

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

As of June 30, 2013 and December 31, 2012
(In US dollars)

| Assets | Note | 30/06/2013 | 31/12/2012 |
|---|-------------|-----------------------|-----------------------|
| | | (Unaudited) | |
| Current assets: | | | |
| Cash and cash equivalents | 4 | \$ 6,681,292 | \$ 36,947,094 |
| Financial assets held for trading | 5 | 84,922,949 | 120,345,021 |
| Recoverable taxes | 6 | 16,716,651 | 10,412,489 |
| Operating lease receivables – Net | 7 | 6,919,802 | 4,285,002 |
| Prepaid expenses | | <u>1,203,842</u> | <u>-</u> |
| Total current assets | | 116,444,536 | 171,989,606 |
| Non-current assets: | | | |
| Investment property | 8 | 823,670,849 | 744,761,666 |
| Office furniture – Net | | 338,394 | 297,840 |
| Guarantee deposits made | | <u>2,773,807</u> | <u>2,773,832</u> |
| Total non-current assets | | <u>826,783,050</u> | <u>747,833,338</u> |
| Total assets | | <u>\$ 943,227,586</u> | <u>\$ 919,822,944</u> |
| Liabilities and stockholders' equity | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | 9 | \$ 8,349,160 | \$ 9,834,497 |
| Accrued interest | | 3,203,441 | 3,371,482 |
| Accounts payable | | 423,590 | 1,037,044 |
| Income tax payable | | 196,973 | 2,429,104 |
| Accrued expenses | | <u>357,828</u> | <u>300,518</u> |
| Total current liabilities | | 12,530,992 | 16,972,645 |
| Non-current liabilities: | | | |
| Long-term debt | 9 | 313,982,518 | 318,027,750 |
| Guarantee deposits received | | 5,485,585 | 5,077,934 |
| Deferred income taxes | 13 | <u>71,749,348</u> | <u>62,516,445</u> |
| Total non-current liabilities | | <u>391,217,451</u> | <u>385,622,129</u> |
| Total liabilities | | 403,748,443 | 402,594,774 |
| Litigation and other contingencies | 15 | | |
| Stockholders' equity: | | | |
| Capital stock | 10 | 286,868,218 | 286,868,218 |
| Additional paid-in capital | | 101,900,964 | 101,900,964 |
| Retained earnings | | 143,992,080 | 125,299,684 |
| Foreign currency translation | | <u>6,717,881</u> | <u>3,159,304</u> |
| Total stockholders' equity | | <u>539,479,143</u> | <u>517,228,170</u> |
| Total liabilities and stockholders' equity | | <u>\$ 943,227,586</u> | <u>\$ 919,822,944</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 Other Comprehensive Income

For the six and three months ended June 30, 2013 and 2012
(In US dollars)

| | Note | Six months ended 30/06/2013 | Six months ended 30/06/2012 | Three months ended 30/06/2013 | Three months ended 30/06/2012 |
|---|------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Revenues: | | | | | |
| Rental income | | \$ 28,015,663 | \$ 26,189,500 | \$ 14,453,529 | \$ 12,929,881 |
| Property operating cost | 12.1 | <u>(1,641,101)</u> | <u>(2,802,122)</u> | <u>(806,321)</u> | <u>(1,122,821)</u> |
| Gross profit | | 26,374,562 | 23,387,378 | 13,647,208 | 11,807,060 |
| Administration expenses | 12.2 | (2,494,910) | (1,089,318) | (1,119,062) | (681,091) |
| Depreciation | | (35,345) | (24,851) | (18,524) | (12,203) |
| Other Income and Expenses: | | | | | |
| Interest Income | | 2,525,466 | 10,026 | 1,022,083 | 2,984 |
| Other gains (losses) | | 6,690 | (7,498) | 5,246 | (5,146) |
| Interest expense | | (11,881,464) | (12,452,595) | (5,989,454) | (6,364,682) |
| Exchange (loss) gain | | (1,751,487) | 319,236 | (10,634,021) | (3,337,550) |
| Gain on revaluation of investment property | 8 | <u>25,945,034</u> | <u>18,596,398</u> | <u>3,479,627</u> | <u>10,349,698</u> |
| Total other income | | <u>14,844,239</u> | <u>6,465,567</u> | <u>(12,116,519)</u> | <u>645,304</u> |
| Profit before income taxes | | 38,688,546 | 28,738,776 | 393,373 | 11,759,070 |
| Income tax expense | 13 | <u>(9,527,977)</u> | <u>(7,118,202)</u> | <u>(8,665,546)</u> | <u>(6,494,423)</u> |
| Profit (loss) for the period | | <u>29,160,569</u> | <u>21,620,574</u> | <u>(8,272,191)</u> | <u>5,264,647</u> |
| Other comprehensive loss – items that may be reclassified subsequently to profit or loss: | | | | | |

