955,242 | 95,054,246 |
| Total other income and expenses | | (6,243,429) | 79,689,159 |
| Profit before income taxes | | 51,146,029 | 127,881,454 |
| Income tax expense | 13.1 | (26,924,032) | (38,447,937) |
| Profit for the year | | 24,221,997 | 89,433,517 |
| Other comprehensive income (loss): | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| - Exchange differences on translating other functional currency operations | | 451,262 | (76,795) |
| Total comprehensive income for the year | | $ 24,673,259 | $ 89,356,722 |
| Basic and diluted earnings per share | 11 | $ 0.05 | $ 0.20 |

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, 2014 and 2013
(In US dollars)

| | Capital Stock | Additional Paid-in Capital | Retained Earnings | Share-based payments reserve | Foreign Currency Translation | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| Balances as of January1, 2013 | $ 286,868,218 | $ 101,900,964 | $ 125,299,684 | $ - | $ 3,159,304 | $ 517,228,170 |
| Equity issuance | 83,500,494 | 109,968,193 | - | - | - | 193,468,687 |
| Dividends declared | - | - | (10,468,173) | | - | (10,468,173) |
| Comprehensive income (loss) | - | - | 89,433,517 | | (76,795) | 89,356,722 |
| Balances as of December 31, 2013 | 370,368,712 | 211,869,157 | 204,265,028 | | 3,082,509 | 789,585,406 |
| Share-based payments | - | - | - | 323,764 | - | 323,764 |
| Dividends declared | - | - | (16,846,565) | - | - | (16,846,565) |
| Comprehensive income | - | - | 24,221,997 | - | 451,262 | 24,673,259 |
| Balances as of December 31, 2014 | $ 370,368,712 | $ 211,869,157 | $ 211,640,460 | $ 323,764 | $ 3,533,771 | $ 797,735,864 |

See accompanying notes to consolidated financial statements.



VESTA
2014 Annual Report

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

## Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013
(In US dollars)

| | 2014 | 2013 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before income taxes | $ 51,146,029 | $ 127,881,454 |
| Adjustments: | | |
| Depreciation | 40,536 | 78,485 |
| Gain on revaluation of investment property | (29,955,242) | (95,054,246) |
| Effect of foreign exchange rates | 10,243,391 | (114,297) |
| Interest income | (5,712,082) | (6,951,568) |
| Gain on sale of investment properties | (731,326) | - |
| Interest expense | 22,186,990 | 23,441,300 |
| Expense recognized in respect of share-based payments | 323,764 | - |
| **Working capital adjustments:** | | |
| (Increase) decrease in: | | |
| Operating lease receivables – Net | (798,467) | (2,421,757) |
| Recoverable taxes | (13,967,534) | (10,650,158) |
| Prepaid expenses | (123,165) | (323,987) |
| Guarantee deposits made | 83,863 | (194,003) |
| Increase (decrease) in: | | |
| Accounts payable | (180,055) | (684,684) |
| Guarantee deposits received | 182,940 | 445,234 |
| Accrued expenses | (31,639) | 1,367,482 |
| Income taxes paid | 128,652 | (4,295,313) |
| Net cash generated by operating activities | 32,836,655 | 32,523,942 |
| **Cash flows from investing activities:** | | |
| Purchases of investment property | (118,513,768) | (102,936,169) |
| Acquisition of office furniture | (117,336) | (125,185) |
| Financial assets held for trading | 138,026,032 | (112,706,999) |
| Proceeds from sale of investment property | 4,649,526 | - |
| Interest received | 5,712,082 | 6,951,568 |
| Net cash used in investing activities | 29,756,536 | (208,816,785) |
| **Cash flows from financing activities:** | | |
| Proceeds from equity issuance | - | 191,551,233 |
| Interest paid | (22,288,846) | (23,642,514) |
| Repayments of borrowings | (11,288,678) | (9,834,501) |
| Dividends paid | (16,846,565) | (10,468,173) |
| Net cash generated by financing activities | (50,424,089) | 147,606,045 |
| Effects of exchange rates changes on cash | (9,792,129) | 37,501 |
| Net (decrease) increase in cash and cash equivalents | 2,376,973 | (28,649,297) |
| Cash and cash equivalents at the beginning of year | 8,297,797 | 36,947,094 |
| Cash and cash equivalents at the end of year | $ 10,674,770 | $ 8,297,797 |

See accompanying notes to consolidated financial statements.



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

## Notes to Consolidated Financial Statements

For the years ended December 31, 2014 and 2013
(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 Bosques de Ciruelos 304, 7th 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 June 25, 2013, the Entity issued equity through a follow-on public offering of shares in the Mexican stock market for a total number of shares of 114,573,661.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 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 ("IASB").

#### 2.2 Basis of measurement

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 International Financial Reporting Standards (IFRSs) 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.

#### 2.3 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 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 | 2014 | 2013 | 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 Queretaro, S. de R.L. de C.V. | 99.99% | 99.99% | Holds investment properties |
| Proyectos Aeroespaciales, S. de R.L. de C.V. | 99.99% | 99.99% | Holds investment properties |
| CIV Infraestructura, S. de R.L. de C.V. | 99.99% | 99.99% | 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 |

## 2.4 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"), which considers the Mexican peso to be its functional currency and is considered to be a "foreign operation" 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 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.

## 2.5 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.

## 2.6 Financial instruments

Financial assets and financial liabilities are recognized when Vesta or its subsidiaries become a party to the contract governing such financial instruments.

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.



### 2.6.1 Effective interest method on financial assets

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows expected to be received (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

### 2.6.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed payments or payments that may be determined and are not quoted in an active market. Loans and receivables (including operating lease receivables and others) are measured at amortized cost using the effective interest method, less any impairment.

### 2.6.3 Financial assets at fair value through profit of loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured 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 includes any dividend or interest earned on the financial asset and is included in the 'interest income' line item. Financial assets at FVTPL consist mainly of holdings in investment funds. The Entity has not designated any asset as at FVTPL.

### 2.6.4 Derecognition of financial assets

The Entity derecognizes a financial asset only when the contract granting the Entity the right to receive cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

## 2.7 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.

## 2.8 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.

## 2.9 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.

## 2.10 Financial liabilities

### 2.10.1 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("at FVTPL") or other financial liabilities.

### 2.10.2 Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating 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.

