

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

Unaudited Condensed
Consolidated Interim Financial
Statements as of September 30,
2021 and for the Nine Months
Period Ended September 30, 2021

Corporación Inmobiliaria Vesta, S. A. B. de C. V. and Subsidiaries
Unaudited Condensed Consolidated Interim
Statements of Financial Position

As of September 20, 2021 (unaudited) and December 31, 2020
(In US dollars)

Assets	Notes	30/09/2021 (Unaudited)	31/12/2020
Current assets:			
Cash, cash equivalents and restricted cash	5	\$ 373,721,699	\$ 120,542,142
Financial assets held for trading	6	-	684,936
Recoverable taxes	7	6,434,876	14,861,110
Operating lease receivables	8	7,430,186	6,360,901
Prepaid expenses		<u>1,938,955</u>	<u>420,057</u>
Total current assets		389,525,716	142,869,146
Non-current assets:			
Investment property	9	2,288,855,026	2,103,214,762
Office furniture – Net		2,218,740	2,854,654
Right-of-use asset	10	344,324	657,837
Guarantee deposits made and restricted cash		<u>11,611,898</u>	<u>4,506,526</u>
Total non-current assets		<u>2,303,029,988</u>	<u>2,111,233,779</u>
Total assets		<u>\$ 2,692,555,704</u>	<u>\$ 2,254,102,925</u>
Liabilities and stockholders' equity			
Current liabilities:			
Current portion of long-term debt	11	\$ 3,152,531	\$ 1,923,573
Finance leases payable - short term	10	373,331	510,417
Accrued interest		7,819,879	2,832,174
Accounts payable and client advances		3,704,860	1,825,850
Taxes payable, mainly income taxes		2,218,146	3,516,026
Accrued expenses		3,932,370	4,309,640
Dividends payables	12.4	<u>27,888,464</u>	<u>13,534,555</u>
Total current liabilities		49,089,581	28,452,235
Non-current liabilities:			
Long-term debt	11	931,133,450	837,837,479
Finance leases payable- long term	10	26,039	220,868
Derivative financial instruments	17	-	4,132,836
Guarantee deposits received		15,892,169	13,924,249
Deferred income taxes	14.2	<u>287,345,170</u>	<u>260,873,091</u>
Total non-current liabilities		<u>1,234,396,828</u>	<u>1,116,988,523</u>
Total liabilities		<u>1,283,486,409</u>	<u>1,145,440,758</u>
Litigation and other contingencies	18		
Stockholders' equity:			
Capital stock	12.1	482,858,389	422,437,615
Capital premium	12.3	466,230,183	297,064,471
Retained earnings		500,757,546	429,048,327
Share-based payments reserve	16	5,794,563	7,986,137
Foreign currency translation		(46,571,386)	(44,981,398)
Valuation of derivative financial instruments	17	<u>-</u>	<u>(2,892,985)</u>
Total stockholders' equity		<u>1,409,069,295</u>	<u>1,108,662,167</u>
Total liabilities and stockholders' equity		<u>\$ 2,692,555,704</u>	<u>\$ 2,254,102,925</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Profit and Comprehensive Income

For the nine and three months period ended September 20, 2021 and 2020
(In US dollars)

	Notes	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2020 (Unaudited)	Three Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2020 (Unaudited)
Revenues:					
Rental income		\$ 119,106,307	\$ 111,676,052	\$ 41,002,130	\$ 37,457,861
Management Fees		<u>87,973</u>	<u>149,450</u>	<u>7,502</u>	<u>19,768</u>
		119,194,280	111,825,502	41,009,632	37,477,629
Property operating costs:					
Related to properties that generate rental income	13.1	(5,900,789)	(6,869,570)	(2,473,727)	(2,004,441)
Related to properties that do not generate rental income	13.1	<u>(983,167)</u>	<u>(814,888)</u>	<u>(353,652)</u>	<u>(287,292)</u>
Gross profit		112,310,324	104,141,044	38,182,253	35,185,896
Administration expenses	13.2	(15,011,792)	(12,638,976)	(5,144,429)	(4,004,564)
Depreciation		(1,160,702)	(1,115,884)	(390,724)	(323,789)
Other income and expenses:					
Interest income		52,954	296,659	24,167	81,746
Other income (expense) – Net		195,829	(23,796)	116,322	(202,364)
Interest expense		(39,137,474)	(29,420,917)	(11,651,279)	(9,933,891)
Exchange gain (loss) – Net		(231,272)	1,231,149	(476,894)	7,666,205
Gain on sale of investment property		8,558,888	-	-	-
Gain on revaluation of investment property	9	<u>113,890,560</u>	<u>32,398,038</u>	<u>26,610,777</u>	<u>4,215,727</u>
Total other income and expenses		<u>83,329,485</u>	<u>4,481,133</u>	<u>14,623,093</u>	<u>1,827,423</u>
Profit before income taxes		179,467,315	94,867,317	47,270,193	32,684,966
Income tax expense					
Current income tax	14.1	(25,686,474)	(11,696,558)	(6,671,784)	(6,631,170)
Deferred income tax		<u>(26,294,693)</u>	<u>(50,960,637)</u>	<u>(35,832,671)</u>	<u>10,588,101</u>
Profit for the period		<u>127,486,148</u>	<u>32,210,122</u>	<u>4,765,738</u>	<u>36,641,897</u>
Other comprehensive loss - Net of tax:					
<i>Items that may be reclassified subsequently to profit and loss:</i>					
- Fair value gain (loss) from derivative financial instruments		2,892,985	(3,212,131)	-	172,446
- Exchange differences on translating other functional currency operations		<u>(1,589,988)</u>	<u>(10,083,318)</u>	<u>(735,223)</u>	<u>(1,326,673)</u>
Total other comprehensive loss		1,302,997	(13,295,449)	(735,223)	(1,154,227)
Total comprehensive income for the period		<u>\$ 128,789,145</u>	<u>\$ 18,914,673</u>	<u>\$ 4,030,515</u>	<u>\$ 35,487,670</u>
Basic and diluted earnings per share	12.5	<u>\$ 0.1840</u>	<u>\$ 0.056</u>	<u>\$ 0.0069</u>	<u>\$ 0.0641</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

**Unaudited Condensed Consolidated Interim
Statements of Changes in Stockholders' Equity**

For the nine months period ended September 30, 2021 and 2020
(In US dollars)

