

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

Notes to the Unaudited Condensed Consolidated Financial Statements

As of December 31, 2020 and for the twelve-month period ended in such date

(In Thousands of Mexican pesos)

(1) COMPANY'S ACTIVITY-

Trust DB/1616 (Formerly Fideicomiso Irrevocable No F/1616) (CIBanco, S.A., Institución de Banca Múltiple as final and universal beneficiary of Deutsche Bank México, S.A. Institución de Banca Múltiple, Fiduciary Division) 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, Fiduciary Division (Now 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, with a view to leasing commercial properties earmarked for the hospitality industry and providing related services.

Fibra Inn, as a real estate investment trust ("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 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 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 2c) below. This entity provides management services and support functions necessary to conduct the businesses of the Trust DB/1616.

Beginning September 2018, 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 Ricardo Margain Zozaya No. #605, Colonia Santa Engracia, in San Pedro Garza García, Nuevo León.

(2) BASIS OF PREPARATION AND PRESENTATION-

1. 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 Reporting as issued by the International Accounting Standards Board (“IASB”).

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) 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.

The aforementioned unaudited condensed consolidated financial statements as of December 31, 2020 and for the twelve-month period ended December 31, 2020 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.

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

In the current year, the Trust has applied a number of new and amended IFRS and interpretations issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2020. The conclusions related to their adoption are described as follows:

Amendments to IFRS 3 Definition of a Business

The modified definition of a business requires that an acquisition includes an input and a substantive process that together contribute significantly to the ability to create outputs. The

definition of the term " outputs" is modified to focus on goods and services provided to customers, generating investment and other revenue, and excludes returns in the form of lower costs and other economic benefits. The modifications are likely to result in more acquisitions being accounted for as acquisitions of assets.

The amendments are applied prospectively to annual periods beginning on or after 1 January 2020.

From January 1, 2020 to December 31, 2020, Fibra Inn did not conduct any business acquisitions, for which no impacts on its unaudited condensed consolidated financial statements were determined for the implementation of these amendments. However, Trust DB/1616 will apply the definition of business from this amendment in future business acquisitions.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other standards and the conceptual framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Fibra Inn determined that there are no impacts in the implementation of these amendments on its unaudited condensed consolidated financial statements, considering that the definition of material was previously evaluated as such.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform

The amendments in the Interest Rate Benchmark Reform deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and addresses the implications for specific hedge accounting requirements and disclosures in IFRS 9, IAS 39 and IFRS 7. The amendments also clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and must be applied retrospectively, with earlier application permitted.

As of December 31, 2020, there has been no replacement of the interest rate benchmark used by Fibra Inn that affects its financial instruments.

Amendments to IFRS 16 Rent Concessions Related to Covid-19

The amendments introduce a practical expedient that provides lessees the option not to assess whether a rent concession, related to COVID-19, is a lease modification. The accounting requirements of the negotiated changes requires the application of professional judgment and depends on different factors, mainly the evaluation of whether the changes are part of the original terms and conditions of the lease. The exemption, which is approached on paragraph 46A of IFRS 16, is permitted only if the three following conditions are met:

- i) The change in the lease payments is substantially the same as, or less than, the consideration paid for the lease immediately preceding the change as a consequence of COVID-19;
- ii) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- iii) There is no substantive change to other terms and conditions of the lease.

Fibra Inn determined that there are no impacts in the implementation of these amendments on its unaudited condensed consolidated interim financial statements, considering that it has not yet received any rent concessions in the leases it maintains as a lessee.

New standards and interpretation issued, not valid in the reporting period

Fibra Inn has reviewed the following new IFRS and improvements issued by IASB not yet effective for the reporting period:

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.

Finally, regarding the disclosures, the Trust DB/1616 should disclose how it is managing the transition from IBORs to alternative benchmark rates and the risks may arise from the transition, quantitative information about non-derivative financial assets and liabilities, as

well as derivatives that continue to reference interest rate benchmarks subject to the reform and changes arisen on the Fibra Inn's risk management strategy.