### 2.10.3 Derecognition of financial liabilities

The Entity derecognizes financial liabilities only when its obligations are discharged or cancelled or when they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## 2.11 Direct employee benefits

Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing ("PTU") payable, compensated absences, such as vacation and vacation premiums, and incentives.

## 2.12 Employee benefits for termination

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

## 2.13 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.

## 2.14 Leasing

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.

The Entity, as a lessor, retains substantially all of the benefits and risks of ownership of the properties and accounts for its leases as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease agreement.

As a lessee, the Entity recognizes operating lease payments 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.

## 2.15 Taxation

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

### 2.15.1 Current tax

Income tax ("ISR"), and through 2013 the Business Flat Tax ("IETU"), are recorded in the results of the year they are incurred. Taxable profit differs from profit as reported in the consolidated statement of profit and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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.

### 2.15.2 Deferred tax

Deferred taxes are then calculated by applying the tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recorded only when there is a high probability of recovery. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 assets and liabilities 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.

The Mexican income tax law does not provide different tax bases or tax rates with respect to the use of investment properties (i.e. whether investment properties are used to generate rental income or are whether they are held to recover their value through sale).

2.15.3 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.

2.16 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.

2.17 Earnings per share

Basic earnings per common share are calculated by dividing net income of the controlling interest by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated net income and common shares on the assumption that the Entity's commitments to issue or exchange its own shares would be fulfilled. However, as the Entity does not have any dilutive instruments, basic and diluted earnings per share are the same.

2.18 Application of new and revised IFRSs and interpretations that are mandatorily effective for the current year

In the current year, the Entity has applied a number of a new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

**Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The Entity has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. As the Entity does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Entity's consolidated financial statements.

**Annual Improvements to IFRSs 2010-2012 Cycle**

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.



The application of these amendments did not have a significant impact on the Entity's consolidated financial statements.

**Annual Improvements to IFRSs 2011-2013 Cycle**

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) The property meets the definition of investment property in terms of IAS 40; and
(b) The transaction meets the definition of a business combination under IFRS 3.

The application of these amendments did not have a significant impact on the Entity's consolidated financial statements.

2.19 New and revised IFRSs in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 9, | Financial Instruments[2] |
| IFRS 15 | Revenue from Contracts with Customers[1] |

1 Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

**IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments 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 outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that 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 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. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- 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 an 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, 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 overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review.

## 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Entity's accounting policies, which are described in Note 2, management 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.

### 3.1 Valuation of investment properties

As described in Note 8, 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 8 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 valuers to perform the valuation. The valuation committee works closely with the qualified external valuers 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 8 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.

## 4. CASH AND CASH EQUIVALENTS

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. 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:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Cash and bank balances | $ | 6,848,378 | $ | 3,766,015 |
| Restricted cash | | 3,826,392 | | 4,531,782 |
| | $ | 10,674,770 | $ | 8,297,797 |

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.

## 5. 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.

## 6. RECOVERABLE TAXES

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Recoverable value-added tax ("VAT") | $ | 22,043,687 | $ | 14,899,233 |
| Recoverable income taxes | | 5,602,192 | | 1,591,518 |
| Other receivables | | 66,415 | | 55,524 |
| | $ | 27,712,294 | $ | 16,546,275 |

## 7. OPERATING LEASE RECEIVABLES

### 7.1 The aging profile of operating lease receivables as of the dates indicated below are as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| 0-30 days | $ | 6,392,749 | $ | 6,580,998 |
| 30-60 days | | 861,273 | | 103,202 |
| 60-90 days | | 87,726 | | 22,559 |
| Over 90 days | | 163,478 | | - |
| Total | $ | 7,505,226 | $ | 6,706,759 |



VESTA
2014 Annual Report

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, 85% and 97% of all operating lease receivables are current at December 31, 2014 and 2013, 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 11% and 1.8% of all operating lease receivables at December 31, 2014 and 2013, respectively. Operating lease receivables outstanding for more than 60 and less than 90 days represent 1% and 1.4% of all operating lease receivable at December 31, 2014 and 2013. Accounts receivable outstanding greater than 90 days represent 2% as of December 31, 2014.

### 7.2 Movement in the allowance for doubtful accounts receivable

The Entity individually reviews each of its operating lease receivables and according to the aging report determines the need to create an allowance for the recoverability of such receivables. During 2014 there were no increases to the allowance for doubtful accounts.

### 7.3 Client concentration risk

As of December 31, 2014 and 2013, one of the Entity's client accounts for 74% or $5,646,339 and 89% or $5,991,674, respectively, of the operating lease receivables balance. The same client accounted for 17% and 20% of the total rental income of Entity for the years ended December 31, 2014 and 2013, respectively.

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

### 7.5 Non-cancellable operating lease receivables

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

| | 2014 | 2013 |
|---|---|---|
| Not later than 1 year | $ 70,629,698 | $ 67,282,095 |
| Later than 1 year and not later than 3 years | 122,117,261 | 118,549,785 |
| Later than 3 year and not later than 5 years | 115,421,411 | 117,861,367 |
| Later than 5 years | 118,579,372 | 120,904,109 |
| | $ 426,747,742 | $ 424,597,356 |

## 8. 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 other 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 | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Buildings and land | Level 3 | Discounted cash flows | Discount rate | 9.75% | The higher the discount 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: 3.5%<br>U.S.: 2.3% | 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 |
| Land reserves | Level 3 | Market value | Price per acre | Weighted average price per acre $248,206 | 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:

| | 2014 | 2013 |
|---|---|---|
| Buildings and land | $ 1,092,424,983 | $ 928,935,606 |
| Advances for acquisition of land | 395,921 | - |
| Land reserves | 64,740,000 | 57,990,000 |
| | 1,157,560,904 | 986,925,606 |
| Less: Cost to complete construction in-progress | (56,208,082) | (35,041,021) |
| Balance at end of year | $ 1,101,352,822 | $ 951,884,585 |

The reconciliation of investment property is as follows:

| | 2014 | 2013 |
|---|---|---|
| Balance at beginning of year | $ 951,884,585 | $ 744,761,666 |
| Additions | 123,431,195 | 112,068,673 |
| Investment properties sold | (3,918,200) | - |
| Gain on revaluation of investment property | 29,955,242 | 95,054,246 |
| Balance at end of year | $ 1,101,352,822 | $ 951,884,585 |

A total of $14,049,930 additions to investment property related to a land reserved which was acquired from a third party, were not paid as of December 31, 2014. As of December 31, 2013, a total of $9,132,503 additions to investment property, which were acquired from a third party, were not paid; these additions were paid during the year ended December 31, 2014.