| | | | | |
|--|----------------------|----------------------|---------------------|---------------------|
| Exchange differences on translating other functional currency operations | <u>3,558,577</u> | <u>(3,204,174)</u> | <u>7,698,420</u> | <u>643,918</u> |
| Total comprehensive for the period | <u>\$ 32,719,146</u> | <u>\$ 18,416,400</u> | <u>\$ (573,770)</u> | <u>\$ 5,908,565</u> |
| Basic and diluted earnings per share | <u>\$ 0.07</u> | <u>\$ 0.10</u> | <u>\$ (0.02)</u> | <u>\$ 0.02</u> |

See accompanying notes to unaudited condensed consolidated interim financial statements.

Corporación Inmobiliaria Vesta, S. A. de C. V. and Subsidiaries
Unaudited Condensed Consolidated Interim Statements of
Changes in Stockholders' Equity

For the six and three months ended June 30, 2013 and 2012
(In US dollars)

| | Capital Stock | Additional Paid-in Capital | Retained Earnings | Foreign Currency Translation | Total Stockholders' Equity |
|--------------------------------|-----------------------|-------------------------------|-----------------------|---------------------------------|-------------------------------|
| Balances as of January 1, 2012 | \$ 167,975,675 | \$ - | \$ 94,251,285 | \$ 2,337,137 | \$ 264,564,097 |
| Comprehensive income | <u>-</u> | <u>-</u> | <u>21,620,574</u> | <u>(3,204,174)</u> | <u>18,416,400</u> |
| Balances as of June 30, 2012 | <u>\$ 167,975,675</u> | <u>\$ -</u> | <u>\$ 115,871,859</u> | <u>\$ (867,037)</u> | <u>\$ 282,980,497</u> |
| Balances as of January 1, 2013 | \$ 286,868,218 | \$ 101,900,964 | \$ 125,299,684 | \$ 3,159,304 | \$ 517,228,170 |
| Equity issuance | 87,974,554 | 109,968,193 | - | - | 197,942,747 |
| Unpaid equity issuance | (87,974,554) | (109,968,193) | - | - | (197,942,747) |
| Dividends declared | - | - | (10,468,173) | - | (10,468,173) |
| Comprehensive income | <u>-</u> | <u>-</u> | <u>29,160,569</u> | <u>3,558,577</u> | <u>32,719,146</u> |
| Balances as of June 30, 2013 | <u>\$ 286,868,218</u> | <u>\$ 101,900,964</u> | <u>\$ 143,992,080</u> | <u>\$ 6,717,881</u> | <u>\$ 539,479,143</u> |

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the six and three months ended June 30, 2013 and 2012
(In US dollars)

| | Six months ended 30/06/2013 | Six months ended 30/06/2012 |
|--|--------------------------------|--------------------------------|
| Cash flows from operating activities: | | |
| Profit before income taxes | \$ 38,688,546 | \$ 28,738,776 |
| Adjustments: | | |
| Depreciation | 35,345 | 24,851 |
| Gain on revaluation of investment property | (25,945,034) | (18,596,398) |
| Effect of foreign exchange rates | 6,197,197 | (319,236) |
| Interest income | (2,525,466) | (10,026) |
| Interest expense | 11,881,464 | 12,452,595 |
| Working capital adjustments: | | |
| (Increase) decrease in: | | |
| Operating lease receivables – Net | (2,634,800) | (807,999) |
| Recoverable taxes | (6,599,236) | (1,049,835) |
| Prepaid expenses | (1,203,842) | (135,506) |
| Guarantee deposits made | 25 | (655,638) |
| Increase (decrease) in: | | |
| Due to related parties | - | (1,535,219) |
| Accounts payable | (613,454) | (1,105,847) |
| Guarantee deposits received | 407,651 | 343,247 |
| Accrued expenses | 504,702 | 71,104 |
| Income taxes paid | (2,679,523) | - |
| Net cash generated by operating activities | <u>15,513,573</u> | <u>17,416,869</u> |
| Cash flows from investing activities: | | |
| Acquisition of investment property | (52,964,149) | (13,979,686) |
| Financial assets held for trading | 34,527,006 | - |