These amendments are effective for annual reporting periods beginning on or after January 1, 2021 with retrospective application, without the need to restate the comparative periods and Fibra Inn is in process of evaluating the impacts derived from the application of these amendments.

Additionally, in its evaluation process, the Trust did not visualize potential impacts due to the adoption of the following new IFRS and improvements issued by IASB, considering that they are not of significant applicability:

- Amendment to IAS 1 – Classification of Liabilities as Current or Non-current ⁽¹⁾
- Amendment to IAS 16 –Proceeds before intended use of Property, Plant and Equipment ⁽¹⁾
- Amendment to IAS 37 – Cost of fulfilling Onerous contracts ⁽¹⁾
- Amendment to IFRS 1 – Initial adoption of IFRS ⁽¹⁾
- Amendment to IFRS 9 – Financial Instruments ⁽¹⁾
- Amendment to IAS 41 – Biological Assets ⁽¹⁾
- IFRS 17 – Insurance contracts ⁽²⁾

(1) Effective for annual periods beginning January 1, 2022

(2) Effective for annual periods beginning January 1, 2023

3. *Going concern*

As of the authorization date of these unaudited condensed consolidated financial statements, 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 consolidated financial statements were prepared and presented on that basis.

4. *Basis of consolidation*

a) Subsidiaries

As of December 31, 2020 and 2019, the unaudited condensed consolidated financial statements include those of Fibra Inn and those of 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 ii 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 ii 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 ii 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 company have been eliminated in the unaudited condensed consolidated financial statements.

Fibra Inn assessed, under IFRS 10, *Consolidated Financial Statements*, that it exerts control over all its subsidiaries as of December 31, 2020.

In the same way, Fibra Inn continuously assesses whether it holds control on the service entities and concluded that in accordance with IFRS 10, *Consolidated Financial Statements*, it does not control such entities since it does not have the power to decide over the management of their relevant activities; nor the management of such entities; key decisions of its operations are taken by the stockholders of these companies, not by Fibra Inn; therefore, there is no control relationship, and they are considered only related parties.

b) Non-Controlling Interest.

The unaudited 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 maintained its interest, this would be prospectively measured at fair value at the date control is lost.

5. *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 24, 2021, represented by Ing. Victor Zorrilla Vargas as its President.

6. *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.

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.

(3) CASH AND CASH EQUIVALENTS-

	As of December 31, 2020	As of December 31, 2019
Cash in banks	\$ 87,374	86,456
Cash equivalents (government bonds)	178,348	467,093
	<u>265,722</u>	<u>553,549</u>
Restricted cash	57,013	10,090
Total cash and cash equivalents	<u>\$ 322,735</u>	<u>563,639</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 December 31, 2020 and December 31, 2019, the restricted cash is maintained of as part of the reserve funds of the credit lines obtained with BBVA Bancomer, Banorte and Sabadell contracted by Fibra Inn subsidiaries.

(4) PROPERTY, FURNITURE AND EQUIPMENT-

Property, furniture and equipment as of December 31, 2020 and December 31, 2019, are integrated as follows:

	As of December 31, 2020	As of December 31, 2019
Land	\$ 1,747,054	1,825,870
Buildings	6,523,509	6,503,083
Components of buildings	378,575	343,584
Machinery and equipment	348,425	311,923
Furniture and equipment	469,217	406,808
	<u>9,466,780</u>	<u>9,391,268</u>
Less accumulated depreciation ⁽²⁾	(3,788)	(2,944)
Less impairment of properties	<u>(2,220,371)</u>	<u>(1,249,113)</u>
	7,242,621	8,139,211
Constructions in progress ⁽¹⁾	<u>1,885,435</u>	<u>2,232,694</u>
Total	\$ <u>9,128,056</u>	<u>10,371,905</u>

(1) As of December 31, 2020 and December 31, 2019, the Trust DB/1616 has capitalized interest of \$48,099 and \$101,001, respectively, from loans attributable to hotel construction.