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 44 year as of December 31, 2014.

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 44 years as of December 31, 2014). 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, 2014 and 2013, the Entity's investment properties have a gross leasable area (unaudited) of 16,791,931 square feet (or 1,560,021 square meters) and 14,378,670 square feet (or 1,335,822 square meters), respectively and they were 87% and 91% occupied by tenants, respectively. As of December 31, 2014 and 2013, investment properties with a gross leasable area of 1,960,548 square feet (or 182,141 square meters) and 2,060,958 square feet (or 191,469 square meters), respectively, were under construction, representing an additional 11.68% and 14.33% 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.

## 9. LONG-TERM DEBT

Long-term debt is represented by the following notes payable to GE Real Estate de México, S. de R. L. de C. V. ("GERE"):

| Issue date | Original amount | Annual interest rate | Monthly amortization | Maturity | 2014 | 2013 |
|---|---|---|---|---|---|---|
| September 2003 | 7,637,927 | 7.17% | $ 11,736 | August 2016 | $ 5,134,727 | $ 5,268,740 |
| April 2005 | 2,000,000 | 7.17% | 3,281 | August 2016 | 1,433,480 | 1,470,949 |
| August 2005 | 6,300,000 | 7.17% | 10,441 | August 2016 | 4,566,048 | 4,685,269 |
| August 2005 | 14,500,000 | 7.17% | 24,146 | August 2016 | 10,544,502 | 10,820,214 |
| November 2005 | 32,000,000 | 7.17% | 274,440* | August 2016 | 21,807,521 | 22,336,748 |
| March 2006 | 15,000,000 | 7.17% | 25,336 | August 2016 | 8,079,295 | 11,434,933 |
| July 2006 | 50,000,000 | 7.17% | 99,961 | August 2016 | 48,487,816 | 49,629,220 |
| July 2006 | 12,000,000 | 7.17% | 23,991 | August 2016 | 10,905,370 | 11,179,306 |
| September 2006 | 10,800,000 | 7.17% | 19,948 | August 2016 | 9,207,363 | 9,435,138 |
| October 2006 | 8,300,000 | 7.17% | 15,330 | August 2016 | 7,076,029 | 7,251,078 |
| November 2006 | 12,200,000 | 7.17% | 17,717 | August 2016 | 8,224,187 | 8,591,656 |
| November 2006 | 28,091,497 | 7.17% | 25,234 | August 2016 | 11,653,920 | 11,942,061 |
| May 2007 | 6,540,004 | 7.17% | 12,182 | August 2016 | 5,625,506 | 5,764,612 |
| September 2007 | 8,204,039 | 7.17% | 15,359 | August 2016 | 7,094,132 | 7,269,509 |
| April 2008 | 32,811,066 | 6.47% | 73,846 | August 2016 | 29,193,227 | 30,055,305 |
| April 2008 | 867,704 | 6.47% | 3,756 | August 2016 | 1,484,686 | 1,528,529 |
| April 2008 * | 7,339,899 | 6.62% | 183,115* | August 2016 | 12,097,602 | 12,451,855 |
| August 2008 | 3,372,467 | 6.47% | 11,936 | August 2016 | 4,719,073 | 4,858,416 |
| August 2008 | 6,286,453 | 6.47% | 14,187 | August 2016 | 5,608,491 | 5,774,105 |
| April 2009 | 19,912,680 | 7.17% | 36,436 | August 2016 | 16,615,833 | 17,031,879 |
| December 2009 | 30,000,000 | 7.17% | 56,729 | August 2016 | 24,870,114 | 25,517,873 |
| July 2012 | 19,768,365 | 7.17% | 39,521 | August 2016 | 17,264,976 | 17,716,254 |
| July 2012 | 27,960,333 | 7.17% | 55,899 | August 2016 | 25,080,968 | 25,719,248 |
| July 2012 | 5,000,000 | 6.15% | 13,145 | August 2016 | 4,526,111 | 4,678,376 |
| March 2013 | 5,918,171 | 5.80% | 15,008 | August 2016 | 5,438,091 | 5,616,473 |
| | | | | | 306,739,068 | 318,027,746 |
| Less: Current portion | | | | | (8,629,108) | (8,222,341) |
| | | | | | $ 298,109,960 | $ 309,805,405 |

* These notes payable have bi-annual amortization.

Most of the Entity's investment properties and rental payments derived from the lease agreements relating to such investment properties have been pledged as collateral to secure the loans under the Entity's credit agreement with GERE. Additionally, without the written consent of GERE, the Entity may not directly or indirectly, sell, convey, mortgage, pledge or assign all or part of the rights it has on the whole or any part of its existing properties.

The GERE credit agreement requires 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 was in compliance with covenants under the GERE credit agreement as of December 31, 2014.





The credit agreement also entitles GERE to withhold certain amounts deposited by the Entity in a separate fund as guarantee deposits for the debt service and maintenance of the Entity's investment properties. 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:

| | |
|---|---|
| 2015 | $ 8,629,108 |
| 2016 | 298,109,960 |
| | $ 306,739,068 |

## 10. CAPITAL STOCK

### 10.1 Capital stock as of December 31, 2014 and 2013 is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Fixed capital | | | | |
| Series A | 5,000 | $ 3,696 | 5,000 | $ 3,696 |
| Variable capital | | | | |
| Series B | 507,447,012 | 370,365,016 | 507,447,012 | 370,365,016 |
| Total | 507,452,012 | $ 370,368,712 | 507,452,012 | $ 370,368,712 |

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.

On June 25, 2013, the Entity issued a total of 114,573,661 shares through a follow-on public offering of shares in the Mexican Stock Exchange. The net proceeds of this offering were $193,468,687 (net of direct issuance costs of $4,474,060, net of tax) consisting of an increase in capital stock of $83,500,494 and an increase in additional paid-in capital of $109,968,193.