| | | |
|--|---------------------|---------------------|
| Acquisition of office furniture | (51,324) | - |
| Interest received | <u>953,925</u> | <u>10,026</u> |
| Net cash used in investing activities | (17,534,542) | (13,969,660) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | - | 15,126,892 |
| Repayments of borrowings | (5,530,569) | (2,045,231) |
| Interest paid | (12,049,505) | (12,469,929) |
| Dividends paid | <u>(10,468,172)</u> | <u>(1,078,886)</u> |
| Net cash used in financing activities | (28,048,246) | (467,154) |
| Effects of exchange rates changes on cash | <u>(196,587)</u> | <u>(2,933,255)</u> |
| Net increase in cash and cash equivalents | 30,265,801 | 46,800 |
| Cash and cash equivalents at the beginning of period | <u>36,947,094</u> | <u>4,848,250</u> |
| Cash and cash equivalents at the end of period | <u>\$ 6,681,292</u> | <u>\$ 4,895,050</u> |

See accompanying notes to unaudited condensed consolidated interim financial statements.

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

Notes to Unaudited Condensed Consolidated Interim Financial Statements unaudited

For the six and three months ended June 30, 2013 and 2012
(In US dollars)

1. General information and significant events

Corporación Inmobiliaria Vesta, S. A.B. de C. V. (“Vesta”) is a corporation incorporated in Mexico. The address of its registered office and principal place of business is Bosques de Ciruelos 304, 7th floor, Mexico City.

Vesta and subsidiaries (collectively, the “Entity”) are engaged in the development, acquisition and operation of industrial buildings and distribution facilities that are rented to corporations in eleven states throughout Mexico. The Entity does not have employees and receives all its administrative services from a related party.

On June 25, 2013, the Entity issued through a follow-on public offering of shares in the Mexican stock market a total of 114,573,661 for approximately \$197,942,748, excluding direct issuance costs. The proceeds related to the follow-on public offering were received on July 1, 2013.

On July 25, 2012, the Entity issued equity through an initial public offering of shares in the Mexican stock market becoming a Listed Corporation (Sociedad Anonima Bursatil), under the Securities and Exchange Act in México so its denomination became Corporación Inmobiliaria Vesta, Sociedad Anónima Bursátil de Capital Variable, (S. A. B. de C. V.).

On August 1, 2012, the Entity’s newly incorporated subsidiary, Vesta Management S.C., hired all of the former employees and executives of Desarrolladora Vesta, S. de R.L. de C.V., a related party, that until such date provided management services to Vesta. This subsidiary will incur employee benefits, other employee related expenses and employee retirement and postemployment obligations that were formerly paid to Desarrolladora Vesta by the Entity.

2. Significant accounting policies

2.1 *Basis of preparation*

The accompanying unaudited condensed consolidated interim financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, on a historical cost basis, except for investment properties and financial instruments, both of which are measured at fair value, as permitted by International Financial Reporting Standards (“IFRS”). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.2 *Interim financial condensed statements*

The accompanying condensed consolidated interim financial statements as of June 30, 2013 and for the six months ended June 30, 2013 and 2012 have not been audited. In the opinion of Entity management, all adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying condensed consolidated

interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements of the Entity and their respective notes for the year ended December 31, 2012.

The accounting policies and methods of computation are consistent with the audited consolidated financial statements for the year ended December 31, 2012, except for what it is mentioned in note 3.

2.3 ***Basis of consolidation***

The condensed consolidated interim financial statements include the financial statements of Vesta and entities (including special purpose entities) controlled by Vesta (its subsidiaries). The Entity has control over an entity when it is exposed, or has rights, to variable returns from its involvement with such entity and it has the ability to affect those returns through its power over the entity.

| Subsidiary / entity | Ownership percentage | | Activity |
|---|----------------------|----------|-----------------------------|
| | 30/06/13 | 31/12/12 | |
| 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 Queretaro, S. de R.L. de C.V. | 99.99% | 99.99% | Holds investment properties |
| Proyectos Aeroespaciales, S. de R.L. de C.V. | 99.99% | 99.99% | Holds investment properties |
| CIV Infraestructura, S. de R.L. de C.V. ("CIV Infraestructura") | 99.99% | 99.99% | Holds investment properties |

| | | | |
|-------------------------------------|--------|---|--|
| Vesta Management, S.C. – (1) | 99.99% | - | Provides administrative services to the Entity |
| Vesta DSP, S. de R. L. de C.V.– (2) | 99.99% | - | Holds investment properties |

