FIDEICOMISO IRREVOCABLE F/1616 (DEUTSCHE BANK MEXICO, S.A. MULTIPLE BANKING INSTITUTION, TRUST DIVISION) AND SUBSIDIARY

Notes to the Unaudited Condensed Consolidated Financial Statements

As of December 31, 2017 and for the twelve-month period ended in such date

(In Thousands of Mexican pesos)

(1) COMPANY'S ACTIVITY-

Trust F/1616 (Deutsche Bank Mexico, S.A. Multiple Banking Institution, Trust Division) and Subsidiary ("Fibra Inn" o the "Trust") was established on October 23, 2012, as a real estate trust by Asesor de Activos Prisma, Sociedad Anónima, Promotora de Inversión de Capital Variable (the "Trustor"), and Deutsche Bank Mexico, Sociedad Anónima, Institución de Banca Múltiple, División Fiduciaria (the "Trustee"). The Trust started operations on March 12, 2013. It was created mainly to acquire and own real estate, with a view to leasing commercial properties earmarked for the hospitality industry and providing related services.

Fibra Inn, as a real estate investment trust (Fideicomiso de Inversiones en Bienes Raices – "FIBRA"), meets the requirements to be treated as a transparent entity in Mexico in accordance with the Mexican Income Tax Law. Therefore, all proceeds from the Trust's operations are attributed to holders of its Real Estate Fiduciary Stock Certificates (Certificados Bursátiles Fiduciarios Inmobiliarios – "CBFIs") and the Trust F/1616 is not subject to income taxes in Mexico. In order to maintain its FIBRA status, the Tax Administration Service (Servicio de Administración Tributaria - SAT) established, in Articles 223 and 224 of the Income Tax Law for the period of 2013, that the Trust must annually distribute at least 95 percent of its net tax result to CBFIs holders. In accordance with the new Income Tax Law 2014, the articles related to the tax requirements of a FIBRA are 187, 188, which sustain the same characteristics as the previous law.

Administradora de Activos Fibra Inn, S.C. (AAFI) is a subsidiary of Fibra Inn, in which it holds a 99.9% ownership interest and has control, as defined in Note 2c) below. This entity provides support functions necessary to conduct the businesses of the Trust.

The Trust's legal address is Ricardo Margain Zozaya No. #605, Colonia Santa Engracia, in San Pedro Garza García, Nuevo León.

(2) BASIS OF PREPARATION AND PRESENTATION-

(a) Statement of compliance

The unaudited condensed consolidated financial statements of Fibra Inn have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Information as issued by the International Accounting Standards Board ("IASB").

We prepare our financial information in accordance with IFRS. The IASB may implement new standards or modify existing ones. This could require us to change our internal procedures regarding financial information and accounting records and could impact our financial position and our results of operations. Additionally, the adoption of such standards may impact the recognition of our commitments and obligations with suppliers, creditors and investors.

The financial information included in these unaudited condensed consolidated financial statements was prepared by us in accordance with IFRS in force as of the corresponding periods. Additionally, according to what is described in the Note *New IFRS not yet adopted,* once IFRS 9, IFRS 15 and IFRS 16 take effect, the financial information reported could change and therefore may not be comparable to those presented in our audited consolidated financial statements or our unaudited condensed consolidated financial statements.

(b) Basis of measurement and preparation

The Trust´s unaudited condensed consolidated financial statements have been prepared on the basis of historical cost, except for the following items of the consolidated statement of financial position, which were measured at fair value:

a) derivative financial instruments;

b) the net defined benefits liability is recognized as the fair value of plan assets, less the present value of the defined benefits obligation;

c) land and buildings;

The historical cost is generally based on the fair value of the consideration granted in exchange of the assets.

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, Fibra Inn takes into account the characteristics of the asset or liability and if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. 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 in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2. Inputs other than quoted prices included within Level 1, that are observable, either directly or indirectly;
- Level 3. Inputs are unobservable.

The aforementioned condensed consolidated financial statements as of December 31, 2017 and for the twelve-month period ended December 31, 2017 have not been audited. Based on the opinion of management of Fibra Inn, all necessary adjustments have been included in order to achieve a fair view presentation of the accompanying unaudited condensed consolidated financial statements. The results of the interim periods are not necessarily indicative of the projected year results.

