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, 2017

(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" o 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 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 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").

We prepare our financial information in accordance with IFRS. The IASB may implement new standards or modify existing ones. This could require us to change our internal procedures regarding financial information and accounting records and could impact our financial position and our results of operations. Additionally, the adoption of such standards may impact the recognition of our commitments and obligations with suppliers, creditors and investors.

The financial information included in these unaudited condensed consolidated financial statements was prepared by us in accordance with IFRS in force as of the corresponding periods. Additionally, according to what is described in the Note 8 *New IFRS not yet adopted,* once IFRS 9, IFRS 15 and IFRS 16 take effect, the financial information reported could change and therefore may not be comparable to those presented in our audited consolidated financial statements or our unaudited condensed consolidated financial statements.

(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, 2017 and for the nine-month period ended September 30, 2017 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 year ended December 31, 2016.

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 year ended December 31, 2016.

(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 by Ing. Oscar Eduardo Calvillo Amaya, Chief Executive Officer, and approved by the Technical Committee on October 25, 2017, represented by Ing. Victor Zorrilla Vargas as its President.

(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, 2017	As of December 31, 2016
Cash in banks	$	71,510	186,878
Cash equivalents (government bonds)		531,319	655,135
			842,013
Restricted cash		-	7,064
Total cash and cash equivalents	$	602,829	849,077

Article 187 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 the period, the Trust invested in a variety of instruments with a high credit rating.

As of December 31, 2016, the Trust has short-term restricted cash of $3,275 corresponding to the escrow of the acquisition of the Best Western hotel in October 13, 2016, additionally it includes $3,789 for funds retained by the trustee as of the date of liquidation of the bank debt. As of September 30, 2017, the balance is no longer restricted, which is presented in the line item of cash in banks.

(4) PROPERTY, FURNITURE AND EQUIPMENT-

		As of September 30, 2017	As of December 31, 2016
Land	$	1,511,059	1,511,059
Buildings		5,492,319	5,567,440
Components of buildings		551,188	541,814
Machinery and equipment		432, 993	387,845
Furniture and equipment		535,812	525,950
		8,523,371	8,534,108
Less accumulated depreciation		(696,231)	(518,472)
Less impairment of properties		-	(42,087)
		7,827,140	7,973,549

Constructions in progress		506,400	236,999
Total	$	8,333,540	8,210,548

During the nine-month period ended September 30, 2017, the Trust didn't recognize an impairment for its fixed assets, due to the fact that at the reporting date there were no indications that the recoverable value was below the carrying amount. However, as shown in the audited consolidated financial statements as of December 31, 2016, Fibra Inn recognized an impairment expense of $42,087 caused by indications of low occupancy, mainly originated during the fourth quarter of 2016.

(5) TRUSTORS' EQUITY-

Contributions-

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

Distributions-

a) On February 22, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from October 1, 2016 to December 31, 2016, which was paid on March 15, 2017. The total payment in Mexican pesos amounted to $111,000 with a value of 0.2523 per outstanding CBFI.

b) On May 8, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from January 1, 2017 to March 31, 2017, which was paid on May 15, 2017. The total payment in Mexican pesos amounted to $110,004 with a value of 0.2500 per outstanding CBFI.

c) On August 7, 2017, based on the terms and conditions established in Appendix 12.9 of the Trust's Contract, the Technical Committee announced a cash distribution from the capital reimbursement for the period from April 1, 2017 to June 30, 2017, which was paid on August 15, 2017. The total payment in Mexican pesos amounted to $110,004 with a value of 0.2500 per outstanding CBFI.

(6) 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 nine month period ended September 30, 2017, Fibra Inn didn't acquire or begin any hotel development.