	Capital stock	Additional paid-in capital	Retained earnings	Share-based payments reserve	Foreign currency translation	Valuation of derivate financial investment	Total stockholders' equity
Balances as of January 1, 2020	\$ 426,300,951	\$ 303,741,438	\$ 416,230,463	\$ 7,828,591	\$ (43,090,933)	\$ 114,471	\$ 1,111,124,981
Dividends declared	-	-	(54,138,218)	-	-	-	(54,138,218)
Vested shares	1,238,891	3,016,699	-	(4,255,590)	-	-	-
Share-based payments	-	-	-	2,860,708	-	-	2,860,708
Repurchase of shares	(5,102,227)	(9,693,666)	-	-	-	-	(14,795,893)
Comprehensive (loss) income	<u>-</u>	<u>-</u>	<u>32,210,122</u>	<u>-</u>	<u>(10,083,318)</u>	<u>(3,212,131)</u>	<u>18,914,673</u>
Balances as of September 30, 2020 (Unaudited)	<u>\$ 422,437,615</u>	<u>\$ 297,064,471</u>	<u>\$ 394,302,367</u>	<u>\$ 6,433,710</u>	<u>\$ (53,174,251)</u>	<u>\$ (3,097,660)</u>	<u>\$ 1,063,966,252</u>
Balances as of January 1, 2021	\$ 422,437,615	\$ 297,064,471	\$ 429,048,327	\$ 7,986,137	\$ (44,981,398)	\$ (2,892,985)	\$ 1,108,662,167
Equity issuance	58,773,174	164,422,275	-	-	-	-	223,195,449
Dividends declared	-	-	(55,776,929)	-	-	-	(55,776,929)
Vested shares	1,647,600	4,743,437	-	(6,391,037)	-	-	-
Share-based payments	-	-	-	4,199,463	-	-	4,199,463
Comprehensive (loss) income	<u>-</u>	<u>-</u>	<u>127,486,148</u>	<u>-</u>	<u>(1,589,988)</u>	<u>2,892,985</u>	<u>128,789,145</u>
Balances as of September 30, 2021 (Unaudited)	<u>\$ 482,858,389</u>	<u>\$ 466,230,183</u>	<u>\$ 500,757,546</u>	<u>\$ 5,794,563</u>	<u>\$ (46,571,386)</u>	<u>\$ -</u>	<u>\$ 1,409,069,295</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine months period ended September 30, 2021 and 2020
(In US dollars)

	30/09/2021 (Unaudited)	30/09/2020 (Unaudited)
Cash flows from operating activities:		
Profit before income taxes	\$ 179,467,315	\$ 94,867,317
Adjustments:		
Depreciation	847,187	680,958
Depreciation of right-of-use assets	313,515	336,279
Gain on revaluation of investment property	(113,890,560)	(32,398,038)
Unrealized effect of foreign exchange rates	231,270	(1,231,149)
Interest income	(52,954)	(296,659)
Amortization of debt issuance expenses	4,435,354	-
Interest expense	34,702,120	29,420,918
Expense recognized in respect of share-based payments	4,199,463	2,860,708
Gain on sale of investment property	(8,558,888)	-
Working capital adjustments:		
(Increase) decrease in:		
Operating lease receivables – Net	(1,069,285)	(804,995)
Recoverable taxes	8,721,256	(11,528,694)
Guarantee deposits paid	(7,105,372)	33,075
Prepaid expenses	(1,518,898)	(391,051)
Increase (decrease) in:		
Accounts payable and client advances	1,879,010	1,190,815
Accrued expenses	(377,270)	(1,014,479)
Guarantee deposits collected	1,967,920	335,220
Income taxes paid	(28,624,984)	(17,789,095)
Net cash generated by operating activities	<u>75,566,199</u>	<u>64,271,130</u>
Cash flows from investing activities:		
Purchases of investment property	(78,553,838)	(48,269,708)
Purchases of Office furniture and Vehicles	(211,273)	(232,338)
Sale of investment property	15,954,315	-
Financial assets held for trading	684,936	209,159
Interest received	52,954	296,659
Net cash used in investing activities	<u>(62,072,906)</u>	<u>(47,996,228)</u>
Cash flows from financing activities:		
Interest paid	(29,714,415)	(28,402,511)
Loans obtained	350,000,000	125,000,000
Loans paid	(252,500,000)	-
Costs of debt issuance	(7,746,222)	-
Dividends paid	(41,423,020)	(40,441,028)
Repurchase of treasury shares	-	(14,795,892)

	30/09/2021 (Unaudited)	30/09/2020 (Unaudited)
Equity issuance	229,215,429	-
Costs of equity issuance	(6,019,980)	-
Repayments of financial leases	<u>(378,330)</u>	<u>(402,824)</u>
Net cash generated by financing activities	<u>241,433,462</u>	<u>40,957,745</u>
Effects of exchange rates changes on cash	(1,747,198)	4,297,349
Net increase in cash, cash equivalents and restricted cash	253,179,557	61,529,996
Cash, cash equivalents and restricted cash at the beginning of the period - Note 5	<u>121,277,454</u>	<u>75,798,905</u>
Cash, cash equivalents and restricted cash at the end of the period - Note 5	<u>\$ 374,457,011</u>	<u>\$ 137,328,901</u>

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

Notes to Unaudited Condensed Consolidated Interim Financial Statements

For the nine months period ended September 30, 2021 and 2020
(In US dollars)

1. General information

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

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

1.1 Significant event

On April 27, 2021, Vesta announced the favorable results of its primary offering of common shares (equity issuance). The offering consisted in an equity offering of shares in Mexico through the Mexican Stock Exchange with an international distribution. The gross income Vesta would receive was \$200,000,000. The primary global offering considered 101,982,052 shares, and an over-allotment option of up to 15% calculated with respect to the number of shares subject to the primary offering, that was 15,297,306 additional shares, an option that could be exercised by the underwriters within the following 30 days to this date; such over-allotment was exercised by the underwriters on April 28, 2021 in a total of 14,797,307 shares for an amount of \$29,215,419. The cost of such equity issuance was \$6,109,980 million dollars.

On May 13, 2021, Vesta offered \$350,000,000 of Senior Notes, Vesta ESG Global bond 35/8 05/31, with mature on May 13, 2031. The notes will bear interest at a rate of 3.62% per annum. The cost of such debt issuance was \$7,746,222.

As a result of the spread of the coronavirus (COVID-19) in Mexico and around the world, Vesta successfully maintained during 2020 the disciplined execution of strategies, which included rapidly adapting to the current environment and providing temporary relief to clients supported by strong relationships and its strong knowledge of the market. This allowed Vesta to quickly and timely identify emerging trends and seize new business opportunities.

As part of negotiations with clients during 2020, Vesta only granted deferral of leases payments for those tenants who met certain strict criteria, focusing that decision on long-term growth. In total, there were 43 deferral agreements that represented approximately \$5.5 million, of which 84% were recovered during the second half of the year and 16% were recovered during 2021; agreements and payments have been fulfilled. It is important to note that, as of September 30, 2020, 95% of Vesta's tenants had reached pre-crisis operating levels and, at the end of the year, all are at normal levels. During 2021 Vesta did not grant additional deferrals to tenants.

The economic trends of the real estate market in Mexico, and specifically the industrial real estate market, were not materially affected by the pandemic. See Note 9 “Investment Properties” for further details. Finally, from an internal point of view, Vesta continued with its surveillance measures and cost reduction, review of contracts with non-essential third parties and constant monitoring of its performance.