The accounting policies, critical judgements and key sources of estimation uncertainty applied for the recognition and measurement of assets, liabilities, revenues and expenses of the accompanying unaudited condensed consolidated financial statements are consistent with those applied and used in the audited financial statements for the year ended December 31, 2017, except for the change in the accounting policy for subsequent measurement of land and buildings, which starting 2017 is performed by the fair value method as follows:

After initial recognition, land and buildings held for use are recognized in the unaudited consolidated statement of financial position at fair value, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity with the assistance of independent appraisers, such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in equity, except to the extent that a revaluation decrease for the same asset is reversed, previously recognized in the income statement, in which case the increase is credited in the income statement to the extent of the decrease previously expensed. On the other hand, a decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in the income statement to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

The change in accounting policy is a result of studies conducted by management, which conclude that such measurement provides more reliable and relevant financial information regarding the effects of transactions, other events and conditions on the financial position and financial performance of the Trust. The change in the accounting policy was recognized prospectively according to the exceptions provided by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

(c) Basis for financial statement consolidation

The unaudited condensed consolidated financial statements include those of Fibra Inn and those of its subsidiary, Administradora de Activos Fibra Inn, S.C., of which it holds a 99.9% of capital stock and where it holds control. Control is achieved when Fibra Inn:

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

Balances and transactions with the subsidiary company have been eliminated in the unaudited condensed consolidated financial statements.

(d) Authorization of the financial statements

The accompanying unaudited condensed consolidated financial statements were authorized for issuance by Ing. Oscar Eduardo Calvillo Amaya, Chief Executive Officer, and approved by the Technical Committee on February 21, 2018, represented by Ing. Victor Zorrilla Vargas as its President.

(e) Income statement

Costs and expenses presented in the unaudited condensed consolidated income statement were classified according to their nature.

Fibra Inn shows line items of gross margin and operating income since they are considered important performance indicators for the users of financial information. Income and expenses with operating nature are presented within this line item.

(f) Statement of cash flows

Fibra Inn presents its statement of cash flows using the indirect method.

(g) Seasonality

The hotel industry in which Fibra Inn operates is exposed to seasonal fluctuations in the demand of business travelers, which may impact the distribution of dividends to the holders of CBFIs, mainly determined by factors such as the availability of rooms, occupancy rates and average rates.

Therefore, the operating results for one quarter are not necessarily indicative of the operating results of a full year, and the historical operating results, are not necessarily indicative of the future results, coupled with acquisitions and contributions of properties that could be realized in each period and associated risks with the real estate industry.

(3) CASH AND CASH EQUIVALENTS-

		As of December 31, 2017	As of December 31, 2016
Cash in banks	$	76,490	186,878
Cash equivalents (government bonds)		433,078	655,135
		509,568	842,013
Restricted cash		-	7,064
Total cash and cash equivalents	$	509,568	849,077

Article 187 clause III of the Mexican Income Tax Law establishes that the capital contribution that was not utilized to acquire properties must be invested in government bonds that are registered with the National Securities Register, shares of investment entities or debt instruments. During the period, the Trust invested in a variety of instruments with a high credit rating.

As of December 31, 2016, the Trust has short-term restricted cash of $3,275 corresponding to the escrow of the acquisition of the Best Western hotel in October 13, 2016, additionally it includes $3,789 for funds retained by the trustee as of the date of liquidation of the bank debt. As of December 31, 2017, the balance is no longer restricted, which is presented in the category of cash in banks.

(4) PROPERTY, FURNITURE AND EQUIPMENT-

		As of December 31, 2017	As of December 31, 2016
Land	$	2,162,140	1,511,059
Buildings		7,667,682	5,567,440
Components of buildings		608,839	541,814
Machinery and equipment		696,137	387,845
Furniture and equipment		586,691	525,950
		11,721,489	8,534,108
Less accumulated depreciation		(736,880)	(518,472)
Less impairment of properties		(584,533)	(42,087)
		10,400,076	7,973,549
Constructions in progress		160,271	236,999
Total	$	10,560,347	8,210,548

As a result of measuring land and buildings at their fair value starting the year ended December 31, 2017, the Trust recognized a revaluation surplus in equity of $2,802,543 and an impairment expense of $584,533 for the year ended in such date. In addition, as shown in the audited consolidated financial statements as of December 31, 2016, Fibra Inn recognized an impairment expense of $42,087 caused by indications of low occupancy, mainly originated during the fourth quarter of 2016.

(5) TRUSTORS' EQUITY-

Contributions-

a) The Trust´s equity consists of a contribution of $20 and of the proceeds of the issue of CBFIs.

