

FIDEICOMISO IRREVOCABLE NO. DB/1616 (CIBANCO, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE AS FINAL AND UNIVERSAL BENEFICIARY OF DEUTSCHE BANK MÉXICO, S.A. INSTITUCIÓN DE BANCA MÚLTIPLE, DIVISIÓN FIDUCIARIA) AND SUBSIDIARIES

**Notes to the Unaudited Condensed Consolidated Financial Statements**

As of March 31, 2023, and for the three-month period ended March 31, 2023, and 2022

(In Thousands of Mexican pesos, except where indicated otherwise)

**(1) COMPANY'S ACTIVITY-**

Trust DB/1616 (CIBANCO, S.A., Institución de Banca Múltiple as final and universal beneficiary of Deutsche Bank México, S.A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries ("Fibra Inn" or the "Trust DB/1616") was established on October 23, 2012, as a Real Estate Investment Trust by Asesor de Activos Prisma, S.A.P.I de C.V. (the "Trustor"), and Deutsche Bank México, S.A. Institución de Banca Múltiple, División Fiduciaria ("Predecessor Trustee") and as of October 16, 2020, CIBANCO, S.A., Institución de Banca Múltiple (the "Trustee"). The Trust DB/1616 started operations on March 12, 2013. It was created mainly to acquire and own real estate, for the purpose of leasing commercial properties earmarked for the hospitality industry and providing related services.

Fibra Inn, as a real estate investment trust ("FIBRA" for its Spanish acronym), meets the requirements to be treated as a transparent entity in Mexico in accordance with the Mexican Income Tax Law (Ley del Impuesto Sobre la Renta). 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 DB/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 187 and 188 of the Mexican Income Tax Law, that the Trust DB/1616 must annually distribute at least 95% of its net tax result to CBFIs holders.

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 2, numeral 4. (a. below. This entity provides management services and support functions necessary to conduct the businesses of the Trust DB/1616.

Beginning September 2018, The Trusts CIBANCO, Sociedad Anónima, Institución de Banca Múltiple Trust CIB/3058 ("Trust CIB/3058"), CIBANCO, Sociedad Anónima, Institución de Banca Múltiple Trust CIB/3096 ("Trust CIB/3096") and CIBANCO, Sociedad Anónima Institución de Banca Múltiple Trust CIB/3097 ("Trust CIB/3097") are co-investment vehicles, each one with regard to a specific real estate Project, in which Fibra Inn holds a percentage of ownership of the equity and the remaining percentage is held by one or more partners. These trusts were established under a co-investment model (denominated "*Hotel Factory*" scheme) as a vehicle to carry out development activities and acquisition of new hotels and, based on the analysis of management, it was concluded that Fibra Inn exerts control over them.

Trust DB/1616's legal address is located in avenue Belisario Dominguez No. #2725 Pte., Colonia Obispado, in Monterrey, Nuevo León.

## (2) BASIS OF PREPARATION AND PRESENTATION-

### 1. *Statement of compliance*

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Accounting Standard (“IAS”) 34, Interim Financial Reporting. The accompanying notes were selected to explain events and transactions that are relevant to understanding the changes in Fibra Inn’s financial position and results of operations as of its annual audited consolidated financial statements as of December 31, 2022.

The aforementioned unaudited condensed consolidated financial statements as of March 31, 2023, and for the three-month period ended March 31, 2023 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.

### 2. *Basis of measurement*

Trust DB/1616’s unaudited condensed consolidated financial statements have been prepared on the basis of historical cost, except for the following items of the condensed consolidated statement of financial position, which were measured at fair value:

- a) allowance for doubtful accounts;
- b) derivative financial instruments;
- c) property, furniture and equipment;
- d) assets held for sale when their fair value less disposal costs is lower than their carrying amount;
- e) the net defined benefits liability is recognized as the present value of the defined benefit obligation.

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

#### Adoption of new and revised International Financial Reporting Standards

*Application of new and revised International Financing Reporting Standards (“IFRS” or “IAS”) that are mandatorily effective for the current year*

#### ***Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)***

Interbank offered rates (IBORs) are interest reference rates, such as LIBOR, EURIBOR and TIBOR, that represent the cost of obtaining unsecured funding, have been questioned for

their long-term viability as benchmarks. The Interest Rate Benchmark Reform on its phase 2, refers to the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements and disclosure of financial instruments.

With respect to the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient which implies updating the effective interest rate. On the other hand, regarding the hedge accounting, the hedging relationships and related documentations, must reflect modifications to the hedged item, hedging instrument and hedged risk. Hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.