All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

- (1) Vesta Management, S.C. was incorporated as a subsidiary of the Entity as of August 1, 2012.
- (2) Vesta DSP, S. de R. L. de C. V. was incorporated as a subsidiary of the Entity as of January 1, 2013.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

3.1. Amendments to IFRSs affecting presentation and disclosure only

- a. *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income* – The Entity has applied the amendments which introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively.

IAS 1 - The Entity has applied the amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle in advance of the effective date.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

- b. *IAS 19 Employee Benefits* - The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

- c. *New and revised Standards on consolidation, joint arrangements, associates and disclosures* - In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special

Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

- d. *IFRS 13 Fair Value Measurement* - IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

- e. *Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures* – The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

f. *Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012* – The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- amendments to IAS 16 Property, Plant and Equipment; and
- amendments to IAS 32 Financial Instruments: Presentation.

Amendments to IAS 16 - The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32 - The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

3.2. New and revised IFRSs issued but not yet effective

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

IFRS 9 Financial Instruments²

Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures²
Amendments to IFRS 10, IFRS 11 Consolidated Financial Statements, Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities: Transition Guidance²

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities¹

- 1 Effective for annual periods beginning on or after 1 January 2014.
- 2 Effective for annual periods beginning on or after 1 January 2015.
- 3 Effective for annual periods beginning on or after 1 January 2016.

At the date of these consolidated financial statements, the Entity has not fully assessed the effects of adopting these new standards on its financial information but management believes that their adoption will not have a material impact on its financial position or the results of its operations.

4. Cash and cash equivalents

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

| | 30/06/2013 (Unaudited) | 31/12/2012 |
|------------------------|---------------------------|----------------------|
| Cash and bank balances | \$ 2,384,251 | \$ 3,972,805 |
| Cash equivalents | | 26,208,428 |
| Restricted cash | <u>4,297,041</u> | <u>6,765,861</u> |
| | <u>\$ 6,681,292</u> | <u>\$ 36,947,094</u> |

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

5. Financial assets held for trading

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

6. Recoverable taxes

| | 30/06/2013 (Unaudited) | 31/12/2012 |
|-------------------------------------|---------------------------|----------------------|
| Recoverable value-added tax ("VAT") | \$ 13,766,761 | \$ 8,233,933 |
| Recoverable taxes other than VAT | <u>2,949,890</u> | <u>2,178,556</u> |
| | <u>\$ 16,716,651</u> | <u>\$ 10,412,489</u> |

7. Operating lease receivables

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

| | 30/06/2013 (Unaudited) | 31/12/2012 |
|--------------|---------------------------|--------------|
| 0-30 days | \$ 6,687,377 | \$ 3,960,900 |
| 30-60 days | 225,155 | 263,738 |
| 60-90 days | 5,035 | 58,549 |
| Over 90 days | <u>2,235</u> | <u>1,815</u> |

| | | |
|-------|---------------------|---------------------|
| Total | \$ <u>6,919,802</u> | \$ <u>4,285,002</u> |
|-------|---------------------|---------------------|

7.2 Client concentration risk

As of June 30, 2013, one of the Entity's client accounts for 85% or \$5,903,426 of the total operating lease receivable balance. The same client accounted for \$2,901,894 or 67% of the total balance of the operating lease receivables as of December 31, 2012, under the lease agreement entered with such customer lease payments are invoiced every six months in arrears in June and December and they are payable in the first half of the following month after issuing the invoice.

8. **Investment property**

The Entity uses external appraisers in order to determine the fair value for all of its investment properties. The independent appraisers, which 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 properties such as discount rates, capitalization rates and occupancy rates.

The values determined by the external appraisers are recognized as the fair value of the Entity's investment properties at the end of each reporting period. On an annual basis, the appraisers use a discounted cash flow approach to determine the fair value of land and buildings and a replacement cost approach to determine the fair value of land reserves.

