Notes to the Unaudited Condensed Consolidated Financial Statements

As of September 30, 2019 and for the nine-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 Subsidiaries ("Fibra Inn" o the "Trust F/1616") 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 F/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 (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 187 and 188 of the Income Tax Law, that the Trust F/1616 must annually distribute at least 95 percent 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 F/1616.

As of December 31, 2018, Trusts numbers CIB/3096 (CIBANCO, Sociedad Anónima, Institución de Banca múltiple) and CIB/3097 (CIBANCO, Sociedad Anónima Institución de Banca Múltiple) are investments in which Fibra Inn held 100% of the equity. In addition, Trust number CIB/3058 (CIBANCO, Sociedad Anónima, Institución de Banca Múltiple) is a joint venture in which Fibra Inn held 26% equity. However, during 2019, as a result of the different non-controlling interest contributions made to such investments, as of September 30, 2019 Fibra Inn holds 50% of the equity of Trusts CIB/3096 and CIB/3097, and 29% of the equity of Trust CIB/3058.

These trusts were established under the 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, as defined in Note 2c.

Trust F/1616'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").

b. Basis of measurement

Trust F/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 condensed consolidated financial statements as of September 30, 2019 and for the nine-month period ended September 30, 2019 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, 2019. The conclusions related to their adoption are described as follows:

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.

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).

Trust F/1616 will apply the exemptions to not to recognize an asset and a liability as described above, for lease agreements with a term of less than 12 months (provided that they do not contain purchase or term renewal options) and for those agreements where the acquisition of an individual asset of the contract was less than USD$5,000 (five thousand dollars). Therefore, payments for such leases will continue to be recognized as expenses within operating income.

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 recognized a right-of-use asset of $5,013 and a lease liability of $4,813 as an adoption effect of IFRS 16 on its statement of financial position. The Trust F/1616 made changes in its internal processes and fulfillment of contractual obligations, as a result of the existence of some agreements currently recorded as operating leases. There were no 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.

Annual Improvements to IFRS 2015–2017 Cycle Amendments to IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to IAS 12 and IAS 23. The amendments to IAS 12 clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The Trust determined no potential impacts due to the adoption of these amendments because the clarifications that the standards address do not differ from the current accounting policy.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The Trust determined no potential impacts due to the adoption of these amendments because the Employee Benefits Plan are not significant.

New and revised IFRS in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS that have been issued but are not yet effective. The Company does not expect that the adoption of the following standards will have a material impact on the financial statements in future periods, except as noted below:

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.

The Trust is in the process of evaluating the impacts that these amendments could generate in its consolidated financial statements.

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.

The Trust is in the process of evaluating the impacts that these amendments could generate in its consolidated financial statements.

c. Basis of consolidation

i. Subsidiaries

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, CIB/3096 Trust, CIB/3097 Trust and CIB/3058 Trust, 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 September 30, 2019 and for the nine-month period ended at such date.

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.

ii. 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 in the Trusts CIB/3096, CIB/3097 and CIB/3058 that do not result in a loss of control are accounted for in equity.

iii. 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.

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 October 22, 2019, represented by Ing. Victor Zorrilla Vargas as its President.

e. Income 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 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.

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

f. 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 September 30, 2019	As of December 31, 2018
Cash in banks	$	113,966	266,708
Cash equivalents (government bonds)		180,005	377,662
		293,971	644,370
Restricted cash		10,090	-
Total cash and cash equivalents	$	304,061	644,370

Article 187 clause III of the Mexican Income Tax Law establishes Trust F/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 September 30, 2019, Trust F/1616 includes long-term restricted cash of $10,090 as part of the reserve fund equivalent to six months of interest regarding the credit line obtained with BBVA Bancomer.