### 10.2 Fully paid ordinary shares

| | Number of shares | Amount | Additional paid-in capital |
|---|---|---|---|
| Balance as of January 1, 2013 | $ 392,878,351 | $ 286,868,218 | $ 101,900,964 |
| Capital stock increase of June 25, 2013 | 114,573,661 | 87,974,554 | 109,968,193 |
| Direct equity issuance costs | - | (6,391,514) | - |
| Income taxes related to direct equity issuance costs | - | 1,917,454 | - |
| Balance as of December 31, 2014 and 2013 | $ 507,452,012 | $ 370,368,712 | $ 211,869,157 |

### 10.3 Dividend payments

Pursuant to a resolution of the general ordinary stockholders meeting on March 13, 2014, the Entity declared a dividend of approximately $0.033 per share, for a total dividend of $16,846,565 which was paid via cash distributions on April 4, 2014. The payment was applied against the Entity's net tax income account.

Pursuant to a resolution of the general ordinary stockholders' meeting on March 19, 2013, the Entity declared a dividend of $0.027 per share for a total dividend of $10,468,173 which was paid via cash distributions on April 1, 2013. The payment was applied against the Entity's net tax income account.

## 11. EARNINGS PER SHARE

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

| 2014 | | Earnings | Weighted-average number of shares | | Dollars per share |
|---|---|---|---|---|---|
| Profit for the year | $ | 24,221,997 | 507,452,012 | $ | 0.05 |

| 2013 | | Utilidad | Weighted-average number of shares | | Dollars per share |
|---|---|---|---|---|---|
| Profit for the year | $ | 89,433,517 | 452,368,521 | $ | 0.20 |

## 12. PROPERTY OPERATING COSTS AND ADMINISTRATION EXPENSES

### 12.1 Property operating costs consist of the following:

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

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Real estate tax | $ | 881,644 | $ | 810,893 |
| Insurance | | 312,383 | | 301,997 |
| Maintenance | | 484,080 | | 382,576 |
| Other property related expenses | | 1,083,158 | | 1,045,254 |
| | | 2,761,265 | | 2,540,720 |

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

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Real estate tax | $ | 269,412 | $ | 286,687 |
| Insurance | | 47,606 | | 44,211 |
| Maintenance | | 43,648 | | 56,007 |
| Other property related expenses | | 478,018 | | 523,711 |
| | | 838,684 | | 910,616 |
| Total property operating costs | $ | 3,599,949 | $ | 3,451,336 |

### 12.2 Administration expenses consist of the following:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Marketing expenses | $ | 48,676 | $ | 61,344 |
| Auditing, legal and consulting expenses | | 873,927 | | 723,108 |
| Property appraisal and other fees | | 214,986 | | 195,001 |
| Direct employee benefits and other benefits | | 6,921,734 | | 5,630,566 |
| Indirect equity issuance and trading costs | | 241,284 | | 187,609 |
| Other | | 2,339 | | 2,320 |
| | $ | 8,302,946 | $ | 6,799,948 |

## 13. INCOME TAXES

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR -The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.



### 13.1 Income taxes are as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| ISR expense: | | | | |
| Current | $ | 2,801,516 | $ | 6,947,623 |
| Expired ISR credit on dividends | | - | | 580,701 |
| Deferred | | 24,122,516 | | 30,919,613 |
| Total income taxes | $ | 26,924,032 | $ | 38,447,937 |

### 13.2 The effective ISR rate for fiscal 2014 and 2013 differ from the statutory rate as follows:

| | 2014 | 2013 |
|---|---|---|
| Statutory rate | 30% | 30% |
| Effects of exchange rates on tax balances | 33% | (1)% |
| Effects of inflation | (12)% | (4)% |
| Effects of change in ISR rate (2014 Tax Law) | - | 3% |
| Other | - | 2% |
| Effective rate | 53% | 30% |

### 13.3 The main items originating the deferred ISR liability are:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Deferred ISR assets (liabilities): | | | | |
| Investment property | $ | (124,338,843) | $ | (107,817,334) |
| Effect of tax loss carryforwards | | 7,670,338 | | 15,398,333 |
| Other provisions and prepaid expenses | | 1,027,384 | | 900,398 |
| Deferred income taxes – Net | $ | (115,641,120) | $ | (91,518,603) |

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

### 13.4 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, 2013 and expiration dates are:

| Year of Expiration | | Tax Loss Carryforwards |
|---|---|---|
| 2020 | $ | 2,128,531 |
| 2023 | | 11,076,323 |
| 2024 | | 12,362,941 |
| | $ | 25,567,795 |

## 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 9 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 10). 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.

VESTA
2014 Annual Report

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

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Debt | $ | 306,739,068 | $ | 318,027,746 |
| Cash and bank balances | | (10,674,770) | | (8,297,797) |
| Financial assets held for trading | | (95,025,988) | | (233,052,020) |
| Net debt | | 201,038,310 | | 76,677,929 |
| Equity | | 797,735,864 | | 789,585,406 |
| Net debt to equity ratio | | 25% | | 10% |

### 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 4, recoverable taxes and operating lease receivables as disclosed in Notes 6 and 7, respectively and financial assets held for trading in Note 5. The Entity's principal financial liability is long-term debt as disclosed in Note 9.

### 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 (although currently the Entity only has fixed rate debt instruments with varying maturity profiles). No significant interest rate hedges or trading financial instruments were entered into during the period of the accompanying consolidated financial statements.

### 14.5 Market risk

The Entity's activities expose it primarily to the financial risks of changes in interest rates (see 14.8 and 14.9 below) and foreign currency exchange rates (see 14.6 and 14.7 below). The Entity may enter into derivative financial instruments to manage its exposure to foreign currency risk. There has been no change to the Entity's exposure to market risks or the manner in which these risks are managed and measured.