As of June 30, 2013 and 2012, the Entity obtained an updated valuation for its investment properties from the external appraiser. Using the appraisal obtained as of December 31, 2012 y 2011, respectively, underlying data and significant assumptions included therein were analyzed and updated for significant changes that occurred during the three months ended June 30, 2013 and 2012.

Gains or losses arising from changes in the fair values are included in the consolidated statements of comprehensive income in the period in which they arise.

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

| | 30/06/2013 (Unaudited) | 31/12/2012 |
|--------------------|---------------------------|----------------|
| Buildings and land | \$ 798,505,993 | \$ 712,000,000 |

| | | |
|---|-----------------------|-----------------------|
| Land reserves | <u>54,675,000</u> | <u>50,220,000</u> |
| | 853,180,993 | 762,220,000 |
| Deduct: | | |
| Cost to complete construction in-progress | <u>(29,510,144)</u> | <u>(17,458,334)</u> |
| Balance at end of period | <u>\$ 823,670,849</u> | <u>\$ 744,761,666</u> |

The reconciliation of investment property is as follows:

| | 30/06/2013 (Unaudited) | 31/12/2012 |
|--|---|-----------------------|
| Balance at beginning of period | \$ 744,761,666 | \$ 658,900,000 |
| Additions | 52,964,149 | 64,026,374 |
| Gain on revaluation of investment property | <u>25,945,034</u> | <u>21,835,292</u> |
| Balance at end of period | <u>\$ 823,670,849</u> | <u>\$ 744,761,666</u> |

The gain on revaluation of investment property is driven by changes in: 1) discount rates used to calculate the fair value, 2) occupancy rates, 3) new operating leases entered into by the Entity as well as changes in the market-related assumptions used to determine the fair value of the land reserves and land under development.

As of June 30, 2013 and December 31, 2012, the Entity's investment properties have a gross leasable area of the 13,269,623 square feet (1,232,778 square meters) and 12,047,896 square feet (1,119,286 square meters), respectively and they were 87.9% and 89.1%, respectively, occupied by tenants. As of June 30, 2013 and December 31, 2012, investment properties with a gross leasable area of 1,351,416 square feet (or 125,550 square meters) and 864,698 square feet (or 80,333 square meters), respectively equivalent to 11.21% and 6.53%, respectively, of the Entity's total leasable area were under construction.

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

9. Long-term debt

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

| Issue date | Original amount | Annual interest rate | Monthly amortization | Maturity | 30/06/2013 Unaudited | 31/12/2012 |
|----------------|-----------------|----------------------|----------------------|-------------|-------------------------|--------------|
| September 2003 | 7,637,927 | 6.60% | \$ 23,016 | August 2016 | \$ 5,358,305 | \$ 5,496,401 |
| April 2005 | 2,000,000 | 7.58% | 6,603 | August 2016 | 1,496,327 | 1,535,945 |
| August 2005 | 6,300,000 | 6.19% | 20,838 | August 2016 | 4,765,674 | 4,890,702 |
| August 2005 | 14,500,000 | 6.57% | 46,762 | August 2016 | 11,003,302 | 11,283,874 |
| November 2005 | 32,000,000 | 7.03% | 254,787* | August 2016 | 22,591,535 | 23,589,935 |
| March 2006 | 15,000,000 | 7.19% | 46,353 | August 2016 | 11,621,617 | 11,899,735 |
| July 2006 | 50,000,000 | 8.63% | - | August 2016 | 50,000,000 | 50,000,000 |
| July 2006 | 12,000,000 | 7.66% | 30,427 | August 2016 | 11,329,147 | 11,511,709 |
| September 2006 | 10,800,000 | 6.57% | 19,440 | August 2016 | 9,548,010 | 9,664,650 |
| October 2006 | 8,300,000 | 6.75% | 14,940 | August 2016 | 7,337,822 | 7,427,462 |
| November 2006 | 12,200,000 | 8.65% | 34,013 | August 2016 | 8,807,982 | 9,012,060 |
| November 2006 | 28,091,497 | 7.05% | 24,325 | August 2016 | 12,084,312 | 12,230,262 |
| May 2007 | 6,540,004 | 6.58% | 11,772 | August 2016 | 5,833,344 | 5,903,976 |
| September 2007 | 8,204,039 | 6.72% | 14,767 | August 2016 | 7,356,014 | 7,444,616 |