(4) PROPERTY, FURNITURE AND EQUIPMENT-

Property, furniture and equipment as of September 30, 2019 and December 31, 2018, are integrated as follows:

		As of September 30, 2019	As of December 31, 2018
Land	$	1,692,196	2,038,607
Buildings		7,031,316	7,466,572
Components of buildings		650,175	440,195
Machinery and equipment		489,059	345,956
Furniture and equipment		626,675	469,942
		10,489,421	10,761,272
Less accumulated depreciation		1,153,546	(1,990)
Less impairment of properties		1,107,296	(1,101,776)
		8,228,579	9,657,506
Constructions in progress		3,190,394	945,926
Total	$	11,418,973	10,603,432

As a result of measuring property, furniture and equipment at their fair value on the year ended December 31, 2018, the Trust F/1616 recognized a decrease in the revaluation surplus of $143,281. Additionally, for the year ended December 31, 2018, the Trust recognized an impairment expense of $522,764.

(5) TRUSTORS' EQUITY-

Benefits, contributions and repurchases-

a) Trust F/1616´s equity consists of a contribution of $20 and of the proceeds of the issue of CBFIs.

Benefits-

a) On January 24, 2019, the Acquisitions and Developments Director received, as part of his consideration, an equity instrument-based payment of 100,000 CBFIs, equivalent to a fair value of $944, of which 35,000 CBFIs were put on sale at a price PS $9.44 for the payment of the income tax withholding payable by the Executive corresponding to 35% under the LISR; of the remaining amount, the Executive can sell 33.3% of CBFIs, and the remnant has a sale restriction period of 2 years.

b) On February 26, 2019, the Technical Committee of Fibra Inn approved, prior authorization of the majority of the independent members, a repayment of principal in the amount of $93,733 with a factor of Ps$ 0.1806 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on March 15, 2019, at total of 518,993,783 CBFIs that do not include repurchased certificates at the date of settlement for the period from October 1, 2018 to December 31, 2018.

c) On April 26, 2019, the Technical Committee of Fibra Inn approved, prior authorization of the majority of the independent members, a repayment of principal in the amount of $81,132 with a factor of Ps$0.1569 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on May 16, 2019, at total of 517,099,146 CBFIs that do not include repurchased certificates at the date of settlement for the period from January 1, 2019 to March 31, 2019.

d) On August 8, 2019, the Technical Committee of Fibra Inn approved, prior authorization of the majority of the independent members, a repayment of principal in the amount of $37,941 with a factor of Ps$0.0739 per outstanding CBFI. This distribution was paid in cash by Fibra Inn on August 16, 2019, at total of 513,115,754 CBFIs that do not include repurchased certificates at the date of the settlement for the period from April 1, 2019 to June 30, 2019.

Contributions-

a) On February 25, 2019, an agreement to amend and totally restate Trust CIB/3097 was entered into; through this amendment and restatement, Fibra Inn granted 50% of its trustee rights to a new partner, this assignment includes the Real Surface Right and Hotel Trustee Rights. As a result of this assignment, as of September 30, 2019, the new partner has contributed to Trust CIB/3097 an amount of $350,000.

b) On March 8, 2019, Fibra Inn entered into a Second Agreement to amend and restate Trust CIB/3058, through this amendment and restatement, the Trust recognizes a third Trustor and Trustee with an initial contribution of $1,364 plus the amount of $3,508 for expenses incurred in the signing of this agreement, which will form part of the trust equity, without changing the previously existing significant clauses.

c) On April 30, 2019, an agreement to amend and totally restate Trust CIB/3096 was entered into; through this amendment and restatement, Fibra Inn granted 50% of its trustee rights to a new partner, this assignment includes the Real Surface Right and Hotel Trustee Rights. As a result of this assignment, as of September 30, 2019, the new partner has contributed to Trust CIB/3096 an amount of $145,645.

Repurchases

a) On May 23, 2019, Fibra Inn announced the cancellation of the fund for the repurchase program of CBFIs not exercised and approved on April 26,2018, 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 F/1616 for up to a maximum amount of resources of $250,000 for the twelve-month period following the date of approval.

b) During the nine-month period ended September 30, 2019, Fibra Inn repurchased CBFIs of capital amounting to $154,149.