(2) Corresponds to the accumulated depreciation of furniture and equipment.

As a result of measuring property, furniture and equipment at their fair value on the year ended December 31, 2020 and 2019, the Trust DB/1616 recognized a decrease in the revaluation surplus of \$547,102 and \$529,554. Additionally, for the period ended December 31, 2020 and the year ended December 31, 2019, the Trust recognized an impairment expense of \$842,742 and \$193,163, respectively.

(5) 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.

Benefits-

- a) On February 25, 2020, the Technical Committee of Fibra Inn approved, prior authorization of the majority of the independent members, a repayment of principal in the amount of \$63,564 with a factor of Ps\$ 0.1290 per outstanding CBFi. This distribution was paid in cash by Fibra Inn on March 20, 2020, at total of 492,615,026 CBFIs that do not include repurchased certificates at the date of settlement for the period from October 1, 2019 to December 31, 2019.

Contributions-

- a) As of December 31, 2020, the partner of Trust CIB/3096 has contributed to the Trust an amount of \$305,000 as part of the entered agreement to amend and totally restate Trust CIB/3096; through which, Fibra Inn granted 50% of its trustee rights to a new partner, including the Real Surface Right and Hotel Trustee Rights.
- b) As of December 31, 2020, the partners of Trust CIB/3058 have contributed \$231,216 as part of the Second Agreement to amend and restate Trust CIB/3058.
- c) As of December 31, 2020, the partners of Trust CIB/3097 have contributed \$395,219 as part of the Second Agreement to amend and restate Trust CIB/3097.

Repurchases

- a) On June 30, 2020, Fibra Inn announced the cancellation of the fund for the repurchase of CBFIs not exercised and approved on April 29, 2019, established up to 5% of the securities issued on the Mexican Stock Exchange (Bolsa Mexicana de Valores), and announced the creation of a new fund for the repurchase of CBFIs of the Trust DB/1616 for up to a maximum amount of resources of \$250,000 for the twelve-month period following that date of approval.
- b) As of December 31, 2020, Fibra Inn concluded the cancellation of 24,580,315 CBFIs equivalent to \$ 175,994 with a reference price of Ps \$ 7.16 per CBFI.
- c) For the twelve-month period ended December 31, 2020, Fibra Inn repurchased 1,135,302 CBFIS of FINN13 capital for a total amount of \$8,451 at an average price of Ps \$7.44 per CBFI valued at the time of the repurchase.

(6) 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.

On January 8, 2020, Fibra Inn entered into a contract for the use of the W Hotels brand with Marriott International, Inc., whereby Fibra Inn will develop a hotel of this brand in Playa del Carmen, Quintana Roo. The hotel will have a total of 218 rooms, and it is estimated to open in 2023. The hotel will be developed through the Trust CIB/3058.

On February 11, 2020, the Wyndham Garden León Centro Max hotel was sold for \$140,000 plus VAT as part of the divestment strategy of non-strategic assets.

On February 13, 2020, the Trust CIB/3096 carried out the cancellation of reservation of ownership and discount of the fixed price related to the purchase-sale contract of bare title and usufruct and constructions with reservation of ownership, and subject to conditions precedent related to The Westin Monterrey Valle Hotel, in this same date, a discount of the Fixed Price of the value of the hotel was agreed in the amount of \$8,000; therefore, CIB/3096 paid a total of \$62,000 (Reservation Payment) plus VAT, which are part of the fixed price of the hotel. In addition, a payment escrow trust was constituted totaling \$40,000, said escrow will be released to the seller at the time certain guarantee transfer conditions are met and is part of the hotel's Fixed Price, which amounts to \$732,000. The purchase operation includes the property, the hotel operating permits and all the necessary equipment to operate.