(7) OTHER RELEVANT EVENTS-

a) As of December 31, 2016, the Contract for advisory services in acquisition, administration and asset development with Asesor de Activos Prisma, S.A.P.I de C.V. was cancelled. Therefore, as of January 1, 2017, and as agreed between the parties for such early termination, the external advisory activities for the Trust shall be performed by executives and personnel hired by Administradora de Activos Fibra Inn, S.C., a subsidiary of Fibra Inn. As a result of this internalization, corporate expenses for the three-month period ended September 30, 2017 increased 200.9% compared to the three-month period ended September 30, 2016, from $7,849 to $23,615.

b) As of December 31, 2016, the purposes of the Trust No. F/1765 were modified to become a fund-collection trust. Therefore, starting January 1, 2017, the income other than lodgment will be recognized by Operadora México and the obligations for the payment of leases to the Trust No. F/1616 were formalized with the same prevailing conditions.

c) On January 23, 2017, as a result of the amendments to Articles 187 and 188 of the Income Tax Law, which are effective for periods beginning on January 1, 2017, Fibra Inn established the creation of a fund for the repurchase of CBFIs of up to 5% of its securities issued on the Mexican Stock Exchange (Bolsa Mexicana de Valores or "BMV" for its acronym in Spanish), which will allow the Trust to hold them for up to one year without the need to cancel them, as it was previously established. The main objective of the repurchase fund will be to benefit the liquidity of the CBFI and thereby promote the volume of operation. However, at the Ordinary Shareholders' Meeting held on May 2, 2017, the cancellation of such repurchase fund was approved, and the creation of a new fund for the repurchase of CBFIs was approved, for a maximum amount of resources of $245,000 for the period from May 2, 2017 and until the Annual General Meeting of Holders to be held in 2018.

d) On July 20, 2017, the opening of the AC Hotel Guadalajara Expo located in Guadalajara, Jalisco took place, which was recently remodeled with 180 rooms in the complete service segment. This hotel previously operated under a local brand. Fibra Inn maintains high positive expectations for the incorporation to its portfolio of the global brand AC Hotels by Marriot, as it introduces the innovative premium lifestyle concept that will maximize the benefits that represent hotels with strategic locations.

e) During the quarter ended on September 30, 2017, Fibra Inn recognized a long term account receivable from related parties that corresponds to funding of working capital of various transactions. As of September 30, 2017, long term accounts receivable from related parties amounted $109,031.

f) During the quarter ended on September 30, 2017, Fibra Inn recognized a liability related to short term employee benefits derived from the internalization, which is disclosed in the line item of other payables. As of September 30, 2017, other payables amounted $18,994. Additionally, the Trust recognized an expense of $10,725 related to the compensation payable in cash to Asesor de Activos Prisma, S.A.P.I. de C.V. in respect of the agreed consideration due to the early termination of the previous contract of services.

g) For the nine month period ended on September 30, 2017, Fibra Inn recognized an impairment of financial assets estimate for $29,589. The impairment corresponds to accounts receivable that are not expected to be recovered.

(8) SUBSEQUENT EVENTS

On October 10, 2107, Fibra Inn announced an agreement for the acquisition of the Hotel Westin Monterrey, a brand from Marriott International Inc., which will operate through the Hotel Factory model. The total investment will be $753,000, from which $700,000 correspond to the purchase price and $53,000 correspond to acquisition expenses, taxes, pre-operating expenses and working capital. Each of the two partners will participate with 40% of the investment, whereas Fibra Inn will contribute the remaining 20% to be funded via capital resources that the Trust has available for this purpose. The Hotel Westin Monterrey will be located in one of the most exclusive areas of San Pedro Garza García, Nuevo León and will generate revenues under the complete service segment. The opening of the hotel is estimated to complete during the third quarter of 2018.

(9) 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, 2017. Fibra Inn is in the process of assessing the potential impacts from the adoption of these standards and amendments in their financial statements.

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, de-recognition 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 phase 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.

Management of the Trust, based on its preliminary analysis of the requirements of IFRS 9, is in the process of determining the impacts that the new model of impairment of financial assets would have on its financial position, as well as on its internal processes. Additionally, Fibra Inn is evaluating its financial instruments to determine the potential impacts derived from the new classification and measurement requirements. Given that this analysis has not been concluded as of the date of this unaudited condensed consolidated financial statements, the effects that adopting IFRS 9 could have on internal procedures, information generation and accounting records have not been properly identified or quantified. In addition, the Trust has not defined the transition methodology nor has it identified, from a quantitative perspective, the impact on its financial position or on the results of its operations. Furthermore, Fibra Inn is in the process of identifying and quantifying any possible contingencies derived from the existence of any contractual obligations with suppliers, creditors and investors.