As of March 31, 2023, Fibra Inn substituted the LIBOR reference interest rate, to which Trust CIB/3096 is exposed to for debt in U.S. dollars, considering the Secured Overnight Financing Rate ("SOFR"), as well as the derivative instruments in effect refer to such substitution definitions; there has not been a replacement in reference interest rates used for the Trust CIB/3097; however, the LIBOR reference rate is expected to disappear on June 30, 2023. Therefore, Fibra Inn is in the process of evaluating the transition impacts of the new reference rate derived from the application of these amendments.

In the current year, the Trust DB/1616 has applied the following modified interpretation issued by the International Accounting Standards Board ("IASB") that is mandatorily effective for an accounting period that begins on January 1, 2023. The conclusions related to their adoption are described as follows:

- IFRS 17 – Insurance Contracts
- Amendment to IAS 1 and Practice Statements 2 – Disclosure of accounting policies
- Amendment to IAS 8 – Definition of accounting estimates

These amendments are effective for annual reporting periods beginning on January 1, 2023, with retrospective application, without the need to restate the comparative periods.

Fibra Inn evaluated the aforementioned amendments and determined that the implementation of these amendments had no effect on its financial information.

*New standards and interpretation issued, not yet effective in the reporting period*

Additionally, Fibra Inn has reviewed the following modified interpretations not effective in the reporting period, and in its evaluation process, it does not visualize potential impacts due to their adoption, considering that they are not of significant applicability:

- Amendment to IFRS 16 - Lease liability in a sale and leaseback <sup>(1)</sup>
- Amendment to IAS 1 – Classification of liabilities as current or non-current <sup>(1)</sup>
- Amendment to IAS 1 – Classification of debt with covenants <sup>(1)</sup>
- Amendment to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture <sup>(2)</sup>

<sup>(1)</sup> Effective for annual periods beginning January 1, 2024

<sup>(2)</sup> Effective date of the amendments has yet to be set by the IASB

### 3. *Going concern*

As of the authorization date of these condensed consolidated financial statements, Fibra Inn's management has a reasonable expectation that Fibra Inn has adequate resources to continue operating in the future. The application of the going concern principle being valid, the condensed consolidated financial statements were prepared and presented on that basis.

### 4. *Basis of consolidation*

#### *a) Subsidiaries*

As of March 31, 2023, and December 31, 2022, the condensed consolidated financial statements include those of Fibra Inn and its subsidiaries:

- Administradora de Activos Fibra Inn, S.C., of which it holds a 99.9% of the capital,
- Trust CIB/3096 Trust, in which it holds 50% of the equity, and where there is a non-controlling interest as described in section b) below,
- Trust CIB/3097 Trust, in which it holds 50% of the equity, and where there is a non-controlling interest as described in section b) below,
- Trust CIB/3058 Trust, in which it holds 29% of the equity, and, where there is a non-controlling interest, as described in section b) below.

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 entities have been eliminated in the condensed consolidated financial statements.

Fibra Inn assessed, under IFRS 10, "*Consolidated Financial Statements*" that it has control over all its subsidiaries as of March 31, 2023.

#### *b) Non-Controlling Interest.*

The condensed consolidated financial statements of Fibra Inn include the non-controlling interest related to its participation and control in the Trusts CIB/3096, CIB3097 and CIB/3058; non-controlling interest is initially measured at the proportionate share of the net identifiable assets of the aforementioned Trusts.

Changes in the interest of Fibra Inn that do not result in a loss of control are accounted for in equity.

***c) Loss of control.***

When Fibra Inn loses control, it writes off the assets and liabilities of the subsidiaries, any non-controlling interest, and other equity items. The resulting gain or loss will be recognized in profit or loss. If Fibra Inn maintains its interest, this is prospectively measured at fair value at the date control is lost.

***5. Local, functional and reporting currency***

The functional currency of Fibra Inn is the Mexican peso, which is the same to its local and reporting currencies. All the information has been rounded in thousands of pesos and has been rounded to the nearest unit, unless otherwise indicated. Financial information denominated and presented in dollars of the United States of America (US dollars) has been rounded to thousands of US dollars and rounded to the nearest unit.

***6. Authorization of the financial statements***

The accompanying condensed consolidated financial statements were authorized for issuance by Ing. Oscar Eduardo Calvillo Amaya, Chief Executive Officer, and Ing. Miguel Aliaga Gargollo, Chief Financial Officer, and approved by the Technical Committee on April 24, 2023, represented by Diego Andrés Cisneros as its President and are subject to the approval of its Holders' Meeting, who may modify such condensed consolidated financial statements.