On February 14, 2020, the sale of the Aloft Guadalajara hotel was conducted in the amount of \$258,000 plus VAT as part of the divestment strategy of non-strategic assets.

On February 20, 2020, the Westin Monterrey Valle Hotel opened, which has 7 stories and a total of 174 rooms of which 22 suites and 1 presidential suite stand out. This hotel features amenities such as Roof Garden with a swimming pool, Heavenly Spa by Westin and banquet halls. With this opening, the period for the determination of the variable price contained in the purchase-sale agreement between the seller and the CIB/3096 Trust begins, where such payment is conditioned on the performance of the hotel within the first 4 years of operation.

On June 30, 2020, Trust DB/1616 decided to permanently close three hotels of the Wyndham Garden brand in the state of Guanajuato for strategic reasons. As of December 31, 2020, Trust DB/1616 received an offer for the purchase of the three hotels, which are presented in the statement of financial position as available for sale for an amount of \$144,641. Once the transaction is completed, Fibra Inn expects to obtain the amount of \$ 160,000 from the sale of the three hotels.

(7) OTHER RELEVANT EVENTS-

- a) Through two payments made on January 8, 2020 and February 17, 2020, Fibra Inn settled a total of \$200,000 related to the current account credit with Actinver.
- b) On January 14, 2020, the CIB/3097 Trust signed a Simple Credit Agreement with BBVA Bancomer for \$140,000 to finance the construction costs of the hotel in question. The term of the contract is 10 years. The agreed interest rate is the TIIE at 91 days plus 2.40 percentage points. As of December 31, 2020, Fibra Inn has reached the credit limit and incurred in disposition costs of \$1,400.
- c) On January 14, 2020, the CIB/3097 Trust signed a Mortgage Secured Credit Agreement with BBVA Bancomer for \$612,000 for the construction of a hotel under the Trust. The contract is for 10 years. The agreed interest rate is the 28-day TIIE plus 2.85 percentage points. In this same act, the CIB/3097 Trust is obliged to carry out the legal acts necessary to convert \$280,000 to United States dollars in 2021 at an exchange rate of Ps\$19.84. Upon completion of such conversion, the debt will accrue interest at a LIBOR rate plus 3 percentage points. As of December 31, 2020, Fibra Inn has disposed of \$539,467 and derived from this incurred in disposition costs of \$6,463.

- d) On January 14, the Trust CIB/3097 contracted a derivative financial instrument to hedge against the interest rate volatility of the debt with BBVA Bancomer in Mexican pesos and in dollars. The reference amount of the instruments is \$193,513 and \$14,113, respectively. The contract is valid for 10 years.
- a) On February 25, 2020, Fibra Inn settled the unpaid balance related to the current account loan with BBVA Bancomer totaling \$200,000. As of March 6, 2020, the Reserve Fund consisting of \$10,090 corresponding to this loan had been returned to Fibra Inn.
- e) During the months of April, July and November 2020, Fibra Inn made payments for a total of \$ 38,000 corresponding to the cash settlement amount of the agreement for early termination of the Advisory contract signed with Asesor de Activos Prisma, S.A.P.I. de C.V.
- f) During the second quarter of 2020, for strategic reasons, Trust DB/1616 made the decision to close two hotels; the Marriot hotel located in Coatzacoalcos permanently and the Holiday Inn México Coyoacán Hotel temporarily, as a result of the earthquake that occurred on June 23, 2020. As of December 31, 2020, the latter remains closed. As of December 31, 2020, the Holiday Inn México Coyoacan hotel remains closed due to remodeling and is expected to open in 2021.
- g) At the Extraordinary Bondholders' Meeting for FINN18 Holders, held on August 10, 2020, a temporary waiver was approved by Fibra Inn for the compliance with the debt service covenant. As a result of the health emergency caused by COVID-19 and its effects on Fibra Inn's income, it was considered likely that the Trust DB/1616 would not comply with such covenant that protects FINN 18 certificates, implying that Fibra Inn and its subsidiaries would not be able to acquire additional debt until they reached the minimum required level of income. As a result of the waiver approval, Fibra Inn and its subsidiaries were able to acquire additional debt to recover its resources for an amount up to \$400,000, and this will be valid until Fibra Inn reaches an EBITDA of \$625,000 or until the first quarter of 2022, whichever occurs first.
- h) On October 8, 2020, the Trust CIB/3096 signed a Simple Credit Agreement with Banorte for a total of \$157,500 whose purpose is to finance short-term operating requirements. The term of the contract is 10 years. The agreed interest rate is the 91-day TIIE plus 3.50 percentage points. In this same act, the Trust CIB/3096 signed a Simple Credit Agreement with Banco Sabadell for a total of \$157,500 with a tranche in Mexican pesos for a total of \$85,050 and an amount in dollars equivalent to \$72,450 whose destination is to finance requirements short-term operations. The term of the contract is 10 years. The agreed interest rate is 91-day TIIE plus 3.50 percentage points for the Mexican peso tranche and LIBOR plus 3.40 percentage points for the dollar amount.