| | | | | | | |
|-----------------------|------------|-------|----------|-------------|-----------------------|-----------------------|
| April 2008 | 32,811,066 | 6.10% | 64,531 | August 2016 | 30,469,495 | 30,861,183 |
| April 2008 | 867,704 | 7.25% | 3,282 | August 2016 | 1,549,593 | 1,569,514 |
| April 2008 | 7,339,899 | 7.25% | 171,138* | August 2016 | 12,622,993 | 12,782,938 |
| August 2008 | 3,372,467 | 4.60% | 10,431 | August 2016 | 4,925,364 | 4,988,675 |
| August 2008 | 6,286,453 | 7.25% | 12,397 | August 2016 | 5,853,675 | 5,928,923 |
| April 2009 | 19,912,680 | 6.10% | 42,599 | August 2016 | 17,257,650 | 17,521,377 |
| December 2009 | 30,000,000 | 8.65% | 110,261 | August 2016 | 25,948,817 | 26,610,383 |
| July 2011 (1) | 19,768,365 | 6.60% | 79,480 | August 2016 | 18,021,805 | 18,498,688 |
| July 2011 (1) | 27,960,333 | 7.58% | 84,546 | August 2016 | 26,095,683 | 26,602,959 |
| July 2011 | 5,000,000 | 6.15% | 11,627 | August 2016 | 4,751,818 | 4,821,580 |
| March 2012 | 5,918,171 | 5.80% | 14,153 | August 2016 | <u>5,701,394</u> | <u>5,784,700</u> |
| | | | | | 322,331,678 | 327,862,247 |
| Less: Current portion | | | | | <u>(8,349,160)</u> | <u>(9,834,497)</u> |
| | | | | | <u>\$ 313,982,518</u> | <u>\$ 318,027,750</u> |

* These notes payable have semi-annual payments.

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

The GERE credit agreement requires the Entity to maintain certain financial ratios (such as Cash-on-Cash and debt service coverage ratios) and to comply with certain affirmative and negative covenants. The Entity was in compliance with covenants under the GERE credit agreement as of June 30, 2013 and as of December 31, 2012.

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

Scheduled maturities and periodic amortization of long-term debt as of June 30, 2013 are as follows:

| | |
|----------------------|-----------------------|
| As of June 30, 2015 | \$ 8,396,282 |
| As of June 30, 2016 | 8,889,621 |
| As of August 1, 2016 | <u>296,696,615</u> |
| | <u>\$ 313,982,518</u> |

10. Capital stock

10.1 Capital stock as of June 30, 2013 and December 31, 2012 is as follows:

| | 30/06/2013 | | 31/12/2012 | |
|------------------|--------------------|-----------------------|--------------------|-----------------------|
| | 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>507,447,012</u> | <u>374,839,076</u> | <u>392,873,351</u> | <u>286,864,522</u> |
| Total | <u>507,452,012</u> | <u>\$ 374,842,772</u> | <u>392,878,351</u> | <u>\$ 286,868,218</u> |

Stockholders' equity, except restated paid-in capital and tax retained earnings will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may

be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

On June 25, 2013, the Entity issued a total of 114,573,661 shares through a follow-on public offering of shares in the Mexican Stock Exchange. The pre direct issuance cost proceeds of this offering were \$197,942,747 consisting of an increase in capital stock of \$87,974,554 and an additional paid-in capital of \$109,968,193. The net proceeds of this equity issuance were received on July 1, 2013.

Pursuant to a resolution of the general extraordinary stockholders meeting on July 17, 2012, variable capital stock was increased in 7,762,761 shares equivalent to \$581,702.

On July 25, 2012, the Entity listed its shares in the Mexican Stock Exchange through an initial public offering. At the same time, the Entity issued a total of 139,355,000 shares equivalent to \$190,279,885 (net to the of direct issuance costs of \$6,566,057).

On August 21, 2012, the Entity issued thorough an overallotment through the underwriters a total of 21,506,034 shares equivalent to \$29,931,920.

Pursuant to a resolution at the general extraordinary stock holders meeting held on September 25, 2012 \$101,900,964 of the aforementioned capital increase was reclassified to additional paid – in capital.