### 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:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **Exchange rates:** | | | | |
| Mexican pesos per US dollar at the end of the period | | 14.7180 | | 13.0765 |
| Mexican pesos per US dollar average during the year | | 13.2996 | | 12.7681 |
| **Monetary assets** | | | | |
| Mexican pesos | | 1,592,246,030 | | 3,354,707,083 |
| US dollars | $ | 229,640 | $ | 261,858 |
| **Monetary liabilities** | | | | |
| Mexican pesos | | 22,085,067 | | 16,307,237 |
| US dollars | $ | 39,820,378 | $ | 40,874,151 |



### 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.

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **Profit or loss impact** | | | | |
| Mexican peso – 10% appreciation – gain | $ | (9,698,458) | $ | (23,208,878) |
| Mexican peso – 10% depreciation – loss | | 11,853,671 | | 28,366,407 |
| U.S. dollar - 10% appreciation – loss | | 4,381,318 | | 4,061,229 |
| U.S. dollar - 10% depreciation – gain | | (4,381,318) | | (4,061,229) |

### 14.7 Interest rate risk management

The Entity minimizes its exposure to interest rate risk by borrowing funds at fixed rates, because investment properties owned by the Entity generate a fixed income in the form of rental income which is indexed to inflation.

### 14.8 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 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 10.8% of its total portfolio's gross leasable area (unaudited), and 75% and 89% of its operating lease receivable balance and 17% and 20% its annualized rents as of and for the year ended December 31, 2014 and 2013, 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.

### 14.9 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, 2014 is as follows:

| | Weighted average interest rate | | Less than 1 month | | 1-3 months | | 3 months to 1 year | | 1-2 years | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Long-term debt | 7.02 | $ | 625,125 | $ | 1,708,713 | $ | 6,295,270 | $ | 198,109,960 | $ | 306,739,068 |
| Accrued interest | | | 1,807,921 | | 3,599,598 | | 16,000,378 | | 12,206,488 | | 33,614,385 |
| | | $ | 2,433,046 | $ | 5,308,311 | $ | 22,295,648 | $ | 210,316,448 | $ | 340,353,453 |

14.10 Fair value of financial instruments

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

The Entity's financial assets held for trading are classified as level 1 in the IFRS 13 fair value hierarchy since they are traded in an active market.

14.10.2 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, 2014 and 2013 is $328,637,868 and $325,471,021, 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 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:

| | 2014 | 2013 |
|---|---|---|
| Short-term benefits | $ 3,386,779 | $ 2,770,884 |
| Share-based payments | 323,764 | |
| | $ 3,710,543 | $ 2,770,884 |

## 16. SHARE-BASED PAYMENTS

16.1 Employee share option plan of the Entity

**Details of the employee share option plan of the Entity**

The Entity has a restricted stock scheme for certain executives of the Entity. In accordance with the terms of the plan, as approved by the board of directors at a previous board meeting, based on certain performance metrics, the Entity granted certain executives a long-term incentive plan that will be settled using the Entity's own shares. Under this plan, eligible executives will receive compensation settled in shares and delivered over a three-year period. Using a cash amount determined based on performance metrics, the Entity will purchase its own shares in the market, place them in a trust, and deliver them in three equal settlement dates to the executives after 26, 38 and 50 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

The fair value of the awards granted was $954,749. Cumulative compensation expense in respect of this plan for the year ended December 31, 2014 is $323,764. Compensation expense related to this plan will continue to be accrued through the periods until the last of the three tranches is settled in February 2018.

The following share-based payment arrangements were in existence during the current year:



**Fair value of share awards granted in the year**

The fair value of the share awards granted during the financial year was determined based on a fixed amount of cash determined as per the Entity's plan. It is assumed that executives would exercise the awards after vesting date.

## 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 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 44 and 38 years, respectively.

During November 2014, the Entity entered into letters of intent to acquire land reserves. The amount of the commitment for the purchase of the land totals $10,785,417.

On December 18, 2014, the Entity entered into a letter of intent to obtain a credit facility with Metropolitan Life Insurance Company Real Estate Investments ("Metlife") for up to $50,000,000. This loan, if obtained by the Entity, will accrue interest at an annual rate of the greater of (a) the sum of (i) the yield on securities having a maturity equal to the "on the run" 7 year U.S. Treasury rate plus (ii) 250 basis points or (b) 4.35%. The loan will have monthly interest only payments for 40 months and thereafter monthly amortizations of principal and interest.

## 18. EVENTS AFTER THE REPORTING PERIOD

In January 28, 2015, the Entity issued a total of 124,274,111 shares, including the overallotment option, through a follow-on public offering of shares in the Mexican Stock Exchange and through a private offering of shares in international markets under the Rule 144A of the United States of America and Regulation S under the Securities Act of 1933. The offering price was 27 Mexican pesos per share and the net proceeds of this offering were received on February 4, 2015.

## 19. FINANCIAL STATEMENTS ISSUANCE AUTHORIZATION

On February 16, 2015 the issuance of the consolidated financial statements was authorized by Juan Sottil, the Entity's Chief Financial Officer; consequently, they do not reflect events occurred after that date. These consolidated financial statements were approved by the General Ordinary Shareholders' Meeting, held on March 25, 2015.

## APPENDIX

### Awards and recognitions

In 2014, Vesta and its employees received various recognitions attesting to the effort, commitment and dedication with which we all do our jobs. .

| Awarding institution | Recipient | Reason |
|---|---|---|
| Mexican Stock Exchange | Vesta | Member of the Sustainability Index |
| US Green Building Council (US GBC) | Vesta / Bombardier MA-2<br>Vesta / BRP<br>Vesta / Querétaro Offices | LEED Certification LEED |
| Mexican Federal Environmental Protection Agency (PROFEPA) | Vesta | Environmental Quality |
| Ecovadis | Vesta | Sustainability Audit/ Valuation |
| Mexican Center for Philanthropy (CEMEFI) | Vesta | ESR Distinction |

### Participation in organizations and associations

| |
|---|
| Asociación Mexicana de Parques Industriales (AMPIP) |
| Signatories of the UN Global Compact (UNGC) |
| Mexican-German Chamber of Commerce and Industry (COMCE) |
| US Green Building Council (USGBC) |
| Urban Land Institute (ULI |
| Sustentabilidad para México (SUME) |
| Industriales of the Bajío Region |
| Asociación Mexicana de la Industria Maquiladora y Exportación (AIM) |
| Desarrollo Económico e Industrial of Tijuana (DEITAC) |
| Comité de Promoción Industrial of Cd. Juárez |
| Industria Nacional de Autopartes (INA) |
| Consejo de América Latina de Real Estate Network de YPO/WPO |
| Consejo Mexicano de Asuntos Internacionales (COMEXI) |
| US-Mexico Chamber of Commerce (AMCHAM) |

### Parameters of this report

This is the third integrated annual report that we present to our stakeholders regarding our financial and non-financial performance. It has been prepared in accordance with the indicators of the Global Reporting Initiative (GRI) version 3.1. The information presented corresponds to the period between January 1 and December 31, 2014, unless otherwise indicated. Reports are presented on an annual basis, and quantitative and qualitative information about Vesta's sustainability management and performance and the data presented were collected from each of the company's corporate areas, then consolidated by the sustainability area.

