**Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary**

Consolidated Financial Statements for the Years Ended December 31, 2017, 2016 and 2015, and Independent Auditors' Report Dated March 31, 2018

## Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary

# Independent Auditors' Report and Consolidated Financial Statements 2017, 2016 and 2015

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# Independent Auditors' Report to the Technical Committee and Trustees of Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria)

***Opinion***

We have audited the accompanying consolidated financial statements of Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and subsidiary ("FibraHotel" or the "Trust"), which comprise the consolidated statements of financial position as of December 31, 2017, 2016 and 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in trustees' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of FibraHotel as of December 31, 2017, 2016 and 2015, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB").

***Basis for Opinion***

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor´s Responsibilities for the Audit of Financial Statements* section of our report. We are independent of FibraHotel with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (*IESBA Code*)* ) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Other matter***

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that the matters described below are the key audit issues which should be communicated in our report.

### *Evaluation of acquisitions of properties as assets or businesses*

FibraHotel´s management uses its professional judgment to determine whether the acquisition of a property, or a portfolio of properties, represents a business combination or an acquisition of assets. This determination could have a significant impact on how the assets acquired and liabilities assumed are accounted for, both in their initial recognition and in subsequent years. The test of this judgment was significant for our audit, because the evaluation process requires us to test the purchase agreements of the properties based on the IFRS criteria to define a business, which was included in our audit procedures. Based on our audit tests of this management judgment and the definition of business included in IFRS 3 - Business Combinations, we have concluded that the acquisitions of properties treated as assets by FibraHotel, are reasonably correct because no inputs or processes are acquired from the vendors of such properties in these transactions.

### *Tax compliance to maintain the status as a FIBRA in accordance with the Income Tax Law.*

As discussed in Note 1 to the consolidated financial statements, to maintain its status as a FIBRA, the Mexican Tax Administration Service ("SAT") has established, in articles 187 and 188 of the Income Tax Law, that the Trust must annually distribute at least 95% of its net tax result to the holders of its CBFIs, apart from other requirements. The test of compliance with such articles was significant for our audit because it is the fundamental going concern principle of the Trust. As a result, our audit procedures included the review of the annual tax result of the Trust and the involvement of tax experts to evaluate compliance with the principal requirements contained in such articles under the laws in effect as of December 31, 2017. Given the importance of the aforementioned matter, a change in the entity's status based on the Income Tax Law may have a material effect on the consolidated financial statements. The results of our audit procedures were reasonable.

### *Other information included in the document containing the consolidated financial statements*

FibraHotel´s Management is responsible for other information. Other information includes the information that will be incorporated in the Annual Report which FibraHotel is required to prepare in compliance with article 33, section I, subsection b) of Title Fourth, Chapter First of the General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico, and the Instructions which accompany those provisions ("the Provisions"). The Annual Report is expected to be available after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the other information and we will not express any form of assurance thereon.

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In relation with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it is available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or appears to contain a material misstatement. When we read the Annual Report, we will issue the legend on the reading of the annual report, as required in Article 33, Section I, subsection b) numeral 1.2 of the Provisions.

***Responsibilities of Management for the Consolidated Financial Statements***

FibraHotel´s Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as FibraHotel´s management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing FibraHotel´s ability to continue as a going concern, disclosing, as applicable, matters related to any going concern issues and using the going concern basis of accounting unless management either intends to liquidate FibraHotel or to cease operations, or has no realistic alternative to do so.

Those charged with Trust's management are responsible for overseeing the Trust's financial reporting process.

***Independent Auditor's Responsibility for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with FibraHotel's management regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to FibraHotel´s management a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with FibraHotel's management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Alexis Hernández Almanza
March 31, 2018

**Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary**

# Consolidated Statements of Financial Position

**As of December 31, 2017, 2016 and 2015**
**(In thousands of Mexican pesos)**

| **Assets** | **Notes** | **2017** | **2016** | **2015** |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash, cash equivalents and restricted cash | 5 | $ 4,727,981 | $ 448,829 | $ 376,825 |
| Trade accounts receivable and other receivables -- Net | 6 | 320,837 | 242,685 | 207,912 |
| Due from related parties | 13 | - | - | 3,190 |
| Recoverable taxes, mainly value-added tax | | 28,217 | 228,709 | 288,545 |
| Prepaid expenses | | 23,499 | 16,627 | 5,788 |
| Total current assets | | 5,100,534 | 936,850 | 882,260 |
| Non-current assets: | | | | |
| Hotel properties, furniture and operating equipment – Net | 7 | 11,025,449 | 9,970,023 | 7,535,661 |
| Properties under development | 8 | 975,996 | 1,396,600 | 2,310,689 |
| Security deposits | | 3,096 | 2,380 | 1,813 |
| