

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

Notes to the Unaudited Condensed Consolidated Financial Statements

As of September 30, 2020 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" or the "Trust F/1616") was established on October 23, 2012, as a Real Estate Investment 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 ("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% 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.

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, as defined in Note 2c).

Trust F/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-

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 Reporting* 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 unaudited condensed consolidated financial statements as of September 30, 2020 and for the nine-month period ended September 30, 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 September 30, 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 F/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 September 30, 2020, there has been no replacement of the interest rate benchmark used by Fibra Inn that affects its financial instruments. However, there is a high probability that a replacement of Interbank Offered Rates (“IBOR”) by Risk Free Rates (“RFR”) occurs, affecting Fibra Inn’s financial instruments; therefore, Management will evaluate the impacts of this replacement, once it becomes effective.

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 F/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

c. Basis of consolidation

i. Subsidiaries

As of September 30, 2020 and December 31, 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 September 30, 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.

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 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 23, 2020, 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, 2020	As of December 31, 2019
Cash in banks	\$ 85,512	86,456
Cash equivalents (government bonds)	33,762	467,093
	<u>119,274</u>	<u>553,549</u>
Restricted cash	36,950	10,090
	<u>36,950</u>	<u>10,090</u>
Total cash and cash equivalents	\$ <u>156,224</u>	<u>563,639</u>

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, 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.

(4) PROPERTY, FURNITURE AND EQUIPMENT-

Property, furniture and equipment as of September 30, 2020 and December 31, 2019, are integrated as follows:

	As of September 30, 2020	As of December 31, 2019
Land	\$ 1,825,870	1,825,870
Buildings	7,014,418	6,503,083
Components of buildings	400,222	343,584
	<u>8,240,510</u>	<u>8,672,537</u>
Machinery and equipment	355,790	311,923
Furniture and equipment	495,992	406,808
	<u>851,782</u>	<u>718,731</u>
	10,092,292	9,391,268
Less accumulated depreciation ⁽²⁾	(3,433)	(2,944)
Less impairment of properties	(1,306,352)	(1,249,113)
	<u>8,782,507</u>	<u>8,139,211</u>
Constructions in progress ⁽¹⁾	1,767,854	2,232,694
	<u>1,767,854</u>	<u>2,232,694</u>
Total	\$ <u>10,550,361</u>	<u>10,371,905</u>

⁽¹⁾ As of September 30, 2020 and December 31, 2019, the Trust F/1616 has capitalized interest of \$30,774 and \$101,001, respectively, from loans attributable to hotel construction.

⁽²⁾ Corresponds to the accumulated depreciation of Administradora de Activos Fibra Inn S.C.

As a result of measuring property, furniture and equipment at their fair value on the year ended December 31, 2019, the Trust F/1616 recognized a decrease in the revaluation surplus of \$529,554. Additionally, for the

nine-month period ended September 30, 2020 and the year ended December 31, 2019, the Trust recognized an impairment expense of \$58,111 and \$193,163, respectively.

(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 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 September 30, 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 September 30, 2020, the partners of Trust CIB/3058 have contributed \$231,216 as part of the Second Agreement to amend and restate Trust CIB/3058.

Repurchases

- a) On January 17, 2020, 20,515,455 CBFIs were cancelled, such CBFIs were acquired by Fibra Inn's repurchase fund created on May 23, 2019. The value of the cancelled CBFIs corresponds to an amount of \$166,585, subject to the approval of the Technical Committee, and whose effects were recognized as a reduction to the contributed capital.
- b) 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 F/1616 for up to a maximum amount of resources of \$250,000 for the twelve-month period following that date of approval.
- c) For the nine months ended September 30, 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. As of September 30, 2020, Fibra Inn maintains an outstanding amount of \$950 corresponding to the "Escrow".

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. An average daily rate is estimated in a range of \$220 to \$260 dollar in 2020. 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.

(7) OTHER RELEVANT EVENTS-

- a) 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 September 30, 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 September 30, 2020, Fibra Inn has disposed of \$406,767 and derived from this incurred in disposition costs of \$6,463.
- d) On January 15, 2020, the Trust CIB/3097 contracted a derivative financial instrument to hedge against the interest rate volatility of the debt contracted on January 14, 2020. The Trust CIB/3097 entered into an interest rate swap agreement with MXN as the reference currency to hedge against the volatility of the debt in MXN and into an interest rate swap with USD as the reference currency to hedge against the interest rate variation of the debt in USD. For the nine-month period ended September 30, 2020, there was no

ineffectiveness recognized in the income statement as a result of the valuation of the derivative financial instruments held for trading purposes.

- e) 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.
- f) The emergence of COVID-19 in China in January 2020 and its recent global expansion into a large number of countries has led to the viral outbreak being described as a pandemic by the World Health Organization since March 11, 2020.

Taking into account the complexity of global markets and the absence, for the time being, of an effective medical treatment against the virus, the consequences for Fibra Inn's operating results, as well as for its financial situation and cash flows, are contingent and will depend to a large extent on the evolution and extent of the pandemic in the coming months, on the responsiveness and adaptation of all impacted economic operators, as well as the measures taken by the Mexican government authorities.