On this same date and as part of the obligations to make the aforementioned contract, the Trust CIB/3096 Trust signed a Pledge Agreement without Transfer of Possession in which a pledge without transfer of possession is granted unconditionally and irrevocably in the first place and degree of priority in favor of Banorte and Banco Sabadell, the furniture and equipment of the Trust CIB/3096 corresponding to The Westin Monterrey Valle hotel.

As of December 31, 2020, an amount of \$154,000 and US\$2,192 (two thousand one hundred ninety-two dollars) has been disposed and derived from this Fibra Inn has incurred in disposition costs of \$4,444.

- i) On October 16, 2020, Deutsche Bank México, S.A. Institución de Banca Múltiple, Fiduciary Division (“Deutsche Bank México”) split off and transferred part of its assets, liabilities and capital to a new entity, which, in turn, on that same date, merged with CIBanco, S.A. Institución de Banca Múltiple (“CIBanco”), the latter subsisting as merging company. Therefore, CIBanco acquired the fiduciary portfolio that Deutsche Bank México originally managed as a trust institution. The aforementioned merger was registered in the public registry of commerce on October 27, taking effect retroactively to October 16, 2020, so that, as of such date, CIBanco, SA, Institución de Banca Múltiple (as final and universal beneficiary of Deutsche Bank México, SA Institución de Banca Múltiple, División Fiduciaria), acts as of Fibra Inn’s Fiduciary (DB/1616).
- j) On November 19, 2020, the Trust CIB/3096 signed a Derivative Financial Operations Agreement with Banorte at an Interest Rate in Mexican pesos and in dollars. The reference amount of the instruments is \$154,000 and US\$2,192 (two thousand one hundred ninety-two dollars), respectively. The contract is valid for 10 years.
- k) On March 11, 2020, The World Health Organization declared the SARS-COV2 (“COVID-19”) virus as a global pandemic. Taking into consideration the complexity of the global markets and the slow distribution and application of the virus vaccine in Mexico, the consequences for Fibra Inn's operating results, as well as for its financial situation and cash flows, are contingent and will vary depending largely on the evolution and extent of the pandemic in the coming months; on the reaction and adaptation capacity of all affected economic agents; as well as the measures adopted by the Mexican government authorities.

Therefore, as of December 31, 2020, the administration has considered the following corresponding impacts, with the information available, mainly, in the short term, not being possible, for the moment, to evaluate if said situation will continue, or to what extent in the future:

- Financial performance. Fibra Inn experienced a significant decrease in the demand for hotel services, which represent the main source of income for the DB/1616 Trust. As a result of this, and due to government regulations, the DB/1616 Trust temporarily closed twenty-three hotels from April 6, 2020 to June 1, 2020. This caused a significant decrease in hotel occupancy rates, and implied the obtaining lower income than budgeted for 2020. As of December 31, 2020, the maximum occupancy per hotel allowed by government authorities varied in each state of the Mexican Republic, ranging from 30% to 100% of its capacity.