Distributions-

a) On February 22, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from October 1, 2016 to December 31, 2016, which was paid on March 15, 2017. The total payment in Mexican pesos amounted to $111,000 with a value of 0.2523 per outstanding CBFI.

b) On May 8, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from January 1, 2017 to March 31, 2017, which was paid on May 15, 2017. The total payment in Mexican pesos amounted to $110,004 with a value of 0.2500 per outstanding CBFI.

c) On August 7, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from April 1, 2017 to June 30, 2017, which was paid on August 15, 2017. The total payment in Mexican pesos amounted to $110,004 with a value of 0.2500 per outstanding CBFI.

d) On November 7, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from July 1, 2017 to September 30, 2017, which was paid on November 15, 2017. The total payment in Mexican pesos amounted to $110,004 with a value of 0.2507 per outstanding CBFI

(6) ACQUISITION OF HOTELS-

Fibra Inn determines the classification of the acquired hotels based on the fact that such hotels will be used in the normal course of business. The transactions related to the acquisition of hotels are accounted as business acquisitions. Such transactions are performed to continue with the expansion of operating activities related to the hotel industry in Mexico, in accordance with the established growth and expansion plans.

During the twelve month period ended December 31, 2017, Fibra Inn didn't acquire or begin any hotel development.

(7) OTHER RELEVANT EVENTS-

a) As of December 31, 2016, the Contract for advisory services in acquisition, administration and asset development with Asesor de Activos Prisma, S.A.P.I de C.V. was cancelled. Therefore, as of January 1, 2017, and as agreed between the parties for such early termination, the external advisory activities for the Trust shall be performed by executives and personnel hired by Administradora de Activos Fibra Inn, S.C., a subsidiary of Fibra Inn. As a result of this internalization, corporate expenses for the three-month period ended December 31, 2017 increased 72.2% compared to the three-month period ended December 31, 2016, from $10,193 to $17,552.

b) As of December 31, 2016, the purposes of the Trust No. F/1765 were modified to become a fund-collection trust. Therefore, starting January 1, 2017, the income other than lodgment will be recognized by Operadora México and the obligations for the payment of leases to the Trust No. F/1616 were formalized with the same prevailing conditions.

c) On January 23, 2017, as a result of the amendments to Articles 187 and 188 of the Income Tax Law, which are effective for periods beginning on January 1, 2017, Fibra Inn established the creation of a fund for the repurchase of CBFIs of up to 5% of its securities issued on the Mexican Stock Exchange (Bolsa Mexicana de Valores or "BMV" for its acronym in Spanish), which will allow the Trust to hold them for up to one year without the need to cancel them, as it was previously established. The main objective of the repurchase fund will be to benefit the liquidity of the CBFI and thereby promote the volume of operation. However, at the Ordinary Shareholders' Meeting held on May 2, 2017, the cancellation of such repurchase fund was approved, and the creation of a new fund for the repurchase of CBFIs was approved, for a maximum amount of resources of $245,000 for the period from May 2, 2017 and until the Annual General Meeting of Holders to be held in 2018.

d) On July 20, 2017, the opening of the AC Hotel Guadalajara Expo located in Guadalajara, Jalisco took place, which was recently remodeled with 180 rooms in the complete service segment. This hotel previously operated under a local brand. Fibra Inn maintains high positive expectations for the incorporation to its portfolio of the global brand AC Hotels by Marriot, as it introduces the innovative premium lifestyle concept that will maximize the benefits that represent hotels with strategic locations.

e) During the quarter completed on September 30, 2017, Fibra Inn recognized a long term account receivable from related parties that corresponds to working capital financing of various transactions. As of December 31, 2017 long term accounts receivable from related parties amounted $109,031.

f) During the quarter completed on September 30, 2017, Fibra Inn recognized a liability related to short term employee benefits derived from the internalization, which is recognized in the category of other payables. As of December 31, 2017 the account amounted to $8,194. Additionally, the Trust recognized an expense of $64,747 in the quarter ended in such date related to the compensation payable in cash to Asesor de Activos Prisma, S.A.P.I. de C.V. in respect of the agreed consideration due to the early termination of the previous contract services.

g) On October 10, 2107, Fibra Inn announced an agreement for the acquisition of the Hotel Westin Monterrey, a brand from Marriott International Inc., which will operate through the Hotel Factory model. The total investment will be $753,000, from which $700,000 correspond to the purchase price and $53,000 correspond to acquisition expenses, taxes, pre-operating expenses and working capital. Each of the two partners will participate with 40% of the investment, whereas Fibra Inn will contribute the remaining 20% to be funded via capital resources that the Trust has available for this purpose. The Hotel Westin Monterrey will be located in one of the most exclusive areas of San Pedro Garza García, Nuevo León and will generate revenues under the complete service segment. The opening of the hotel is estimated to complete during the third quarter of 2018.

h) For the twelve month period completed on December 31, 2017, Fibra Inn recognized an estimated impairment of financial assets for $42,578. The impairment corresponds to accounts receivable that are not expected to be recovered.