(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 10, 2019, through the Trust CIB/3096, it was entered into a buy-sell agreement of bare title and usufruct and constructions with reservation of ownership and subject to conditions precedent with respect to the Westin Monterrey Valle hotel. Of the price previously agreed in the promise to purchase and sale, additional $40,000 was negotiated for the final transaction price of $740,000. A contingent base price of $700,000 was set subject to the future transaction. Once the hotel is operating, Fibra Inn must pay a variable part as the negotiated conditions are met, and the seller may collect the variable price within the first 4 years or 4 years after May 1, 2019. As of March 29th, one of the conditions precedent of the agreement relating to obtaining a non-competition permit from the COFECE (Federal Economic Competition Commission) has been already fulfilled. From January 1 to September 30, 2019, Trust CIB/3096 has made payments for an approximate amount of $680,000, which form part of the final price.

On July 22, 2019 and September 12, 2019, Fibra Inn carried out the sale of City Express Chihuahua and Holiday Inn & Suites Guadalajara Centro Historico, respectively. As a result, Fibra Inn obtained the amount of $95,000 and $99,000, respectively, for the sale of both hotels. Due to the early termination of both contracts, the Trust F/1616 had disbursements for a total amount of $10,908, related to sale and penalty costs for hotel management. The resources resulting from both transactions will be used for improvements in the hotel portfolio, in the Hotel Factory and for repurchase of CBFIs.

During the month of September 2019, the Trust F/1616 announced a binding agreement for the sale of the hotel Tecnológico Norte, which is part of the capital recycling strategy of selling non-strategic assets. This hotel is considered non-current asset held for sale under the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* and is presented on the consolidated financial statement position at an amount of $34,286. Once the transaction is completed, Fibra Inn expects to obtain the amount of $40,000 for the sale of the hotel. Due to the early termination of both contracts, it is estimated to have disbursements of $2,500, related to sale and penalty costs for hotel management. The resources resulting from both transactions will be used for improvements in the hotel portfolio, in the Hotel Factory and for repurchase of CBFIs.

(7) OTHER RELEVANT EVENTS-

a) On January 10, 2019, the Irrevocable Trust 1451028243 was amended and restated, to which Fibra Inn previously contributed $27,300 on September 9, 2016, in order to develop the Marriott Monterrey Aeropuerto hotel. The trust agreement was amended to give rights to Fibra Inn on the derivative and material possession of the real estate and hotel area. The purpose of the trust is to develop a real estate project for commercial use, offices for sale and/or rent and the development of land for the construction of a hotel close to the Monterrey Airport.

b) On February 12, 2019, Fibra Inn disposed of a line of credit of $200,000 contracted with BBVA Bancomer, which is available for up to $300,000 effective until May 29, 2021. The Trust F/1616 paid a commission of $1,908 for opening the credit line and will pay interest at a TIIE 28 annual rate plus 1.50% every three months starting at the disposition date. Additionally, Fibra Inn gave $10,090 as a reserve fund equivalent to six months of interests, which will be returned once the credit agreement ends. As of September 30, 2019, Fibra Inn has not settled the balance drawn.

c) As of September 30, 2019, Fibra Inn has disposed the entire line of credit contracted with Actinver which is available for up to $200,000 effective until May 29, 2020. At such date, the Trust F/1616 had settled, in previous periods, the commission for the credit line disposal. The Trust F/1616 will pay interest at TIIE 28 annual rate plus 2.50% payable at the end of each month starting at the disposition date. The credit line can be disposed totally or partially by Fibra Inn in one or several disposals during the term of the contract being one year the maximum period for the payment of each credit line disposition.

(8) SUBSEQUENT EVENTS-

On October 10, 2019, the Trust F/1616 sold the hotel Tecnológico Norte, classified as an asset available for sale. As a result, Fibra Inn obtained the amount of $40,000, for the sale of the hotel. Due to the early termination of the contract, Fibra Inn had a disbursement of $2,500 related to the costs of sale and penalty costs for hotel management. The proceeds from the sale will be used to finance renovations in existing hotels, participation in Hotel Factory projects and the repurchase of CBFIs.

On October 14, 2019, Fibra Inn announced the re-opening of the debt tender offer for Trust Certificates under the ticker symbol "FINN18", which were issued at a fixed rate of 8.87% with interest payments every six-months with a maturity in February 2028 for a total of $1,200,000. The funds from this debt tender offer re-opening will be used for the early repayment of the total amount of outstanding securities of the FINN 15 issuance for $1,000,000. The remaining balance will be used for improving existing hotels that are in the current portfolio.