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

In the current period, the Entity has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2020

IFRS 10 e IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 e IAS 8	Definition of material
Conceptual Framework	Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

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

Amendments to IAS 1	<i>Classification of liabilities as current or non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases.</i>

Management do not expect that the adoption of the Standards listed above will have a material impact on the unaudited condensed consolidated financial statements of the Entity in future periods.

3. Significant accounting policies

a. *Statement of compliance*

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. *Basis of preparation*

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

i. *Historical cost*

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

ii. *Fair value*

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

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

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

iii. *Going concern*

The unaudited condensed consolidated interim financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern.

During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared and it was declared by the World Health Organization (WHO) as a Global Pandemic on March 11, 2020. Its recent global expansion has motivated a series of containment measures in the different geographies where the Entity operates and certain sanitary measures have been taken by the Mexican authorities to stop the spread of this virus. Derived from the uncertainty and duration of this pandemic, the Entity analyzed the considerations mentioned in Note 1.1 to determine if the assumption of continuing as a going concern is applicable.

c. *Interim financial condensed statements*

The accompanying unaudited condensed consolidated interim financial statements as of September 30, 2021 and 2020 have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, and have not been audited. In the opinion of Entity management, all adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying unaudited condensed consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of the Entity and their respective notes for the year ended December 31, 2020.

The accounting policies and methods of computation are consistent with the audited consolidated financial statements for the year ended December 31, 2020, except as mentioned in Note 3.

d. *Basis of consolidation*

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

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

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

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

Subsidiary/entity	Ownership percentage		Activity
	30/09/2021	31/12/2020	
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 Bajío, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Vesta Querétaro, S. de R.L. de C.V.	99.99%	99.99%	Holds investment properties
Proyectos Aeroespaciales, S. de R.L. de C.V.	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 specialized administrative services (REPSE # AR12757/2021)
Servicio de Administración y Mantenimiento Vesta S. de R.L. de C.V.	99.99%	99.99%	Provide specialized administrative services (REPSE # AR17617/2021)
EnerVesta S. de R.L. de C.V.	99.99%	99.99%	Provides administrative services to the Entity
Trust CIB 2962	(1)	(1)	Vehicle to distribute shares of employees under the Long Term Incentive Plan

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

e. **Financial instruments**

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

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

f. **Financial assets**

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

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

Classification of financial assets

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

Write-off policy

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

g. **Financial liabilities**

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not

qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Financial liabilities measured subsequently at amortized cost

Financial liabilities (including borrowings) that are not (i) contingent consideration of an acquirer in a

business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and expenses paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

h. *Derivative financial instruments*

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest and foreign exchange rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in Note 17.

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

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the unaudited condensed consolidated interim financial statements unless the Entity has both legal right and intention to offset. The impact of the Master Netting Agreements on the Entity's financial position is disclosed in Note 17. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i. *Hedge accounting*

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

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

Cash flow hedges

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the

recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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

j. ***Cash and cash equivalents***

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

k. ***Office furniture***

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

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

l. ***Restricted cash***

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the long-term debt agreements entered into by the Entity (as discussed in Note 11). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash was classified within guarantee deposits made.

m. ***Investment property***

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

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

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

At the end of each reporting period, the Entity reviews the carrying amounts of its long-lived assets to

determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

o. **Leases**

1) The Entity as lessor

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

2) The Entity as lessee

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

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect

interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

p. ***Foreign currencies***

The U.S. dollar is the functional currency of Vesta and all of its subsidiaries except for WTN Desarrollos Inmobiliarios de México, S. de R. L. de C. V. (“WTN”) and Vesta Management, S. de R.L. de C.V. (VM), which consider the Mexican peso to be their functional currency and are considered to be “foreign operations” under IFRS. However, Vesta and its subsidiaries keep their accounting records in Mexican pesos. In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the exchange rates in effect on the dates of each transaction.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the exchange rates in effect at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates in effect on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

q. ***Borrowing costs***

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

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

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

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

r. ***Employee benefits***

Employee benefits for termination

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

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

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

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

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

Statutory employee profit sharing (“PTU”)

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

As result of the recent changes to the Income Tax Law and the Labor Law, as of September 30, 2021 and 2020, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law and the Article 127 of the Labor Law.

s. ***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.

t. ***Income taxes***

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

1. ***Current tax***

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

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

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The

assessment is based on the judgement of tax professionals within the Entity supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

2. *Deferred income tax*

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

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

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

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

3. *Current and deferred tax for the year*

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

u. *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.

v. *Revenue recognition*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, management of the Entity is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

– Valuation of investment properties

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

In estimating the fair value of an asset or a liability, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity engages third party qualified valuation experts. The valuation committee works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 9 and 17.

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

5. Cash, cash equivalents and restricted cash

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

	30/09/2021 (Unaudited)	31/12/2020
Cash and bank balances	\$ 373,702,506	\$ 119,731,799
Restricted cash	<u>19,193</u>	<u>810,343</u>
	373,721,699	120,542,142
Non-current restricted cash	<u>735,312</u>	<u>735,312</u>
Total	<u>\$ 374,457,011</u>	<u>\$ 121,277,454</u>

Restricted cash represents balances held by the Entity that is only available for use under certain conditions pursuant to the loan agreements entered into by the Entity. Such conditions include payment of monthly debt service and compliance with certain covenants set forth in the loan agreement. These restrictions are classified

according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are expected to be fulfilled. Non-current restricted cash was classified within guarantee deposits made in the accompanying unaudited condensed consolidated interim statements of financial position.

On March 25th, 2021, the company held an extraordinary shareholder meeting to authorize the increase of the Company's Equity to raise US\$300,000,000. On April the 27th, 2021, issued equity and raised US\$229,215,419. In addition, On May 13th, the company successfully placed a Global Bond for US\$350,000 with a coupon of 3.625%, (Note1.1). Net of debt prepayments, the company received US\$100,000,000. The Company will use the proceeds of both Capital Market transactions to execute the investment plan disclosed in the extraordinary shareholder meeting, strengthening the balance sheet to enter Mexico's metropolitan markets and continue to invest in the Northern, Bajio, and Central markets.