The DB/1616 Trust evaluates the performance of each of its hotels based on their cash flow (“funds from operations” or “FFO” for its acronym in English), which is calculated by adjusting the profit before financing, tax on income, depreciation and amortization (“EBITDA”) for acquisition and organization expenses and for certain financial items that directly impact the operating flow to be evaluated, considering that said indicator represents a good measure to evaluate performance operating and the ability to meet capital and interest obligations with

respect to Fibra Inn's debt, as well as the ability to fund capital investments and working capital requirements. However, to 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 years ended December 31, 2020 and 2019 represented (negative)/positive flows of \$(447,117) and \$ 224,948, respectively.

- Liquidity. Management took the following measures to address the risk of default on its financial obligations:
 - i. Decision to temporarily close some hotels in the portfolio, in addition to some administrative decisions, and a significant reduction in Fibra Inn's hotel operating and administration expenses.
 - ii. The realization of capital investments in the hotels from the Fibra Inn portfolio was postponed, as long as the contracts with the brands of said hotels did not require mandatory investments for the year 2020.
 - iii. Part of the fulfillment of short-term operational and administrative obligations was leveraged with the cash flows received in the first months of 2020, due to the sale of assets carried out in 2019; In addition, the administration managed tax recoveries and other reimbursements on behalf of third parties.

Additionally, Fibra Inn currently has \$322,735 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:

- a) During the year ended December 31, 2020, the VAT refund was processed in favor of the CIB/3096 Trust, corresponding to The Westin Monterrey Valle Hotel for an amount of \$129,160, whose resources are expected to be received in April 2021 and The VAT refund was also processed in favor of the CIB/3097 Trust, corresponding to the JW Marriot Hotel that is under construction, for an amount of \$177,592, whose resources are expected to be received during 2021.
- b) As of December 31, 2020, the DB/1616 Trust received an offer for the purchase of the three Wyndham Garden hotels located in the Bajío area, in the municipalities of Celaya, Irapuato, and Silao. These hotels qualify as assets available for sale in accordance with the provisions of IFRS 5, *Non-current assets held for sale and discontinued operations*. Once the transaction is completed, Fibra Inn expects to obtain the amount of \$144,641 from the sale of the three hotels, after discounting the transaction costs.
- c) Fibra Inn has a non-strategic asset divestment plan, approved by the Technical Committee on July 24, 2018, through which it is expected to obtain cash flows that will help continue the business operation. The hotels within the plan that have not yet been disposed have a book value of \$ 526,000.

As of December 31, 2020, Fibra Inn maintains interest payment obligations related to the issuance of securities, with the next coupon payment in August 2021 and the simple loans

contracted with BBVA, Banorte and Sabadell, whose contractual amount interest payment in the short term is equivalent to \$ 379,803.

In case additional financing is required, Fibra Inn has an amount of \$72,533 available in BBVA's preferred credit line as of December 31, 2020; which, may be arranged in accordance with the financial evaluations made by the administration if required. In addition, management will continually assess these needs as part of its financial risk management strategy, working in conjunction with the corresponding financial institutions, to ensure that the best possible financing conditions are obtained for the DB/1616 Trust.

Derived from the liability management strategy, Fibra Inn has a comfortable maturity profile, since all the debt is long-term, the capital of the issuance of securities must be paid in 2028, while the capital of bank loans in the year 2022 and, additionally, all the stock market debt was issued at a fixed rate. Even though Fitch Ratings revised Fibra Inn's debt rating from AA- to A, it did not perceive liquidity risks despite the fact that it considered that the world hotel sector was one of the most affected by the pandemic.