(8) SUBSEQUENT EVENTS-

On February 15, 2018, Fibra Inn issued Fiduciary Investment Trust Certificates ("CBFs") conducted through two simultaneous processes: a Debt Tender Offer through the partial and early repurchase of FINN 15 debt, issued on September 30, 2015, for a total of $1,875,350 due 2021; and a debt issuance FINN 18 at a fixed interest rate of 9.93% and with maturity in February 2, 2028 for $2,000,000. The updated amount of the FINN 15 issuance is $1,000,000, therefore the total of both issuances amounts $3,000,000. The new issuance of CBFs FINN 18 is under the debt program for up to $5,000,000 that was approved by the Mexican Banking and Securities Commission.

(9) NEW IFRS NOT YET ADOPTED-

Fibra Inn has not applied the following new and revised IFRSs that have been issued but are not yet effective as of December 31, 2017. Fibra Inn is in the process of assessing the potential impacts from the adoption of these standards and amendments in their financial statements.

IFRS 9, Financial Instruments

IFRS 9, "Financial Instruments" is the replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This standard is mandatorily effective for periods beginning on or after January 1, 2018 and includes the introduction of a new impairment model based on expected losses and limited changes to the classification and measurement requirements for financial assets. Specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts.

Regarding the impairment model based on expected losses, the initial adoption requirement of IFRS 9 is retrospective and establishes the option to adopt it without modifying the financial statements of previous years, recognizing the initial effect on retained earnings as of the date of adoption. On the other hand, in the case of hedge accounting, IFRS 9 allows the application with a prospective approach.

The Trust did not have a material impact associated with the new category of fair value measurement through other comprehensive results, as it currently does not have any instrument that qualifies for this treatment; however, potential impacts could arise if the investment strategy changes in the future. Additionally, in terms of hedge accounting, the requirements of IFRS 9 are consistent with the current accounting policy of the Trust under IAS 39, so no impact is anticipated on its initial adoption or in future hedge operations.

Finally, with respect to the new impairment model based on expected losses, management of the Trust chose to adopt the standard retrospectively, recognizing the effects on retained earnings as of January 1, 2018. It should be noted that, although the new model implies a change in the internal processes to manage the collection of doubtful accounts, it is not visualized that this negatively affects the business activities, internal processes or contractual obligations of the Trust.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts with Customers" is mandatorily effective for periods beginning on or after 1 January 2018. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. For this purpose, under this standard, revenue recognition uses the definition of control to determine when a good or service is transferred to the client and the performance obligations have been satisfied. In addition, the number of disclosures required is increased for both annual and interim financial statements.

Fibra Inn determined that the adoption of IFRS 15 will be through the modified retrospective method as permitted by the corresponding transitional provisions, implying that any effect on the transition will be recognized directly in the retained earnings, without modifying the financial statements of previous years.

As part of its analysis process for the adoption of this standard, management of the Trust assessed the different sources of income with the existing agreements as of December 31, 2017, applying the five step model described above to determine whether there are potential inconsistencies with its current accounting policies in accordance with IAS 18, *Revenue*. However, no significant impacts were identified that should be recognized as of January 1, 2018 in the unaudited condensed consolidated financial statements.

IFRS 16, Leases

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

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

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

Management of Fibra Inn is in the process of determining the implications of the adoption of IFRS 16 on its financial position, in addition to its internal processes and fulfillment of contractual obligations, as a result of the existence of some agreements currently recorded as operating leases. However, the Trust does not show any significant effects due to the fact that it mainly maintains leases where it operates under the figure of lessor. The lease agreements where Fibra Inn operates under the figure of lessee are mainly related to the rental of transportation equipment which is used as part of the hotel operation, and may represent the recognition of the rights of use and the liability for the corresponding lease, in accordance with the requirements of IFRS 16. Nevertheless, the impacts of such contracts has not yet been determined on the recognition of an asset and liability for the future lease payments and how this could impact the results of operations and classification of cash flows of the Trust. Fibra Inn will be adopting a modified retrospective transition, quantifying the impacts with the contracts in force as of December 31, 2018 and recognizing them as an adjustment to retained earnings as of such date.

IFRIC 22, *Interpretation on Foreign Currency Transactions and Advance Consideration*

This new Interpretation clarifies the accounting for transactions that include the receipt or payment of an advance consideration in a foreign currency. The interpretation is being issued to reduce diversity in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency in accordance with IAS 21 in circumstances in which the consideration is received or paid before the related asset, expense, or income is recognized. This interpretation is effective for annual reporting periods beginning after January 1, 2018 with earlier adoption permitted.

Fibra Inn translates the considerations at the exchange rate of the date of the transaction, whether it is received or paid and recognizes them as a non-monetary item. Therefore, the Trust does not visualize significant impacts on the adoption of this interpretation in its unaudited condensed consolidated financial statements.