***7. Profit and loss statement and comprehensive 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 profit and operating income since they are considered important performance indicators for the users of financial information. Income and expenses are presented based on their operating nature are presented in this line item.

The Trust DB/1616 presents in the statement of comprehensive income those accounting items that were already accrued but are still pending to be realized.

***8. Statement of cash flows***

Fibra Inn presents its statement of cash flows using the indirect method. In addition, Fibra Inn has chosen to present the cash received from interests as part of the investing activities and the cash from interest payments as part of the financing activities.

***9. Seasonality***

The hotel sector in which Fibra Inn operates is not exposed to seasonal fluctuations in the demand of travelers.

## 10. Significant accounting policies

The accounting policies applied by Fibra Inn in these condensed consolidated financial statements as of March 31, 2023, are the same as those applied by Fibra Inn in its consolidated financial statements as of and for the year ended December 31, 2022.

### (3) BUSINESS SEGMENT INFORMATION-

Fibra Inn discloses financial information by segment, which is informed and regularly monitored by the Technical Committee and the executives in charge of making decisions for purposes of distribution of resources and evaluation of segment performance.

Fibra Inn operates in four business segments that constitute its reportable segments:

- i. Limited Service. Hotels which mainly provide accommodation, Internet, complimentary breakfast, business center, meeting room, fitness center and parking lot, at a reduced rate.
- ii. Select Service. Hotels that mainly provide accommodation, Internet, complimentary breakfast, business center, meeting room, fitness center and parking lot.
- iii. Full Service. Hotels providing Select Services plus food and beverages, and events and banquet room services.
- iv. Long Stay. Hotels providing the same services as Select Service hotels, but with an average stay of 5 days or more, offering the comforts typical of an apartment.

The selected information of the condensed consolidated statement of income for the three months ended March 31, 2023, and 2022 and of the condensed consolidated statement of financial position as of March 31, 2023, and December 31, 2022, by reportable segments are as follows:

<b>For the three months ended March 31, 2023</b>	<b>Limited Service</b>	<b>Select Service</b>	<b>Full Service</b>	<b>Long Stay</b>	<b>Consolidated</b>
Lodging revenue	38,122	250,180	214,313	12,657	515,272
Property leases revenue	139	3,848	12,697	24	16,708
Gross margin	12,325	91,073	76,132	3,698	183,228
Depreciation	3,265	31,506	60,298	2,181	97,250

<b>For the three months ended March 31, 2022</b>	<b>Limited Service</b>	<b>Select Service</b>	<b>Full Service</b>	<b>Long Stay</b>	<b>Consolidated</b>
Lodging revenue	29,484	176,211	145,254	9,994	360,943
Property leases revenue	139	3,120	13,383	13	16,655
Gross margin	7,878	60,620	48,405	2,762	119,665
Depreciation expense	3,237	32,104	64,679	2,183	102,203

<b>As of March 31, 2023</b>	<b>Limited Service</b>	<b>Select Service</b>	<b>Full Service</b>	<b>Long Stay</b>	<b>Consolidated</b>
Property, plant, and equipment, net	\$642,165	\$4,333,532	\$6,077,296	\$183,665	\$11,236,658

<b>As of December 31, 2022</b>	<b>Limited Service</b>	<b>Select Service</b>	<b>Full Service</b>	<b>Long Stay</b>	<b>Consolidated</b>
Property, plant, and equipment, net	\$645,804	\$4,356,800	\$6,106,030	\$185,804	\$11,294,438

(4) **CASH, CASH EQUIVALENTS AND RESTRICTED CASH-**

	<b>As of March 31, 2023</b>	<b>As of December 31, 2022</b>
<i>Current assets</i>		
Cash in banks	\$ 176,748	\$ 346,832
Cash equivalents (government bonds)	250,472	265,832
	<u>427,220</u>	<u>612,664</u>
Restricted cash	<u>1,273</u>	<u>1,263</u>
Total current cash, cash equivalents and restricted cash	\$ <u>428,493</u>	\$ <u>613,927</u>
<i>Non-current assets</i>		
Restricted cash	\$ <u>165,429</u>	\$ <u>145,334</u>

Article 187 clause III of the Mexican Income Tax Law establishes Trust DB/1616 remaining equity not invested on real estate must be invested in government bonds that are registered with the National Securities Register, or in shares of investment entities or debt instruments.

During the period, the Trust was in compliance with this article and invested the remaining contributed capital in different funds with high credit rating.