6. Financial assets held for trading

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

7. Recoverable taxes

	30/09/2021 (Unaudited)	31/12/2020
Recoverable value-added tax ("VAT")	\$ 4,539,072	\$ 5,359,817
Recoverable income taxes	1,640,631	517,928
Recoverable dividend tax	-	8,737,362
Other receivables	<u>255,173</u>	<u>246,003</u>
	<u>\$ 6,434,876</u>	<u>\$ 14,861,110</u>

8. Operating lease receivables

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

	30/09/2021 (Unaudited)	31/12/2020
0-30 days	\$ 7,155,331	\$ 5,986,117
30-60 days	169,419	259,016
60-90 days	105,436	46,475
Over 90 days	<u>-</u>	<u>69,293</u>
Total	<u>\$ 7,430,186</u>	<u>\$ 6,360,901</u>

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, 96% and 94% of all operating lease receivables are current as of September 30, 2021 and December 31, 2020, 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 2% and 4% of all operating lease receivables as of September 30, 2021 and December 31, 2020, respectively. Operating lease

receivables outstanding for more than 60 and less than 90 days represent 2% of all operating lease receivable as of September 30, 2021 and December 31, 2020. Operating lease receivables outstanding greater than 90 days represent 0% of all operating lease receivable as of September 30, 2021 and December 31, 2020.

ii. Movement in the allowance for doubtful accounts receivable

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of the operating lease receivable. The balance as of September 30, 2021 and December 31, 2020 are \$3,516,765 (unaudited) and \$3,507,156, respectively.

iii. Client concentration risk

As of September 30, 2021 and December 31, 2020, one of the Entity's client accounts for 33% or \$2,439,261 (unaudited) and 36% or \$2,267,628, respectively, of the operating lease receivables balance. The same client accounted for 6% and 5% (unaudited) of the total rental income of Entity for the nine months periods ended September 30, 2021 and 2020, respectively. No other client accounted for more than 10% of the total rental income of the Entity for the three months ended September 30, 2021 and 2020.

iv. Leasing agreements

Operating leases relate to non-cancellable lease agreements over the investment properties owned by the Entity, which generally have terms ranging between 5 to 15 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.

v. Non-cancellable operating lease receivables

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

	30/09/2021 (Unaudited)	31/12/2020
Not later than 1 year	\$ 137,579,421	\$ 138,281,031
Later than 1 year and not later than 3 years	227,867,597	238,267,534
Later than 3 year and not later than 5 years	182,450,869	193,877,884
Later than 5 years	<u>99,018,713</u>	<u>105,963,985</u>
	<u>\$ 646,916,600</u>	<u>\$ 676,390,434</u>

9. Investment property

The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, who hold recognized and relevant professional qualifications and have vast experience in the types of investment properties, owned by the Entity, use valuation techniques such as the discounted cash flows approach, replacement cost approach and income cap rate approach. The techniques used include assumptions, the majority of which are not directly observable in the market, to estimate the fair value of the Entity's investment property such as discount rates, long-term net operating income ("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 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 unaudited condensed consolidated interim statements of profit and comprehensive income in the period in which they arise.

The Entity's investment properties are located in México and they are classified as Level 3 hierarchy based on IFRS 13 "fair value measurement".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 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	Q3 2021: 7.38% to 11.99% 2020: 8.25% to 11.96%	The higher the discount rate, the lower the fair value.
			Exit cap rate	Q3 2021: 6.5% to 8.99% 2020: 7.5% to 9.5%	The higher the exit cap rate, the lower the fair value
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rates	Mexico: Q3 2021: 3.5% to 4.0% 2020: 3.48% to 3.9% U.S.: Q3 2021: 2.2% to 2.5% 2020: 2.1% to 2.5%	The higher the inflation rate, the higher the fair value.
			Absorption period	12 months on average	The shorter the absorption period, the higher the fair value.
			Market Related rents	Depending on the park/state	The higher the market rent, the higher the fair value
			Exchange rate - Mexican pesos per \$1	Q3 2021: 20.00 to 20.28 2020: 20.00 to 20.50	The higher the exchange rate, the lower the fair value
Land	Level 3	Market	Price per acre	Weighted average price	The higher the price,

reserves	value	per acre	the higher the fair
		Q3 2021: \$152,520	value.
		2020: \$136,947	

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

	30/09/2021 (Unaudited)	31/12/2020
Buildings and land	\$ 2,160,053,761	\$ 1,963,602,133
Land improvements	18,017,902	38,471,121
Land reserves	<u>143,196,200</u>	<u>124,098,159</u>
	2,321,267,863	2,126,171,413
Less: Cost to conclude construction in-progress	<u>(32,412,837)</u>	<u>(22,956,651)</u>
Balance at end of year	<u>\$ 2,288,855,026</u>	<u>\$ 2,103,214,762</u>

The reconciliation of investment property is as follows:

	30/09/2021 (Unaudited)	31/12/2020
Balance at beginning of year	\$ 2,103,214,762	\$ 1,989,131,091
Additions	78,553,838	72,523,331
Foreign currency translation effect	591,293	(3,809,924)
Disposal of investment property	(7,395,427)	-
Gain on revaluation of investment property	<u>113,890,560</u>	<u>45,370,264</u>
Balance at end of year	<u>\$ 2,288,855,026</u>	<u>\$ 2,103,214,762</u>

During 2021, the Entity reached an agreement to sell four land reserved located in Queretaro totaling 2.1 million square feet for \$15,954,315, the cost associated with the sale was \$7,395,427, generating a gain in sale of investment property of \$8,558,888.

During 2007, the Entity entered into an agreement to build the Querétaro Aerospace Park, which consists of a trust created by the Government of the State of Querétaro, as grantor (*fideicomitente*), Aeropuerto Intercontinental de Querétaro, S. A. de C. V., as a participant for the purposes of granting its consent, Bombardier Aerospace México, S.A. de C.V., as beneficiary (*fideicomisario*), and BBVA Bancomer, S.A., as trustee (*fiduciario*), to which the Entity, through its subsidiary, Proyectos Aeroespaciales, S. de R. L. de C. V. (PAE), adhered as grantee and beneficiary. The Government of the State of Queretaro contributed certain rights to the trust, including rights to use the land and the infrastructure built by the state of Queretaro, allowing PAE to build and lease buildings for a total period equivalent to the term of the concession granted to the Aerospace Park; the remaining term is approximately 34 years as of December 31, 2020.

PAE is the only designated real estate developer and was granted the right to use the land and infrastructure to develop industrial facilities thereon, lease such industrial facilities to companies in the aerospace and related industries and to collect the rents derived from the lease of the industrial facilities, for a period of time equivalent to the remaining term of the airport concession (approximately 34 years as of December 31, 2020).

With respect to such rights, all construction, addition and improvements made by PAE to the contributed land (including without limitation, the industrial facilities) will revert in favor of the Government of the State of Queretaro at the end of the term of the trust, for zero consideration.

During 2013, the Entity 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 Entity (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 Entity.

As of September 30, 2021 and December 31, 2020, the Entity’s investment properties have a gross leasable area (unaudited) of 31,648,869 square feet (or 2,940,276 square meters) and 31,221,035 square feet (or 2,900,529 square meters), respectively and they were 92.8% and 90.7% occupied by tenants (unaudited), respectively. As of June 30, 2021 and December 31, 2020, investment properties with a gross leasable area (unaudited) of 1,576,307 square feet (or 146,444 square meters) and 1,096,541 square feet (or 101,872 square meters), respectively, were under construction, representing an additional 5.0% and 3.5% of the Entity’s total leasable area.