Additionally, management has evaluated that, with regard to financial indicators, the interest coverage ratio will be impacted downward, due to the expected decrease in operating flows generated by the business to cover the payment of interests. However, in the event of any breach, the restrictions stipulated in the agreement with the creditors do not imply the enforceability of the capital payment in the short term.

Finally, at the Extraordinary Meeting held on August 10, 2020, the granting of a temporary waiver to Fibra Inn was presented and approved, regarding compliance with maintaining a Debt Service Index of 1.5, which covers the Certificates of FINN 18, because as of June 30, 2020 the index was 1.0. The waiver will be effective as of the approval date for a term no longer than the first quarter of 2022 or until the DB/1616 Trust reaches an EBITDA of the last 12 months above \$625 million pesos, whichever occurs first. Through this waiver, the DB/1616 Trust or its subsidiaries were allowed to contract debt for an amount up to \$400,000, the resources obtained through revolving credit lines must be used to finance short-term requirements, such as taxes payable and financial expenses, among others.

The Trust assesses quarterly compliance with the covenants of the bank and stock exchange debt and as of December 31, 2020, it complies with said obligations.

- Financial position. As a result of the above, the administration continuously reviews the expectations of recovery of income and cash flows for the following period, as well as for the years 2022 and 2023, considering that there is a slow distribution in Mexico of the vaccine against the virus, and the uncertainty in the direct impact on the hotel occupancy levels. As of December 31, 2020, derived from government measures that gradually allow the reactivation of operations, as well as a slow economic recovery and therefore low levels of hotel occupancy, Fibra Inn recognized an impairment of \$842,742 and a decrease in the revaluation surplus of \$547,102 when estimating the fair value of its hotels; However, the administration expects a gradual recovery from 2021, derived from the vaccination that will be carried out worldwide, which could increase the value of the hotels in that period.

Additionally, given the global economic effects, the management's expectation includes an increase in the probability of default by customers who maintain accounts payable with Fibra Inn, which could imply an increase in the estimate of impairment of accounts for collection, which were \$19,560 as of December 31, 2020.

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, 2019, remains valid as of December 31, 2020, therefore the consolidated financial statements are presented on that basis.

(8) CONTINGENCIES AND COMMITMENTS-

During 2020, Fibra Inn signed possible payment commitments, which outcome cannot be predicted as of December 31, 2020. Trust DB/1616 considers that these payment obligations would not significantly affect individually or in general its financial position or its operating results.

As of December 31, 2020, Fibra Inn has the following commitments:

- a) On June 4, 2020, Trust DB/1616 signed the Franchise Termination Agreement for the Marriot hotel located in Coatzacoalcos, Veracruz, maintained with Marriot Switzerland Licensing Company, S.A.R.L. As a result, Fibra Inn incurred in termination penalty fees for US\$3,900 (three thousand nine hundred dollars) and agreed to pay US\$250,000 (two hundred and fifty thousand dollars) for compensation in the event of the following two scenarios:
 - within a maximum period of 48 months, a franchise agreement is not signed with the franchise supplier for the opening of a full-service hotel or two limited-service hotels, and
 - if 36 months after the previous franchise agreement's signature date, Fibra Inn does not open the hotel or hotels, as applicable.

As of December 31, 2020, the DB/1616 Trust is not certain of the opening of hotels under the Marriot brand under the conditions described above.

- b) On February 20, 2020, the operation of The Westin Monterrey Valle hotel began, which is located in San Pedro Garza García and represented an investment of \$732,000. Within the purchase sale agreement, it was established that, once the hotel is operating, Fibra Inn must pay an earn-out to the seller, conditioned on the performance of the hotel within a consecutive period of 12 months during the first 4 years from its opening.

As of December 31, 2020, Trust DB/1616 does not consider probable the payment of the earn-out based on the financial projections made by Management.