As of March 31, 2023, and December 31, 2022, restricted cash consists of the reserve funds of the credit lines obtained with BBVA, Banorte and Sabadell contracted by Fibra Inn's subsidiaries.

(5) **PROPERTY, FURNITURE AND EQUIPMENT, NET-**

Property, furniture and equipment as of March 31, 2023 and December 31, 2022, are integrated as follows:

	<b>As of March 31, 2023</b>	<b>As of December 31, 2022</b>
Land	\$ 2,436,215	\$ 2,436,215
Buildings, net	8,332,643	8,334,691
Components of buildings, net	372,278	395,444
Machinery and equipment, net	379,457	387,403
Furniture and equipment	495,837	523,534
Leasehold improvements, net	5,470	\$ 5,470
	<u>12,021,900</u>	<u>12,082,757</u>
Constructions in progress	<u>387,049</u>	<u>383,284</u>
Subtotal	12,408,949	12,466,041

Less accumulated depreciation <sup>(1)</sup>	(7,649)	(6,963)
Less accumulated impairment of properties	<u>(1,164,640)</u>	<u>(1,164,640)</u>
<b>Total</b>	<b>\$ <u>11,236,658</u></b>	<b><u>11,294,438</u></b>

<sup>(1)</sup> Corresponds to the accumulated depreciation of furniture and equipment; the other items are presented net of accumulated depreciation.

As a result of measuring property, furniture and equipment at their fair value on the years ended December 31, 2022, the Trust DB/1616 recognized a revaluation surplus of \$695,298. Additionally, for the three-month periods ended on March 31, 2023, and 2022, a surplus of \$0 and \$173, respectively, was recognized.

## **(6) TRUSTORS' EQUITY-**

### ***Benefits, contributions and repurchases-***

- a) Trust DB/1616's equity consists of a contribution of \$20 and of the proceeds of the issue of CBFIs.
- b) On March 22, 2023, Fibra Inn announced the invitation to the Ordinary Holders Meeting to be held on April 27, 2023, which includes the proposal, analysis and, where appropriate, approval to carry out the issuance of CBFIs for an equivalent amount of up to \$1,500,000, which will be preferentially subscribed by current Holders, in the understanding that: (i) CBFIs that are not preferentially acquired by current Holders in accordance with the procedure authorized by the Holders Meeting may be acquired by potential strategic investors and (ii) the acquisition of CBFIs that represent more than 10% of the CBFIs in circulation, will require the authorization of the Technical Committee, with the exception of those acquisitions made by Specialized Investment Companies in Funds for the Retirement independently, in accordance with the provisions of the thirtieth clause of the Trust.

### ***Distributions-***

- c) On February 22, 2023, Fibra Inn's Technical Committee unanimously approved, with a favorable vote of all its participating independent members, a capital reimbursement for an amount of \$21,578 with a factor of Ps\$0.0428 per outstanding CBFI. The amount distributed by certificate was made on March 30, 2023.

## **(7) ACQUISITION AND DISPOSAL 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.



As of March 31, 2023, the Trust DB/1616 has an active sale plan for the hotel in Coatzacoalcos; however, as of the date of issuance of these condensed consolidated financial statements, their sale has not been completed, management continues to implement an active sale plan as required by IFRS for the classification of these hotels as held for sale.

**(8) OTHER RELEVANT EVENTS-**

- Financial performance. The Trust DB/1616 evaluates the performance of each of its hotels based on their cash flow (“funds from operations” or “FFO”), which is calculated by adjusting from the earnings before interest, taxes, depreciation and amortization (“EBITDA”), the acquisition and organization expenses and certain financial items that directly impact the operating flow to be evaluated, considering that such indicator represents a good measure to evaluate the operating performance and the capacity to meet principal and interest obligations with respect to Fibra Inn's debt, as well as the ability to fund capital investments and working capital requirements. Notwithstanding, the foregoing, the FFO is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance, or cash flow as a measure of liquidity. The FFO of Trust DB/1616 for the three-month period ended March 31, 2023, and 2022 represented positive (negative) flows of \$45,289 and \$(5,645), respectively
- Liquidity. Management took the following measures to address the risk of default on its financial obligations:
  - i. In the year 2022, income was obtained from the sale of property, furniture and equipment for \$127,820, which provided flexibility in the compliance of obligations and investments in the portfolio hotels.

Additionally, as of March 31, 2023, Fibra Inn has \$428,493 of cash and cash equivalents to meet its obligations and operating expenses, and estimates that it will have additional resources mainly from the following processes:

- i. As of March 31, 2023, there is Value-Added Tax (“VAT”) in favor of \$136,304, which has been processed for its return before the authorities.
- ii. Fibra Inn has a plan for the divestment of non-strategic assets, approved by the Technical Committee on July 24, 2018, through which it expects to obtain cash flows that will contribute to continue operating the the business. The hotels within the plan that have not yet been disposed have a carrying amount of \$2,612,061 as of March 31, 2023.