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

10. Entity as lessee

1. *Rights to use:*

Rights to use	January 1, 2021	Additions	Disposals	September 30, 2021 (Unaudited)
Property	\$ 1,260,626	\$ -	\$ -	\$ 1,260,626
Vehicles and office equipment	<u>302,650</u>	<u>-</u>	<u>-</u>	<u>302,650</u>
Cost of rights to use	<u>1,563,276</u>	<u>-</u>	<u>-</u>	<u>1,563,276</u>
Depreciation of rights to use				
Property	\$ (717,375)	\$ (259,236)	\$ -	\$ (976,611)
Vehicles and office equipment	<u>(188,064)</u>	<u>(54,279)</u>	<u>-</u>	<u>(242,343)</u>
Accumulated depreciation	<u>(905,439)</u>	<u>(313,515)</u>	<u>-</u>	<u>(1,218,952)</u>
Total	<u>\$ 657,837</u>	<u>\$ (313,515)</u>	<u>\$ -</u>	<u>\$ 344,324</u>
Rights to use	January 1, 2020	Additions	Disposals	December 31, 2020
Property	\$ 1,260,626	\$ -	\$ -	\$ 1,260,626
Vehicles and office equipment	<u>302,650</u>	<u>-</u>	<u>-</u>	<u>302,650</u>
Cost of rights to use	<u>\$ 1,563,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,563,276</u>
Rights to use	January 1, 2020	Additions	Disposals	December 31, 2020
Depreciation of rights to use				
Property	\$ (365,208)	\$ (352,167)	\$ -	\$ (717,375)
Vehicles and office equipment	<u>(94,032)</u>	<u>(94,032)</u>	<u>-</u>	<u>(188,064)</u>
Accumulated	<u>(459,240)</u>	<u>(446,199)</u>	<u>-</u>	<u>(905,439)</u>

Depreciation

Total	<u>\$ 1,104,036</u>	<u>\$ (446,199)</u>	<u>\$ -</u>	<u>\$ 657,837</u>
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2. **Lease obligations:**

	January 1, 2021	Additions	Disposals	Interests paid	Repayments	September 30, 2021 (Unaudited)
Lease liabilities	<u>\$ 731,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,415</u>	<u>\$(378,330)</u>	<u>\$ 399,370</u>
	January 1, 2020	Additions	Disposals	Interests paid	Repayments	December 31, 2020
Lease liabilities	<u>\$1,164,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,959</u>	<u>\$(534,920)</u>	<u>\$ 731,285</u>

3. **Analysis of maturity of liabilities by lease:**

Finance lease liabilities	30/09/2021 (Unaudited)	31/12/2020
Not later than 1 year	\$ 373,331	\$ 504,612
Later than 1 year and not later than 5 years	<u>52,480</u>	<u>299,526</u>
	425,811	804,138
Less: future finance cost	<u>(26,441)</u>	<u>(72,853)</u>
Total lease liability	<u>\$ 399,370</u>	<u>\$ 731,285</u>
Finance lease - short term	373,331	510,417
Finance lease - long term	<u>26,039</u>	<u>220,868</u>
Total lease liability	<u>\$ 399,370</u>	<u>\$ 731,285</u>

11. **Long-term debt**

On May 13, 2021, the Entity offered \$350,000,000 of Senior Notes (“Vesta ESG Global bond 35/8 05/31”) with mature on May 13, 2031. The notes bear annual interest at a rate of 3.625%.

On August 2, 2019, the Entity entered into a new five-year unsecured credit agreement with various financial institutions for an aggregated amount of \$80,000,000, and a revolving credit line of \$125,000,000. This loan bears quarterly interest at a rate of LIBOR plus 2.15 percentage points. The proceeds were received on the same date, as of December 31, 2019 the revolving credit line have not been used. (“Syndicated Loan”). On March 23, 2020 and April 7, 2020, the Entity disposed \$85,000,000 and \$40,000,000, respectively, out of the revolving credit line, bearing quarterly interest at a rate of LIBOR plus 1.85 percentage points.

On June 25, 2019, the Entity entered into a 10-year senior notes series RC and 12-year senior notes series RD with various financial institutions, for and aggregated amounts of \$70,000,000 and \$15,000,000, respectively. Each Series RC notes and Series RD notes bear interest on the unpaid balance at the rates of 5.18% and 5.28%, respectively.

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

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

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

On July 27, 2016, the Entity entered into a 10-year loan agreement with Metropolitan Life Insurance Company ("MetLife") for a total amount of \$150,000,000 due on August 2026. The proceeds of both of the aforementioned credit facilities were used to settle the Entity's debt with Blackstone which matured on August 1, 2016.

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

Loan	Amount	Annual interest rate	Monthly amortization	Maturity	30/09/2021 (Unaudited)	31/12/2020
MetLife 10-year	\$ 150,000,000	4.55%	(1)	August 2026	\$ 150,000,000	\$ 150,000,000
MetLife 7-year	47,500,000	4.35%	(2)	April 2022	-	45,756,834
Series A Senior Note	65,000,000	5.03%	(4)	September 2024	65,000,000	65,000,000
Series B Senior Note	60,000,000	5.31%	(4)	September 2027	60,000,000	60,000,000
Series A Senior Note	45,000,000	5.50%	(4)	May 2025	45,000,000	45,000,000
Series B Senior Note	45,000,000	5.85%	(4)	May 2028	45,000,000	45,000,000
MetLife 10-year	118,000,000	4.75%	(3)	December 2027	118,000,000	118,000,000
MetLife 8-year	26,600,000	4.75%	(1)	August 2026	26,600,000	26,600,000
Series RC Senior Note	70,000,000	5.18%	(5)	June 2029	70,000,000	70,000,000
Series RD Senior Note	15,000,000	5.28%	(6)	June 2031	15,000,000	15,000,000
Syndicated Loan	80,000,000	Variable rate plus margin	(7)	August 2024	-	80,000,000
Syndicated Loan - revolving credit line	85,000,000	Variable rate plus margin	(8)	August 2022	-	125,000,000
Vesta ESG Global bond 35/8 05/31	350,000,000	3.625%	(9)	May 2031	350,000,000	-
					<u>944,600,000</u>	<u>845,356,834</u>
Less: Current portion					(3,152,531)	(1,923,573)
Less: Direct issuance cost					<u>(10,314,019)</u>	<u>(5,595,782)</u>
Total long-term debt					<u>\$ 931,133,450</u>	<u>\$ 837,837,479</u>