10.2 Ordinary shares

| | Number of shares | Amount | Additional paid-in capital |
|---|------------------|---------------|----------------------------|
| Balance as of December 31, 2010 | 224,254,556 | \$ 27,538,888 | \$ 140,432,472 |
| Effects of merger | - | 4,315 | - |
| Capitalization premium in capital | - | 140,432,472 | (140,432,472) |
| Balance as of December 31, 2011 | 224,254,556 | 167,975,675 | - |
| Capital stock increase of July 17, 2012 | 7,762,761 | 581,702 | - |
| IPO issuance of July 25, 2012 | 139,355,000 | 196,845,942 | - |
| Direct equity issuance costs | - | (9,380,081) | - |

| | | | |
|--|--------------------|-----------------------|-----------------------|
| Income taxes related to direct equity issuance costs | - | 2,814,024 | - |
| Increase in share capital of August 21, 2012 | 21,506,034 | 29,931,920 | - |
| Creation of additional paid-in capital account | - | (101,900,964) | 101,900,964 |
| Balance as of December 31, 2012 | <u>392,878,351</u> | <u>\$ 286,868,218</u> | <u>\$ 101,900,964</u> |
| Capital stock increase of June 25, 2013 | 114,573,661 | 87,974,554 | 109,968,193 |
| Direct equity issuance costs | - | - | - |
| Income taxes related to direct equity issuance costs | - | - | - |
| Balance as of June 30, 2013 | <u>507,452,012</u> | <u>\$ 374,842,772</u> | <u>\$ 211,869,157</u> |

10.3 Dividend payments

Pursuant to a resolution of the general ordinary stockholders meeting on March 19, 2013 the Entity declared a dividend of \$0.027 per share, a total dividend of \$10,468,172 which was paid via cash distributions on April 1, 2013. The payment was applied against the Company's net tax income account.

11. **Earnings per share**

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

| | <u>Six months ended as of June 30, 2013</u> | | |
|------------------------------------|---|--|--------------------------|
| | Earnings | Weighted-average number of shares | Dollars per share |
| Consolidated profit for the period | \$ 29,160,569 | 396,060,953 | \$ 0.07 |

Six months ended as of June 30, 2012

| | Earnings | Weighted-average number of shares | Dollars per share |
|------------------------------------|---------------|--------------------------------------|-------------------|
| Consolidated profit for the period | \$ 21,620,575 | 224,254,556 | \$ 0.10 |

12. Property operating costs and administration expenses

12.1 Direct property operating costs from investment properties that generated rental income during the period:

| | Six months ended 30/06/2013 | Six months ended 30/06/2012 | Three months ended 30/06/2013 | Three months ended 30/06/2012 |
|---------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Real estate tax | \$ 438,451 | \$ 929,516 | \$ 218,717 | \$ 56,706 |
| Insurance | 140,979 | 123,617 | 71,008 | 60,702 |
| Maintenance | 227,872 | 181,130 | 125,358 | 118,492 |
| Other property related expenses | 492,404 | 724,393 | 216,260 | 453,713 |
| Property management fee | - | 622,775 | - | 360,680 |
| | <u>\$ 1,299,706</u> | <u>\$ 2,581,431</u> | <u>\$ 631,343</u> | <u>\$ 1,050,294</u> |

12.1.1 Direct property operating costs from investment property that did not generate rental income during the period:

| | Six months ended 30/06/2013 | Six months ended 30/06/2013 | Three months ended 30/06/2013 | Three months ended 30/06/2013 |
|---------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Real estate tax | \$ 127,353 | \$ 112,084 | \$ 63,422 | \$ 6,838 |
| Insurance | 13,943 | 15,874 | 7,023 | 7,795 |
| Maintenance | 22,537 | 23,259 | 12,398 | 15,216 |
| Other property related expenses | 177,562 | 69,474 | 92,135 | 42,679 |
| | <u>\$ 341,395</u> | <u>\$ 220,692</u> | <u>\$ 174,978</u> | <u>\$ 72,527</u> |

12.1.2 Administration expenses consist of the following:

| | Six months ended 30/06/2013 | Six months ended 30/06/2012 | Three months ended 30/06/2013 | Three months ended 30/06/2012 |
|--------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Marketing expenses | \$ 15,815 | \$ 10,907 | \$ 11,738 | \$ 3,180 |

| | | | | |
|--|---------------------|---------------------|---------------------|-------------------|
| Auditing and legal expenses | 310,009 | 369,241 | 191,048 | 283,427 |
| Employee direct benefits and office expenses | 1,957,590 | - | 824,361 | - |
| Fees for acquisition of properties | 142,646 | 73,694 | 80,588 | 73,694 |
| Asset management fees | - | 632,500 | - | 320,433 |
| Other | 2,297 | 2,976 | 502 | 357 |
| Equity trading related expenses | 66,554 | - | 10,824 | - |
| | <u>\$ 2,494,910</u> | <u>\$ 1,089,318</u> | <u>\$ 1,119,062</u> | <u>\$ 681,091</u> |

13. Income taxes

The Entity is subject to income tax (“ISR”) and the business flat tax (“IETU”).