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 2018, earlier application is permitted. Under this standard, revenue recognition is based on control; that is, control is used to determine when a good or service is transferred to the customer.

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. In addition, the number of disclosures required is increased for both annual and interim financial statements.

Additionally, the IASB issued clarifications to IFRS 15 that address 1) identifying performance obligations, 2) principal-versus-agent considerations, and 3) licensing. The amendments also provide some transition relief for modified contracts and completed contracts. Specific provisions of the amendments include the following: • Identifying performance obligations - Clarification that the objective of the assessment of a promise to transfer goods or services to a customer is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs. • Principal-versus-agent considerations - Extension of the application guidance. • Licensing - Clarification of whether an entity's promise to grant a license of its IP should be recognized as revenue at a point in time or over time on the basis of whether the licensor's ongoing activities significantly affect the IP. • Transition relief - Two additional (optional) practical expedients. Clarifications to IFRS 15 are effective for annual periods beginning on or after January 1, 2018, which is the same effective date for IFRS 15.

Management of Fibra Inn, based on its preliminary analysis, has determined it does not expect material impacts on its internal processes, business operation, financial position and compliance with contractual obligations, due to the adoption of IFRS 15. However, it is still in the process of performing a detailed review of the contracts with its clients in compliance with the requirements of the new standard. As a result, Fibra Inn will be adopting a modified retrospective transition, quantifying the impacts with the contracts in force as of December 31, 2017 and recognizing them as an adjustment to retained earnings as of such date.

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, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

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).

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 is in the process of determining the implications of the adoption of IFRS 16 on its financial position, in addition to its internal processes and fulfillment of contractual obligations, as a result of the existence of some agreements currently recorded as operating leases. However, the Trust does not show any 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, and may represent the recognition of the rights of use and the liability for the corresponding lease, in accordance with the requirements of IFRS 16. Nevertheless, the impacts of such contracts has not yet been determined on the recognition of an asset and liability for the future lease payments and how this could impact the results of operations and classification of cash flows of the Trust. Fibra Inn will be adopting a modified retrospective transition, quantifying the impacts with the contracts in force as of December 31, 2018 and recognizing them as an adjustment to retained earnings as of such date.

Amendments to IAS 7, *Disclosure initiative*

The amendments to IAS 7 *Statement of Cash Flows*, require that the following changes in liabilities arising from financing activities are disclosed separately:

(i) Changes from financing cash flows
(ii) Changes arising from obtaining or losing control of subsidiaries or other business
(iii) Changes in foreign exchange rates
(iv) Changes in fair values
(v) Other changes

One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition. These amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted, and entities need not provide comparative information when they first apply them.

Fibra Inn has determined that it will have impacts from the adoption of these amendments because it will have to increase the amount of disclosures related to changes in liabilities arising from financing activities. The amendments were adopted prospectively in its unaudited condensed consolidated financial statements and the effects of the adoption will be reflected in the consolidated financial statements for the annual period ending on December 31, 2017.

IFRIC 22, *Interpretation on Foreign Currency Transactions and Advance Consideration*

This new Interpretation clarifies the accounting for transactions that include the receipt or payment of an advance consideration in a foreign currency. The interpretation is being issued to reduce diversity in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency in accordance with IAS 21 in circumstances in which the consideration is received or paid before the related asset, expense, or income is recognized. This interpretation is effective for annual reporting periods beginning after January 1, 2018 with earlier adoption permitted.

Fibra Inn translates the considerations at the exchange rate of the date of the transaction, whether it is received or paid and recognizes them as a non-monetary item. Therefore, the Trust does not visualize significant impacts on the adoption of this interpretation in its condensed consolidated financial statements.