- (1) On July 22, 2016 the Entity entered into a 10-year loan agreement with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual fixed rate of 4.55%. On March 2020, under this credit facility, an additional loan was contracted for \$26,600,000 bearing interest on a monthly basis at an annual fixed rate of 4.75%. Principal amortization over the two loans will commence on September 1, 2023. This credit facility is guaranteed with 48 of the Entity's properties, which expires on August 1, 2026.
- (2) On March 9, 2015, the Entity entered into a 7-year loan with MetLife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.35%. The loan had monthly interest only payments for 42 months and thereafter monthly amortizations of principal and interest until it would mature on April 1, 2022. The loan was secured by 6 of the Entity's investment properties. In May 2021, the Entity paid the loan.
- (3) On November 1, 2017, the Entity entered into a 10-year loan agreement with Metlife, interest on this loan is paid on a monthly basis and calculated using an annual rate of 4.75%. The loan bears monthly interest only for 60 months and thereafter monthly amortizations of principal and interest until it matures on December 1, 2027. This loan is secured by 21 of the Entity's investment properties under a Guarantee Trust.
- (4) Series A Senior Notes and Series B Senior Notes are not secured by investment properties of the Entity. The interest on these notes are paid on a monthly basis and calculated using an annual rates established in the table above.
- (5) On June 25, 2019, the Entity entered into a 10-year senior notes series RC to financial institutions, interest on these loans are paid on a semiannual basis and calculated using an annual rate of 5.18%. The loan bears semiannual interest only beginning December 14, 2019. The notes payable matures on June 14, 2029. Five of its subsidiaries are joint obligators under these notes payable.
- (6) On June 25, 2019, the Entity entered into a 12-year note payable to financial institutions, interest on these loans are paid on a semiannual basis and calculated using an annual rate of 5.28%. The loan bears semiannual interest only beginning December 14, 2019. The notes payable matures on June 14, 2031. Five of its subsidiaries are joint obligators under these notes payable.

- (7) Five-year Syndicated Loan, interest was paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varied depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan was outstanding. The applicable margin was 215 basis points. Principal amortization would commence payable on August 2, 2024 (maturity date); however, in May 2021, the Entity paid the loan.
- (8) Under the Syndicated Loan revolving credit line, interest was paid on a quarterly basis and calculated using LIBOR (London interbank offered rate) plus an applicable margin. The applicable margin varies depending on the Entity's leverage ratio (higher or lower than 40%) and the number of months that the Syndicated Loan was outstanding. The applicable margin was 185 basis points. Principal amortization would commence payable on August 2, 2022 (maturity date); however, in May 2021, the Entity paid the loan.
- (9) On May 13, 2021, the Entity offered \$350,000,000 Senior Notes, Vesta ESG Global bond 35/8 05/31 with mature on May 13, 2031. The notes bear annual interest at a rate of 3.625%. Interest is paid on a semiannual basis. The cost incurred for this issuance was \$7,746,222.

These credit agreements require the Entity to maintain certain financial ratios (such as Cash-on-Cash and debt service coverage ratios) and to comply with certain affirmative and negative covenants. The Entity is in compliance with these covenants as of September 30, 2021.

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

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

As of September 2023	\$ 3,152,531
As of September 2024	4,293,051
Thereafter	934,001,887
Less: direct issuance cost	<u>(10,314,019)</u>
Total long-term debt	<u>\$ 931,133,450</u>

12. Capital stock

1. Capital stock as of September 30, 2021 and December 31, 2020 is as follows:

	<u>30/09/2021 (Unaudited)</u>		<u>31/12/2020</u>	
	Number of shares	Amount	Number of shares	Amount
Fixed capital				
Series A	5,000	\$ 3,696	5,000	\$ 3,696
Variable capital				
Series B	<u>684,247,628</u>	<u>482,854,693</u>	<u>564,209,433</u>	<u>422,433,919</u>
Total	<u>684,252,628</u>	<u>\$ 482,858,389</u>	<u>564,214,433</u>	<u>\$ 422,437,615</u>

2. Shares in treasury

As of September 30, 2021 and December 31, 2020 total shares in treasury area as follows:

	30/09/2021 (Unaudited)	31/12/2020
Shares in treasury (1)	5,652,438	34,880,880
Shares in long term incentive plan trust (2)	<u>8,331,369</u>	<u>7,361,766</u>
Total share in treasury	<u>13,983,807</u>	<u>42,242,646</u>

- (1) Shares in treasury are not included in the Total Capital Stock of the Entity, they represent the total stock outstanding under the repurchase program approved by the resolution of the general ordinary stockholders meeting on March 13, 2020.
- (2) Shares in long-term incentive plan trust are not included in the Total Capital Stock of the Entity. The trust was established in 2018 in accordance with the resolution of the general ordinary stockholders meeting on January 6, 2015 as the 20-20 Long Term Incentive Plan, this compensation plan was extended for the period 2021 to 2025, "Long Term Incentive Plan" by a resolution of the general ordinary stockholders meeting on March 13, 2020. Such trust was created by the Entity as a vehicle to distribute shares to employees under the mentioned incentive plan (see Note 17) and is consolidated by the Entity. The shares granted to the eligible executives and deposited in the trust accrue dividends for the employee any time the ordinary shareholders receive dividends and those dividends do not need to be returned to the Entity if the executive forfeits the granted shares.

3. Fully paid ordinary shares

	Number of shares	Amount	Additional paid-in capital
Balance as of December 31, 2019	573,454,946	\$ 426,300,951	\$ 303,741,438
Vested shares	2,330,601	1,238,891	3,016,698
Repurchase of shares	<u>(11,571,114)</u>	<u>(5,102,227)</u>	<u>(9,693,665)</u>
Balance as of December 31, 2020	<u>564,214,433</u>	<u>422,437,615</u>	<u>297,064,471</u>
Equity issuance	116,779,358	58,773,174	164,422,275
Vested shares	<u>3,258,837</u>	<u>1,647,600</u>	<u>4,743,437</u>
Balance as of September 30, 2021 (Unaudited)	<u>684,252,628</u>	<u>\$ 482,858,389</u>	<u>\$ 466,230,183</u>

4. Dividend payments

Pursuant to a resolution of the general ordinary stockholders meeting on March 23, 2021, the Entity declared a dividend of \$55,776,929, approximately \$0.097 per share. The dividend will be paid in four equal installments of \$13,944,232 due on April 15, 2021, July 15, 2021, October 15, 2021 and January 15, 2022. As of September 30, 2021, the unpaid dividends are \$27,888,464.

The first installment of the 2021 declared dividends, paid on April 15, 2020, was approximately \$0.0242 per share, for a total dividend of \$13,944,232.

The second installment of the 2021 declared dividends, paid on July 15, 2021, was approximately \$0.0242 per share, for a total dividend of \$13,944,232

Pursuant to a resolution of the general ordinary stockholders meeting on March 13, 2020, the Entity declared a dividend of \$54,138,218, approximately \$0.094 per share. The dividend will be paid in four equal installments of \$13,534,555 due on April 15, 2020, July 15, 2020, October 15, 2020 and January 15, 2021. As of December 31, 2020, the unpaid dividends are \$13,534,555.

The first installment of the 2020 declared dividends, paid on April 15, 2020, was approximately \$0.0237 per share, for a total dividend of \$13,534,555.

The second installment of the 2020 declared dividends, paid on July 15, 2020, was approximately \$0.0237 per share, for a total dividend of \$13,534,554.

The third installment of the 2020 declared dividends, paid on October 15, 2020, was approximately \$0.0237 per share, for a total dividend of \$13,534,554.

The fourth installment of the 2020 declared dividends, paid on January 15, 2021, was approximately \$0.0237 per share, for a total dividend of \$13,534,554.