Therefore, as of the date of issuance of Fibra Inn's consolidated financial statements, management has considered the following impacts corresponding to the information available mainly in the short term, not being possible, for the time being, to assess whether or to what extent in the future:

- Financial performance. Fibra Inn has experienced a significant decline in demand for hotel services, which represent the Trust's main source of income. This has led to a significant decrease in hotel occupancy rates, resulting in lower revenues than those budgeted for 2020 and maintaining fixed operative costs. In obtaining lower revenues, Fibra Inn will have lower cash flow generated by the operation; for which, following the government guidelines, the management decided to close until June 30, 2020, twenty-three hotels in order to promote the management of liquidity risk. As of July 1, 2020, the opening of these hotels began in accordance with government regulations in the permitted regions. For their part, the rest of the hotels in the portfolio, which were projected with positive operating flows or at least equal their break-even point, remained in operation, complying with the protocol issued for lodging services by the Health and Tourism authorities as of May 30, 2020, which required, among other requirements, a maximum occupation of 15% in hotels that provide services to activities considered essential. As of September 2020, the maximum level of hotel occupancy permitted by government authorities varies by state, ranging from 30% to 100% of the capacity.
- Liquidity. In line with the foregoing, in order to address the liquidity risk management and to be able to meet short-term financial obligations, management has taken the following steps:
 - i. With the decision to temporarily close some hotels in the portfolio, in addition to some administrative decisions, there was a significant reduction in the costs of hotel operation and management of Fibra Inn.
 - ii. Capital investments will be postponed in the hotels of Fibra Inn portfolio, provided that contracts with the brands of those hotels do not require such investments as mandatory by 2020.
 - iii. Some compliance with short-term operational and administrative obligations will be leveraged with cash flows received in the first months of 2020 and due to the sale of assets in 2019; in addition, the administration is managing tax recoveries and other refunds from third parties.

- iv. In addition, as of the date of September 30, 2020, Fibra Inn only maintains interest-payment obligations related to the issuance of debt securities, with an upcoming coupon payment in February 2021, and the simple credit agreements contracted with BBVA. The previously arranged and interest-bearing lines of credit were settled in full in the first months of 2020. There are no debt capital repayment obligations in the remainder of 2020.
- v. If additional financing is required, Fibra Inn has contracted lines of credit of \$200,000, as of the date of issuance of these financial statements, which have not been disposed, and may be disposed in accordance with the financial assessments conducted by management, if required.

In addition, management will continuously assess these needs as part of its financial risk management strategy, working in conjunction with the relevant financial institutions, to ensure that the best possible financing conditions are obtained for the Trust.

In addition, management has assessed that, in terms of financial indicators, mainly, the interest coverage ratio will be impacted downwards, due to the expected decline in operating flows generated by the business for interest payment coverage. However, in the event of any default, the restrictions set forth in the agreement with creditors do not imply the enforceability of the payment of principal in the short term. As of September 30, 2020, the interest coverage ratio of FINN 18 was 2.0times.

- Financial position. Derived from the above, Management continuously reviews the expectations in income and cash flows recovery for the remaining period of 2020, as well as for the years 2021 and 2022, considering the uncertainty in the development of a medical treatment and the direct impact on the occupancy levels of the hotels. As of September 30, 2020, derived from the variability of the economic conditions and government measures that gradually allow the reactivation of operations, it is difficult for the Trust to estimate the fair value of the hotels. However, management is working so that its best estimate of the fair value is reflected at the end of the fourth quarter of the year, due to the visualization of greater clarity on the recovery stages of the economy and, therefore, the levels of hotel occupancy.

In addition, given the overall economic impacts, management's expectation includes the increased likelihood of default by customers holding an account payable with Fibra Inn, which could result in an increase in the impairment estimate of receivables, which was \$34,218 as of September 30, 2020.

Continuity as a going concern. Taking into account all of the above factors, in addition to the actions to manage the operating and financial risks identified so far, management considers that the conclusion on the application of the operating business principle as of December 31, 2019, remains valid as of September 30, 2020, and the unaudited consolidated condensed financial statements are therefore presented on that basis.

Finally, as described in the previous sections a downward impact could be presented on the price at which Fibra Inn's CBFIs are listed on the Mexican stock market, which is considered an effect aligned with the prevailing economic conditions in global markets.

To the extent that management has more information that it deems sufficient and reliable, further analysis will be performed and the most up-to-date results will be reported to support the reading of the financial information produced by Fibra Inn.

- g) In an Extraordinary Meeting held on May 21, 2020, 77.05% of the CBFIs represented authorized the replacement of Deutsche Bank México, S.A., Institución de Banca Múltiple, as Trustee of the Trust F/1616, and authorized the appointment of CIBanco, S.A., Institución de Banca Múltiple, as the new Trustee. As of 30 September 2020, the effective replacement date has not yet occurred.
- h) As of September 30, 2020, for strategic reasons, Trust F/1616 has taken the decision of permanently closing three Wyndham Garden hotels located in the state of Guanajuato; as a result of this, Fibra Inn recognized an impairment of \$58,111 during the nine-month period ended on September 30, 2020. Additionally, Holiday Inn México Coyoacán hotel is currently closed for refurbishment as a result of the earthquake that occurred on June 23, 2020.
- i) 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 F/1616 would not comply with such covenant that protects FINN 18 certificates, implying that Fibra Inn and its subsidiary, Trust CIB/3096, 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 are able to acquire additional debt to recover its resources, and this will be valid until Fibra Inn reaches an EBITDA of \$625,000 or until the first quarter of 2022, whichever occurs first.

(8) CONTINGENCIES AND COMMITMENTS-

During 2020, Fibra Inn signed possible payment commitments, which outcome cannot be predicted as of September 30, 2020. Trust F/1616 considers that these payment obligations would not significantly affect individually or in general its financial position or its operating results.

As of September 30, 2020, Fibra Inn has the following commitments:

- a) On June 4, 2020, Trust F/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 will incur 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 September 30, 2020, the F/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 a variable price

("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.

(9) SUBSEQUENT EVENTS-

On October 6, 2020, Fibra Inn disposed an additional amount of \$60,750, corresponding to the Mortgage Secured Credit Agreement with BBVA.