As of March 31, 2023, Fibra Inn maintains interest payment obligations related to the issuance of securities, with the next coupon payment in the month of February 2023 and the simple credit loans contracted with BBVA, Banorte and Sabadell, whose contractual amount interest payment in the short term is equivalent to \$419,474.

As a result of the liability management strategy, Fibra Inn has a comfortable maturity profile, since the most of the total debt is long-term, the capital of the issuance of debt securities must be paid in 2028 which were issued at a fixed rate, while the principal of the current portion of

bank debt as of \$44,961. As of March 31, 2023, Fibra Inn's long-term debt rating by HR Ratings has been ratified from A-.

In addition, management has assessed that, with regards to financial indicators, if the interest hedge ratio was to be impacted downwards, due to a decrease in operating flows generated by the business to cover the payment of interests and, in the event of default, the restrictions stipulated in the agreement with the creditors do not imply the enforceability of the payment of principal in the short term. The Debt Service Coverage Ratio was 1.5 as of March 31, 2023.

The Trust DB/1616 evaluates on a quarterly basis, the compliance with the covenants of the bank and stock exchange debt and as of March 31, 2023 complies with such obligations.

Continuity as a going concern. Taking into account all the aforementioned factors, in addition to the actions to manage the operational and financial risks identified so far, the administration considers that the conclusion on the application of the going concern principle as of December 31, 2022, remains valid as of March 31, 2023, therefore the condensed consolidated financial statements are presented on that basis.

- a) On February 3, 2023, Fibra Inn reported on the acquisition of all trust rights of the Founders Trust by Origin Patrimonial, S.A. de C.V., as well as on the consequent substitution of members in the Technical Committee, including its president and in the Investment Committee, appointed by the Founders Trust.

Given the acquisition, the signing of an agreement for the assignment of all trust rights of the Founders Trust was carried out by Víctor Zorrilla Vargas, Joel Zorrilla Vargas, Oscar Eduardo Calvillo Amaya, Robert Jaime Dotson Castrejón and Juan Carlos Hernáiz Vigil as assignor and Origin as assignee.

By virtue of the foregoing, the Founders Trust has notified Fibra Inn of the replacement of members of the Technical Committee, including its president, as well as the replacement of members of the Investment Committee, designated by the Founders Trust.

- b) On March 6, 2023, Fibra Inn made the prepayment of the bank debt with mortgage guarantee with Banorte for an amount of \$10,000 that it intends to advance to achieve greater financial efficiency that allows improving the level of indebtedness, service coverage of debt and credit ratings.
- c) On March 13, 2023, the CIB/3097 Trust signed the Third Amendment Agreement with BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México ("BBVA") related to the substitution adjustment of the LIBOR 3M rate for the SOFOR 3M reference rate plus an adjustment margin of 0.26161 percentage points on the ordinary interest on the principal of the preferred credit Tranche 1 and 2 in US dollars payable quarterly.
- d) On March 14, 2023, in Trust CIB/3097 signed the amending agreement to the framework contract for derivative financial operations with BBVA in which the fixed interest rate was agreed for 1.43839 percentage points, this represents an adjustment for the differential of rates for 0.26161 percentage points for the replacement of the LIBOR rate of the tranche in US

dollars, both replacement contracts take effect on the date of the next quarterly payment on April 17, 2023.

**(9) CONTINGENCIES AND COMMITMENTS-**

a) Franchises

Fibra Inn has entered into a franchise, license and use of brand agreements to operate hotels with different brands, these agreements are entered into with Intercontinental Hotel Group, Hilton Worldwide, Wyndham Hotel Group International, Marriott International Inc., and Asset Advisor Prisma, S.A.P.I de C.V. which have validity of between 10 and 20 years, respectively. Derived from said contracts, Fibra Inn has the obligation to pay royalties of between 1% and 10% on the income generated by lodging, marketing expenses, loyalty program commissions, among others. The total payments for these concepts were of \$63,852 and \$45,450 as of March 31, 2023 and 2022, respectively. For their part, franchise agreements include certain commitments regarding the opening date or start of operations, as well as dates for making physical investments in the properties to guarantee the franchisor the preservation or improvement of the guest service, which, in in case of non-compliance, they could generate monetary penalties and/or the loss of the franchise, for this concept.