Stockholders' equity, except restated common stock and tax-retained earnings, will incur income tax payable by the Entity at the rate in effect at the time of its distribution. Any tax paid on such distribution may be credited against income for the year in which the dividend tax is paid and, in the subsequent two years, against tax for the year and the related estimated payments.

Dividends paid from tax profits generated from January 1, 2014 to residents in Mexico and to nonresident stockholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

Pursuant temporary provisions of the Income Tax Law of 2016, a tax benefit was granted to individual taxpayers that are subjects to 10% withholding tax on dividends received from legal entities, which come from earnings generated in 2014, 2015 and 2016, subject to compliance with specific requirements. The tax benefit consists in a tax credit equivalent to 5% of the distributed dividend (applicable only to dividends distributed in 2019 and onwards). Such tax credit will be credited only against the aforementioned 10% withholding tax.

Retained earnings that may be subject to withholding of up to 10% on distributed dividends is as follows:

Period	Amount	Reinvested earnings	Distributed earnings (1)	Amount that could be subject to withholding tax	Amount not subject to withholding tax
Retained earnings as of December 31,					
2013	\$ 204,265,028	\$ 204,265,028	\$ 155,001,403	\$ 49,263,625	\$ -
2014	24,221,997	24,221,997	24,221,997	-	-
2016	45,082,793	45,082,793	45,082,793	-	-
2017	126,030,181	126,030,181	80,095,471	45,934,710	-
2018	93,060,330	93,060,330	-	93,060,330	-
2019	134,610,709	134,610,709	-	134,610,709	-
2020	66,956,082	66,956,082	-	66,956,082	-

- (1) Dividend paid in 2021 were distributed from earnings generated in 2014 and 2016, which were reinvested until the days in which the dividends were paid. Dividend paid in 2020 were distributed from earnings generated in 2017.

5. Earnings per share

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

	30/09/2021 (Unaudited)	31/12/2020
Basic earnings per shares:		
Earnings attributable to ordinary share to outstanding (1)	\$ 125,952,566	\$ 66,103,277
Weighted average number of ordinary shares outstanding	<u>684,252,626</u>	<u>566,610,301</u>
Basic earnings per share	<u>\$ 0.1840</u>	<u>\$ 0.117</u>
	30/09/2021 (Unaudited)	31/12/2020
Diluted earnings per shares:		
Earnings attributable to ordinary shares outstanding and shares in Incentive Plan Trust (1)	\$ 127,486,148	\$ 66,956,082
Weighted average number of ordinary shares plus shares in Incentive Plan trust	<u>692,583,998</u>	<u>573,972,067</u>
Diluted earnings per share	<u>\$ 0.1840</u>	<u>\$ 0.117</u>
(1) Total earnings	\$ 127,486,148	\$ 66,956,082
Less: Earnings attributable to shares in Incentive Plan trust	<u>1,533,582</u>	<u>852,805</u>
Earnings attributable to ordinary shares outstanding	<u>\$ 125,952,566</u>	<u>\$ 66,103,277</u>

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

13. Property operating costs and administration expenses

1. Property operating costs consist of the following:

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

	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2020 (Unaudited)	Three Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2020 (Unaudited)
Real estate tax	\$ 1,407,199	\$ 1,263,913	\$ 470,494	\$ 393,405
Insurance	490,769	287,915	171,910	91,961
Maintenance	1,156,202	926,069	449,491	404,516
Structural maintenance accrual	77,680	77,981	24,818	26,138
Other property related expenses	<u>2,768,939</u>	<u>4,313,692</u>	<u>1,357,014</u>	<u>1,088,421</u>
	<u>\$ 5,900,789</u>	<u>\$ 6,869,570</u>	<u>\$ 2,473,727</u>	<u>\$ 2,004,441</u>

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

	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2020 (Unaudited)	Three Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2020 (Unaudited)
Real estate tax	\$ 306,032	\$ 216,640	\$ 143,452	\$ 61,423
Insurance	45,495	18,646	16,227	5,953
Maintenance	111,419	78,725	33,772	40,108
Other property related expenses	<u>520,221</u>	<u>500,877</u>	<u>160,201</u>	<u>179,808</u>
	<u>983,167</u>	<u>814,888</u>	<u>353,652</u>	<u>287,292</u>
Total property operating costs	<u>\$ 6,883,956</u>	<u>\$ 7,684,458</u>	<u>\$ 2,827,379</u>	<u>\$ 2,291,733</u>

2. Administration expenses consist of the following:

	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2020 (Unaudited)	Three Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2020 (Unaudited)
Marketing expenses	\$ 626,117	\$ 376,346	\$ 271,079	\$ 139,586
Auditing, legal and consulting expenses	556,643	914,658	121,787	239,106
Property appraisal and other fees	513,537	638,477	171,645	180,086
Direct employee benefits and other benefits	8,961,094	7,887,731	3,174,397	2,503,686
Other administrative expenses	<u>154,938</u>	<u>101,898</u>	<u>59,912</u>	<u>31,934</u>
	10,812,329	9,919,110	3,798,820	3,094,398
Long-term incentive - Note 16.3	<u>4,199,463</u>	<u>2,719,866</u>	<u>1,345,609</u>	<u>910,166</u>
	<u>\$ 15,011,792</u>	<u>\$ 12,638,976</u>	<u>\$ 5,144,429</u>	<u>\$ 4,004,564</u>

14. Income taxes

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

- 14.1 Income taxes are as follows:

	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2020 (Unaudited)
ISR expense:		
Current	\$ 25,686,474	\$ 11,696,558
Deferred	<u>26,294,693</u>	<u>50,960,637</u>
Total income taxes	<u>\$ 51,981,167</u>	<u>\$ 62,657,195</u>

14.2 The main items originating the deferred ISR liability are:

	30/09/2021 (Unaudited)	31/12/2020
Deferred ISR liability:		
Investment properties	\$ (292,286,775)	\$ (264,464,006)
Effects of tax loss carryforwards	3,995,024	70,927
Other provisions and prepaid expenses	<u>946,581</u>	<u>3,519,988</u>
Deferred income taxes - Net	<u>\$ (287,345,170)</u>	<u>\$ (260,873,091)</u>

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:

	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2020 (Unaudited)
Short-term benefits	\$ 3,478,908	\$ 3,007,992	\$ 1,224,497	\$ 982,008
Share-based compensation expense	<u>4,199,463</u>	<u>2,719,866</u>	<u>1,345,609</u>	<u>910,166</u>
	<u>\$ 7,678,371</u>	<u>\$ 5,727,858</u>	<u>\$ 2,570,106</u>	<u>\$ 1,892,174</u>

16. Share-based payments

16.1 Details of the share-based plans of the Entity

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

- i. The trust was established in 2018 in accordance with the resolution of the general ordinary stockholders meeting on January 6, 2015 as the 20-20 Long Term Incentive Plan, this compensation plan was extended for the period 2021 to 2025, "Long Term Incentive Plan", by a resolution of the general ordinary stockholders meeting on March 13, 2020.
- ii. Under the Vesta 20-20 Long-term Incentive Plan (the Vesta 20-20 Incentive Plan), as approved by the Board of Directors, the Entity used a "Relative Total Return" methodology to calculate the total number of shares to be granted. The shares granted each year will vest over the three years following the grant date.
- iii. The total number of shares to be granted during the six-year period, 2015 to 2020 is up to 10,428,222 shares at the expected performance. The total number of shares to be granted during the five-year period, will be 2021 to 2025 is up to 13,750,000. In addition, the Long Term Incentive Plan. The shares will be contributed to a trust and delivered in three equal settlement dates to the executives after 12, 24 and 36 months from the grant date, provided that the eligible executives remain in the employment of the Entity.