Detailed information about our company, its operating and financial performance, and our previous integrated annual reports, and digital version, can be found on our website at www.vesta.com.mx. There were no significant changes in the coverage, scope or valuation methods used in this report compared to 2013 report. The information included covers 100% of Vesta's operations in Mexico, unless otherwise indicated. There were also no changes in the structure or ownership of the company that would affect the comparability of the periods presented.

To prepare this report, we conducted an internal exercise to define the parameters of best practices and company performance, the current global context of sustainability in the real estate industry and the matters that are material to our stakeholders. Accordingly, in this report, our stakeholders can find clear, objective and transparent information about the primary progress and achievements in sustainability that we have considered a priority according to our materiality analysis, including numerous case studies that serve to exemplify our commitment in this area.

The report has been prepared according to the GRI Guidelines, at Application Level A. As it did last year, Vesta will continue requesting external validation of this report from an independent firm, because it recognizes the importance of providing accurate and verifiable information.

GRI: 2.10, 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.13, 4.13, 4.14



APPLICATION LEVEL
VESTA
JUN 2015
SERVICE

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## UNITED NATIONS GLOBAL COMPACT PRINCIPALS

| |
|---|
| **HUMAN RIGHTS** |
| Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights. |
| Principle 2: Make sure that they are not complicit in human rights abuses. |
| **LABOR** |
| Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining |
| Principle 4: The elimination of all forms of forced and compulsory labour. |
| Principle 5: The effective abolition of child labour. |
| Principle 6: The elimination of discrimination in respect of employment and occupation. |
| **ENVIRONMENT** |
| Principle 7: Businesses should support a precautionary approach to environmental challenges. |
| Principle 8: Undertake initiatives to promote greater environmental responsibility. |
| Principle 9: Encourage the development and diffusion of environmentally friendly technologies. |
| **ANTI-CORRUPTION** |
| Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. |

| Indicator | Content GRI 3.1 | |
|---|---|---|
| **1. STRATEGY AND ANALYSIS** | | |
| 1.1 | Declaration of the most senior person in the organization who makes long-term decisions. | 12 |
| 1.2 | Main effects, risks and opportunities. | 12 |
| **2. PROFILE OF THE ORGANIZATION** | | |
| 2.1 | Name of the organization. | 11 |
| 2.2 | Brands, products and/or services. | 11, 17, 32 |
| 2.3 | Operating structure: main divisions, entities, affiliates and businesses. | 27 |
| 2.4 | Head office of the organization. | 3rd cover |
| 2.5 | Countries or states in which the organization operates and conducts major business. | 11 |
| 2.6 | Nature of property and legal form. | 11 |
| 2.7 | Markets supplied (geographical breakdown, sectors supplied and types of customers/ beneficiaries). | 11 |
| 2.8 | Dimensions of the organization: employees, operations, net sales, total capitalization. | 18-21, 56 |
| 2.9 | Substantial changes during the period covered by size, structure and property of the organization. | 27 |
| 2.10 | Awards and recognitions during the year. | 114 |
| **3. REPORT PARAMETERS** | | |
| **Report profile** | | |
| 3.1 | Period covered. | 114 |
| 3.2 | Date of previous report. | 114 |
| 3.3 | Report presentation cycle | 114 |
| 3.4 | Point of contact for matters concerning the report. | 121 |

GRI: 3.12

| | | |
|---|---|---|
| **Scope and coverage of report** | | |
| 3.5 | Definition of content (materiality, subjects in order of importance and identification of stakeholders and at whom the report is aimed). | 114 |
| 3.6 | Coverage (countries, divisions, subsidiaries, suppliers, etc.). | 114 |
| 3.7 | Limitations to extent of coverage. | 114 |
| 3.8 | Joint investments, affiliates, premises leased and others that may affect comparability between periods and/or organizations. | 114 |
| 3.9 | Techniques for measuring data and the basis for making calculations. | 114 |
| 3.10 | Effect of restating information in previous reports. | 114 |
| 3.11 | Major changes relative to previous periods with regard to extent, coverage or valuation methods. | 114 |
| **GRI Index** | | |
| 3.12 | Index of basic content. | 115 |
| **Audit** | | |
| 3.13 | Current external audit policy and practices. | 114 |
| **4. GOVERNANCE, COMMITMENTS AND INVOLVEMENT WITHSTAKEHOLDERS** | | |
| **Corporate Governance** | | |
| 4.1 | Structure of government of the organization, including committees that establish strategy or supervise the organization. | 19, 42 |
| 4.2 | State if the president holds an executive position. | 42 |
| 4.3 | Number and gender of members of the board, independent or non-executive. | 42 |
| 4.4 | Procedures for shareholders and employees to make recommendations to the board. | 46 |
| 4.5 | Link between payment of board members, senior executives and directors, and performance of the organization. | 46, 57 |
| 4.6 | Procedures for preventing conflicts of interests in the board of directors. | 46 |
| 4.7 | Procedure for establishing the composition, training and experience of members of the board and committees, including considerations regarding sex and other diversity indicators. | 42 |
| 4.8 | Declaration of mission, values, code of ethics and main principles. | 46, 50 |
| 4.9 | Procedures of the board for supervising, identifying and managing financial, environmental and social performance, including risks and opportunities, and adherence to international standards, codes of conduct and principles. | 53 |
| 4.10 | Procedure for assessing the performance of the board of directors. | 46 |
| **Commitment to external initiatives** | | |
| 4.11 | Principle of precaution (risk management in operating planning or development of new products). | 53 |
| 4.12 | Social, environmental and economic programs and initiatives developed externally. | 71 |
| 4.13 | Associations to which the organization belongs (sector, national and international). | 71, 114 |
| **Stakeholder involvement** | | |
| 4.14 | List of stakeholders (the community, customers, employees, local communities, shareholders, suppliers). | 114 |
| 4.15 | Base for identifying stakeholders. | 69 |
| 4.16 | Ways of including stakeholders: studies, surveys, discussion groups, social experts, Company advisors). | 69 |
| 4.17 | Aspects of interest through the involvement of stakeholders and the response of the organization. | 70 |
| Standard Disclosures Part II: Disclosures on Management Approach (DMAs) | | |
| **DMA EC** | **Disclosure on Management Approach EC** | |
| Aspects | Economic PerformanceCOMM | 20 |
| | Market presence | 11 |
| | Indirect Economic ImpactsCOMM | 80 |
| **DMA EN** | **Disclosure on Management Approach EN** | |
| Aspects | Materials | 75 |
| | Energy | 77 |
| | Water | 76 |
| | Biodiversity | 74 |
| | Emissions, effluents and waste | 76 |
| | Land Degradation, Contamination and Remediation | 74 |
| | Products and Services | 53 |
| | Compliance | 77 |
| | Transport | 56 |



