

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

Notes to the Unaudited Condensed Consolidated Financial Statements

For the nine-month period ended September 30, 2015

(In Thousands of Mexican Pesos)

(1) COMPANY'S ACTIVITY-

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

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

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

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

(2) BASIS OF PREPARATION AND PRESENTATION-

(a) *Statement of compliance*

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

(b) *Basis of measurement and preparation*

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

- a) derivative financial instrument;
- b) the net defined benefits liability is recognized as the fair value of plan assets, less the present value of the defined benefits 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, 2015 and for the nine-month period ended September 30, 2015 have not been audited. Based on the opinion of the 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.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Trust and their accompanying notes for the period from January 1 to December 31 of 2014.

The accounting policies, critical judgements and key sources of estimation uncertainty applied for the recognition and measurement of assets, liabilities, revenues and expenses of the accompanying unaudited condensed consolidated financial statements are consistent with those applied and used in the audited financial statements for the period from January 1 to December 31 of 2014.

(c) *Basis for financial statement consolidation*

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

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

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

(d) *Authorization of the financial statements*

The accompanying unaudited condensed consolidated financial statements were authorized for issuance on October 14, 2015, by Ing. Oscar Eduardo Calvillo Amaya, Director of Finance, and are subject to the approval of the Technical Committee, represented by Ing. Victor Zorrilla Vargas as its President and which may modify such financial statements.

(e) *Income statement*

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

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

(f) *Statement of cash flows*

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

(g) *Seasonality*

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

Therefore, the operating results for one quarter are not necessarily indicative of the operating results of a full year, and the historical operating results, are not necessarily indicative of the future results, coupled

with acquisitions and contributions of properties that could be realized in each period and associated risks with the real estate industry.

(3) CASH AND CASH EQUIVALENTS-

	As of September 30, 2015	As of December 31, 2014
Cash in banks	\$ 83,783	222,238
Cash equivalents (government bonds)	330,145	884,453
Total cash and cash equivalents	\$ 413,928	1,106,691

Article 87 clause III of the Mexican Income Tax Law establishes that the capital contribution that was not utilized to acquire properties must be invested in government bonds that are registered with the National Securities Register, shares of investment entities or debt instruments. During 2013, the Trust invested in a variety of instruments with a high credit rating.

(4) TRADE AND OTHER ACCOUNTS RECEIVABLE-

	As of September 30, 2015	As of December 31, 2014
Clients for hotel services	\$ 125,792	70,483
Other accounts receivable	26,425	12,397
	\$ 152,217	82,880

(5) PROPERTY, FURNITURE AND EQUIPMENT-

	As of September 30, 2015	As of December 31, 2014
Land	\$ 1,234,247	1,093,097
Buildings	4,629,479	4,240,395
Components of buildings	281,186	271,870
Machinery and equipment	214,635	183,623
Furniture and equipment	285,504	220,285
	6,645,051	6,009,270
Less accumulated depreciation	(273,578)	(158,820)
	6,371,473	5,850,450
Constructions in progress	621,197	190,654
Total	\$ 6,992,670	6,041,104

(6) TRUSTORS' EQUITY-

Contributions-

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

- b) During the quarter ended on September 30, 2015, the Trustors did not make contributions and the Trust did not announce additional subscriptions of CBFIs.
- c) On September 30, 2015, Fibra INN issued Fiduciary Stock Certificates (Certificados Bursátiles Fiduciarios or “CBFs” for its acronym in Spanish) for \$1,875,350 under a program up to \$5,000,000. The proceeds will be allocated pay the total amount of bank debt for \$700,000 and the remainder will be allocated to the acquisition and development of hotels in the next 6 months. After this issuance, the estimated leverage will be 21.7% and the estimated EBITDA to debt ratio will be 5 to 1.

Distributions-

- a) On February 26, 2015, based on the terms and conditions established in Appendix 12.9 of the Trust’s Contract, the Technical Committee announced the cash distribution from the capital reimbursement for the period from October 1 to December 31 2014 which was paid on March 6, 2015. The total payment in Mexican pesos amounted \$74,615 with a value of 0.1707 per outstanding CBFI.
- b) On April 21, 2015, based on the terms and conditions established in Appendix 12.9 of the Trust’s Contract, the Technical Committee announced the cash distribution from the capital reimbursement for the period from January 1 to March 31 of 2015, which was paid on April 29 of 2015. The total payment in Mexican pesos amounted \$78,535 with a value of 0.1797 per outstanding CBFI.
- c) On July 27, 2015, based on the terms and conditions established in Appendix 12.9 of the Trust’s Contract, the Technical Committee announced the cash distribution from the capital reimbursement for the period from April 1 to June 30 of 2015, which was paid on July 31 of 2015. The total payment in Mexican pesos amounted \$88,305 with a value of 0.2021 per outstanding CBFI.

(7) ACQUISITION OF HOTELS-

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

During the 2015, Fibra INN acquired four hotels: the hotel Holiday Inn, located in the city of Reynosa, Tamaulipas; the hotel Hampton Inn by Hilton located in the city of Hermosillo, Sonora; and the hotels Staybridge Suites Guadalajara Expo and Arriva Express Guadalajara Plaza del Sol Expo, both located in Jalisco.

- a) Fibra INN completed the acquisition of the hotel Holiday Inn on June 1, 2015 at a price of \$103,600, plus a land of \$11,000, excluding tax payments and acquisition expenses of \$26,200. Additionally, \$81,900 will be invested for the development of 100 more rooms. The payment was made in cash from proceeds of the subscription of CBFIs executed in November of 2014.
- b) On June 1, 2015, Fibra INN completed the acquisition of the hotel Hampton Inn at a price of \$175,000, excluding tax payments and acquisition expenses of \$12,700. Additionally, \$27,300 will be invested for the development of 56 more rooms. The payment was made in cash from proceeds of the subscription of CBFIs executed in November of 2014.
- c) Fibra INN completed the acquisition of the hotel Staybridge Suites Guadalajara Expo on August 17, 2015 at a price of \$133,600, plus property improvements of \$8,900, excluding tax payments and acquisition expenses of \$4,700. These outflows came from the bank credit line.
- d) On August 17, 2015, Fibra INN completed the acquisition of the hotel Arriva Express Guadalajara Plaza del Sol Expo at a price of \$141,400, excluding tax payments and acquisition expenses of \$4,900.

Additionally, \$38,000 will be invested for a brand conversion and for the development of 15 additional rooms. These outflows came from the bank credit line.

(8) NEW IFRS NOT YET ADOPTED-

Fibra INN has not applied the following new and revised IFRSs that have been issued but are not yet effective as of September 30, 2015.

IFRS 9, Financial Instruments

IFRS 9, “Financial Instruments” issued in July 2014, is the replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. This standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after January 1, 2018, with early adoption being permitted. IFRS 9 (2014) does not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this face of the project was separated from the IFRS 9 project.

IFRS 9 (2014) is a complete standard that includes the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. More specifically, the new impairment model is based on expected credit losses rather than incurred losses, and will apply to debt instruments measured at amortized cost or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. Regarding the new measurement category of FVTOCI, it will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

Fibra INN is in the process of assessing the potential impacts from the adoption of this standard in their financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, “Revenue from Contracts with Customers”, was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2017, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time.

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer ; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Fibra INN is in the process of assessing the potential impacts from the adoption of this standard in their financial statements.