The actual grant ranges from a minimum threshold level, an expected amount and a maximum potential grant, these levels are determined at the beginning of each fiscal year by the Corporate Practice Committee.

Grant Year	Shares granted in LTI	Equity Plus Guaranteed Shares	Cumulative Exercised Shares	Shares in trust	Plan Parameters		
					MIN	TARGET	MAX
2015	-	-	-	-	-	1,738,037	2,600,000
2016	863,499	483,826	(1,347,325)	-	695,215	1,738,037	2,607,056
2017	637,200	944,674	(1,581,873)	-	695,215	1,738,037	2,607,056
2018	3,423,106	753,372	(2,784,319)	1,392,159	1,000,000	2,500,000	3,750,000
2019	3,550,449	515,706	(1,355,386)	2,710,769	1,000,000	2,500,000	3,750,000
2020	<u>3,707,949</u>	<u>520,492</u>	<u>-</u>	<u>4,228,441</u>	1,000,000	2,500,000	3,750,000
Total	<u>12,182,203</u>	<u>3,218,070</u>	<u>(7,068,903)</u>	<u>8,331,369</u>			

- iv. As approved in the shareholders meeting held in January 2015, the total number of shares to be granted in each of the following six years ranged from 0, at the threshold level to 1,700,000 shares, at the expected performance level, to a maximum of 2,600,000 shares. The plan parameters changed beginning 2018 to be from 1,100,000 to 2,500,000 shares, to a maximum of 3,750,000 shares. In the Shareholders meeting of March 2020, the shareholders approved to extend the plan from 2021 to 2025 having a minimum payment of 1,100,000 shares at the threshold level to a target of 2,750,000 shares at the expected level of performance and up to a maximum of 4,120,000 shares at the maximum performance level.

Performance is defined following a Total Relative Return principle, that is comparing the shareholder total return in share price performance plus dividend payments over the last three calendar years of the entity compared with the total return of all its Real Estate peers. The threshold level is defined as the second worst performance, the expected level as the median, and the maximum performance as the second best or better among the peer set.

- v. Under the 2014 Long-term Incentive Plan (the 2014 Incentive Plan), the Entity has a share-based plan for 12 top executives of the Entity. In accordance with the terms of the plan, as approved by the board of directors, based on certain performance metrics, the Entity executed a long-term incentive plan that will be settled by the Entity with its own shares which have been repurchased in the market. Under this plan, eligible executives will receive compensation, based on their performance during 2014, settled in shares and delivered over a three-year period. For this plan shares are kept in treasury and may be placed in a trust; they will be delivered to the executives in three equal settlement dates to the executives after 24, 36 and 48 months from the grant date, provided that the eligible executives remain in the employment of the Entity.
- vi. The “Equity Plus” program allows employees to invest their cash incentive bonus in the Entity shares with an additional incentive provided by the Entity, this incentive follows the same delivery guidelines than the share-base payment.

16.2 Fair value of share options granted in the year

- i. Vesta Long Term Incentive Plan - Based on the Relative Total Return, entity share price performance plus dividends relative to the performance of its peer set, for the last three calendar years ended December 31, 2020, resulted in a grant of 4,228,441 shares making the balance of the LTI portion of the trust to be 7,361,766.
- ii. 2014 Incentive Plan - The fair value of the share awards granted under the 2014 Plan, was determined based on a fixed amount of cash determined as per the Entity’s plan. It is assumed that executives will receive the awards after vesting date. The expense under this plan affects the cash position of the Entity.

16.3 Compensation expense recognized

The long-term incentive expense for the three months ended September 30, 2021 and 2020 was as follows:

	Nine Months ended 30/09/2021 (Unaudited)	Nine Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2021 (Unaudited)	Three Months ended 30/09/2020 (Unaudited)
Vesta 20-20 Incentive Plan	\$ 4,199,463	\$ 2,719,866	\$ 1,345,609	\$ 910,166

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

16.4 Share awards outstanding at the end of the year

As of September 30, 2021 and December 31, 2020, there are 8,331,369 (unaudited) and 7,361,766 shares outstanding with a weighted average remaining contractual life of 13 months, the shares granted was in the trust during the vesting period.

17. Interest rate risk management

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

Interest rate swap contracts

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

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

	Contracted fixed interest rate 31/12/2020	Notional principal value 31/12/2020	Fair value assets (liabilities) 31/12/2020
Outstanding received floating pay fixed contracts	1.645	\$ 80,000,000	\$ (4,132,836)

In May 2021, the interest rate swap contracts were cancelled as related loans were paid.

18. Litigation, other contingencies and commitments

Litigation

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

Commitments

As mentioned in Note 9, all rights to construction, improvements and infrastructure built by the Entity in the Queretaro Aerospace Park and in the DSP Park automatically revert back to the government of the State of Queretaro and to Nissan at the end of the concessions, which is approximately in 42 and 35 years, respectively.

19. Subsequent event

a. In follow-up to the COVID-19 pandemic, as of the date of issuance of these unaudited condensed consolidated interim financial statements, Vesta has not granted additional deferrals to those disclosed in Note 1.1 “Significant Events” and the measures to monitor and reduce expenses, reassessment of contracts with non-essential third parties and constant monitoring of their results. In the same way, closeness with clients is maintained to identify possible problems and negotiations. Although the duration of the COVID-19 pandemic is unknown, Vesta management considers that, to this date, there are no ongoing business problems and the real estate market trends remain similar to those of December 31, 2020.

b. On April 23, 2021, a federal mandatory decree in Mexico was published where various labor and tax regulations were modified in order to generally prohibit the subcontracting of personnel and establish the rules under which specialized services may be subcontracted; provided that are not part of the corporate purpose or the predominant economic activity of the beneficiary of these services.

The reform includes the possibility of considering as specialized services those services or complementary/ shared works provided between companies of the same business group, as long as they are not part of the corporate purpose or the predominant economic activity of the company that receives them.

As of the date of issuance of these financial statements, the Entity has completed all corporate actions necessary to approve the adjustments to the incorporation documents of the Entity and its subsidiaries, for them to conform to the provisions of the current legal framework, and is taking all other actions to implement the administrative changes necessary to comply in full with the terms of the new legal framework by the date of it entering into effect.

20. Unaudited condensed consolidated interim financial statements issuance authorization

The accompanying unaudited condensed consolidated interim financial statements were approved by the Board of Directors on October 20, 2021.

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