| | | |
|---|---|---|
| **DMA LA** | **Disclosure on Management Approach LA** | |
| Aspects | Employment | 58, 60 |
| | Labor/management relations | 58 |
| | Occupational Health and Safety | 59 |
| | Training and Education | 59 |
| | Diversity and equal opportunity | 59 |
| | Equal remuneration for women and men | 58, 59 |
| **DMA HR** | **Disclosure on Management Approach HR** | |
| Aspects | Investment and procurement practices | 55, 80 |
| | Non-discrimination | 50 |
| | Freedom of association and collective bargaining | 56 |
| | Child labor | 50 |
| | Prevention of forced and compulsory labor | 50 |
| | Security Practices | 50 |
| | Indigenous rights | 50 |
| | Assessment | 77 |
| | Remediation | 74 |
| **DMA SO** | **Disclosure on Management Approach SO** | |
| Aspects | Local communities | 72 |
| | Corruption | 50 |
| | Public policy | 50 |
| | Anti-competitive behavior | 29 |
| | Compliance | 29 |
| **DMA PR** | **Disclosure on Management Approach PR** | |
| Aspects | Customer health and safety | 50 |
| | Product and service labelling | 50 |
| | Marketing communications | 50 |
| | Customer privacy | 50 |
| | Compliance | 50 |
| **5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS** | | |
| **Economic performance** | | |
| EC1 | Direct economic value produced and distributed (income, expenditure, employee salaries, donations and other investment in the community). | 18, 20, 21, 80 |
| EC2 | Economic consequences, risks and opportunities due to climate exchange. | 66 |
| EC3 | Coverage of obligations of the organization due to community benefit programs. | 56, 57 |
| EC4 | Major financial assistance received from government. | |
| **Market presence** | | |
| EC5 | Range between initial standard salary, broken-down by gender, and minimum local salary. | 57 |
| EC6 | Policy, practices and proportion of expenditure corresponding to local suppliers. | |
| EC7 | Procedure for local contracting and proportion of local executives. | 55 |
| **Indirect economic impact** | | |
| EC8 | Investment in infrastructure and services for the benefit of the public. | 72, 80 |
| EC9 | Substantial indirect economic impact and its extent. | 71 |
| Environmental performance | | |
| **Material** | | |
| EN1 | Material used, by weight or volume. | 75 |
| EN2 | Proportion of material used that may be recycled. | |
| **Energy** | | |
| EN3 | Direct use of energy by primary sources. | 20, 75 |
| EN4 | Indirect user of energy by primary sources. | 75 |
| CRE1 | Intensity of energy in buildings. | 75 |
| EN5 | Energy saving due to conservation and improvements in efficiency. | 75, 78 |
| EN6 | Initiatives to provide efficient services and products or those based on renewable sources of energy and reductions achieved. | 74 |
| EN7 | Initiatives to reduce indirect consumption of energy and reductions achieved. | 74 |



VESTA
2014 Annual Report

| | | |
|---|---|---|
| **Water** | | |
| EN8 | Total water consumption by source. | 76 |
| EN9 | Sources of water affected by consumption. | 76 |
| EN10 | Total percentage and volume of water recycled or reused. | 76 |
| CRE2 | Intensity of use of water for buildings. | |
| **Biodiversity** | | |
| EN11 | Location and size of land with high biodiversity value in areas that are not protected areas. | 74 |
| EN12 | Impact on biodiversity in protected natural areas or high biodiversity in unprotected areas. | 74 |
| EN13 | Protected or restored habitats. | 74 |
| EN14 | Strategies for managing the impact on biodiversity. | 74 |
| EN15 | Species and habitats affected. | 74 |
| **Emission, spills and waste** | | |
| EN16 | Direct and indirect GHG emissions. | 20, 76 |
| EN17 | Other indirect and relevant GHG emissions (weight). | 78 |
| CRE3 | Intensity of GHG emissions derived from buildings. | 76 |
| CRE4 | Intensity of GHG emissions derived from new buildings and refurbished buildings. | 76 |
| EN18 | Initiatives to reduce GHG and achievements. | 77, 78 |
| EN19 | Emission of substances that affect the ozone layer (weight). | 77 |
| EN20 | Other important emissions (nitric oxide or nitrogen monoxide NO and sulfur oxide SO) by type and weight. | 77 |
| EN21 | Disposal of waste water (type and destination). | 77 |
| EN22 | Total weight of waste managed (type and method of treatment). | 77 |
| EN23 | Number and volume of accidental spills. | 77 |
| EN24 | Weight of hazardous waste transported, imported, exported or treated. | 29, 77 |
| EN25 | Water resources affected by the discharge of water and runoff water. | 77 |
| CRE5 | Need to recover land for current use and potential of land, in accordance with the relevant legal framework. | 74 |
| **Products and services** | | |
| EN26 | Initiatives to mitigate the environmental affect of products and services, and achievements. | 74 |
| EN27 | Percentage of products sold and packing material recovered at the end of their operating life. | 77 |
| **Compliance with standards** | | |
| EN28 | Non-monetary penalties and fines for failure to observe environmental regulations. | 77 |
| **Transport** | | |
| EN29 | Environmental impact of the transport of products, goods and materials, or transport of employees. | 77 |
| **General** | | |
| EN30 | Breakdown of environmental expenses and investment. | 77 |
| Employment practices and working ethics | | |
| **Employment** | | |
| LA1 | Total employees (type, contract, region and gender. | 21 |
| LA2 | New employees and turnover (by age, genderand region). | 21, 60 |
| LA3 | Benefits for full-time employees that are not offered to part-time or temporary employees. | 56, 57 |
| LA15 | Number of people who return to work and retention after maternity or paternity leave, by gender | 59 |
| **Company/employee relationship** | | |
| LA4 | Number of employees covered by a collective bargaining agreement. | 56 |
| LA5 | Minimum time for advising changes in the organization and if specified in collective bargaining agreements. | 56 |
| **Occupational Health and safety** | | |
| LA6 | Total number of workers represented on joint health and safety committees –management – employees. | 59 |
| LA7 | Absenteeism, lost days and fatalities at work, by region and gender | 59 |
| CRE6 | Number of employees that are part of a recognized and reliable health and safety management system. | 60 |
| LA8 | Education, training, assessment and risk control and prevention programs. | 59 |
| LA9 | Health and safety matters covered in agreements with unions. | 59 |