ISR - Through the Law of Federal Income for 2013, modified the rate of income tax applicable to companies, for which for years had established a transition that affected fiscal years 2013 and 2014. The rates were 30% for 2012 and 2011, and will be 30% for 2013, 29% for 2014 and 28% for 2015 and subsequent years.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. In 2013 and 2012, the IETU rate was 17.5%. The Asset Tax (IMPAC) Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid for the first time may be recovered, according to the terms of the law.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections, the Entity determined that it will essentially pay ISR. Therefore, it only recognizes deferred ISR.

The effective ISR rates are 26% and 25% for the six months ended June 30, 2013 and 2012, respectively. The difference between the statutory rate and the effective rate is due to inflation effects, the effect of exchange rates on the tax basis of investment properties and tax losses as well as other permanent differences.

13.1 Income taxes are as follows:

| | Six months ended 30/06/2013 | Six months ended 30/06/2012 | Three months ended 30/06/2013 | Three months ended 30/06/2012 |
|------------------------------------|--------------------------------|--------------------------------|----------------------------------|----------------------------------|
| ISR expense: | | | | |
| Expired ISR credit on dividends | \$ 295,074 | - | \$ 148,622 | \$ - |
| Deferred | <u>9,232,903</u> | <u>7,118,202</u> | <u>8,516,942</u> | <u>6,494,423</u> |
| Total income taxes | <u>\$ 9,527,977</u> | <u>\$ 7,118,202</u> | <u>\$ 8,665,564</u> | <u>\$ 6,494,423</u> |

The income tax expense for the six months ended June 30, 2013 and 2012 relates entirely to deferred income tax, as the Entity is amortizing its cumulative tax loss carryforwards.

13.2 The main items originating the deferred ISR liability are:

| | 30/06/2013 (Unaudited) | 31/12/2012 |
|-----------------------------------|---------------------------|------------------------|
| Deferred ISR asset (liability): | | |
| Investment property | \$ (81,522,295) | \$ (74,464,893) |
| Effect of tax loss carry forwards | 9,065,313 | 11,830,926 |
| Other provisions | <u>167,633</u> | <u>117,522</u> |
| Deferred income taxes – Net | <u>\$ (71,749,348)</u> | <u>\$ (62,516,445)</u> |

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

13.3 The benefits of restated tax loss carryforwards for which the deferred ISR asset has been recognized can be recovered subject to certain conditions. Restated amounts as of June 30, 2013 and expiration dates are:

| Year of Expiration | Tax Loss Carry forwards |
|-----------------------|----------------------------|
| 2022 | <u>\$ 34,304,609</u> |

14. Transactions with related parties

Transactions with related parties carried out in the ordinary course of business, were as follows:

| | Six months ended 30/06/2013 (Unaudited) | Six months ended 30/06/2012 (Unaudited) | Three months ended 30/06/2013 (Unaudited) | Three months ended 30/06/2012 (Unaudited) |
|---|---|---|---|---|
| Desarrolladora Vesta, S. de R.L. de C.V. (affiliated Entity): | | | | |
| Property management fees | \$ - | \$ 622,775 | \$ - | \$ 362,510 |
| Brokerage fees | - | 342,018 | - | 342,018 |
| Commission for portfolio management | - | 632,500 | - | 320,433 |
| Servicios de Construcción Vesta, S. de R.L. de C.V. (affiliated Entity): | | | | |
| Development commission | \$ - | \$ 100,231 | \$ - | \$ 51,274 |
| Construction services | - | 5,010,466 | - | 2,563,678 |

15. Litigation and other contingencies

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. To the Entity's knowledge, no such proceedings are threatened.

16. Subsequent events

On July 1, 2013, the Entity received the net proceeds in cash related to the June 25, 2013 equity issuance.

17. Unaudited condensed consolidated interim financial statements issuance authorization

On July 22, 2013, the issuance of the accompanying unaudited consolidated interim financial statements was authorized by Mr. Juan Sottit, the Entity's Chief Financial Officer and consequently do not reflect events after this date.

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