| | | |
|---|---|---|
| **Education and training** | | |
| LA10 | Average number of hours training/year/employee, by gender and category. | 21, 58 |
| LA11 | Skills management and ongoing training programs. | 58, 61 |
| LA12 | Number of employees whose professional performance and development is assessed regularly, by gender. | 58 |
| **Diversity and equal opportunities** | | |
| LA13 | Breakdown of board members and employees (gender age, minorities and other diversity indicators). | 21, 56 |
| **Equal opportunities for men and women** | | |
| LA14 | Ratio of the basic wage of men in comparison with women, broken down by professional category. | 57 |
| Human rights | | |
| **Investment and supply chain practices** | | |
| HR1 | Investment contracts and agreements that include human rights clauses. | 29 |
| HR2 | Distributors, contractors and business partners analyzed with regard to human rights and measures taken. | |
| HR3 | Total number of hours training in human rights policies and procedures, number of employees trained. | |
| **No discrimination** | | |
| HR4 | Incidents of discrimination and measures taken. | 50, 55 |
| **Freedom of association and collective bargaining agreements** | | |
| HR5 | Operations and suppliers that violate the right to freedom of association, and measures taken. | 56 |
| **Child exploitation** | | |
| HR6 | Operations and suppliers that have a risk of child exploitation and measures taken. | 55 |
| **Forced labor** | | |
| HR7 | Operations and suppliers identified as being sources of forced labor, and measures taken to prevent it. | 55 |
| **Security practices** | | |
| HR8 | Number of security staff trained in human rights. | |
| **Rights of indigenous communities** | | |
| HR9 | Incidents regarding violation of the rights of indigenous communities, and measures taken. | 50 |
| HR10 | Operations that have been inspected or assessed with regard to human rights. | 50 |
| **Corrective measures** | | |
| HR11 | Number of complaints received regarding human rights and that have been dealt with using formal conciliatory procedures. | 50 |
| Performance of the corporation | | |
| **Local communities** | | |
| SO1 | Number of operations in which development programs have been implemented and the impact and participation of the local community. | 71 |
| SO9 | Operations with a negative, significant, possible or actual impact on local communities. | 71 |
| SO10 | Means of prevention and mitigation implemented in operations that have a negative, possible, significant or actual impact on local communities. | 28 |
| CRE7 | Number of people voluntarily or involuntary displaced and/or relocated due to developments, broken down by project. | 28 |
| **Corruption** | | |
| SO2 | Business units analyzed with regard of corruption. | 50 |
| SO3 | Number of employees trained in anti-corruption policy and procedures. | 50 |
| SO4 | Measures taken in response to incidents of corruption. | 50 |
| **Public policy** | | |
| SO5 | Position and participation in public policy and lobbying. | 71 |
| SO6 | Financial contributions and contributions in kind to political parties or related institutions. | 50 |
| **Unfair competition** | | |
| SO7 | Action taken due to anti-monopoly practices and against free competition, and results. | 50 |
| **Compliance with regulations** | | |
| SO8 | Monetary and non-monetary sanctions and fines for failure to observe laws and regulations. | 50 |

| | | |
|---|---|---|
| **Security practices** | | |
| HR8 | Number of security staff trained in human rights. | NA |
| **Rights of indigenous communities** | | |
| HR9 | Incidents regarding violation of the rights of indigenous communities, and measures taken. | 50 |
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| SO6 | Financial contributions and contributions in kind to political parties or related institutions. | 50 |
| **Unfair competition** | | |
| SO7 | Action taken due to anti-monopoly practices and against free competition, and results. | 50 |
| **Compliance with regulations** | | |
| SO8 | Monetary and non-monetary sanctions and fines for failure to observe laws and regulations. | 50 |
| Performance of responsibility for products | | |
| **Customer health and safety** | | |
| PR1 | Assessment of the lifecycle of products in relation to the effect on the health and safety of customers, and number of categories of products and services assessed. | 34 |
| PR2 | Incidents derived from failure to meet regulations or voluntary codes regarding the effect on health and safety during lifecycle. | 29 |
| **Labeling of products and services** | | |
| PR3 | Type of information on products and number of products subject to these requirements. | NA |
| CRE8 | Type and number of sustainability certification and classification method for new buildings, administration, use and modernization. | 31 |
| PR4 | Failure to observe regulations and voluntary codes on information and labeling. | NA |
| PR5 | Customer satisfaction practices and results of studies carried out. | 28, 36 |
| **Marketing communication** | | |
| PR6 | Programs for complying with the laws or voluntary codes referred to in marketing communications. | 50 |
| PR7 | Total number of incidents of non-compliance with regultations on marketing communications, and results. | 36, 50 |
| **Customer privacy** | | |
| PR8 | Claims regarding lack of privacy and data of customers. | 50 |
| **Compliance with regulations** | | |
| PR9 | Fines for failure to meet standards regarding the supply and use of products and services. | 58 |



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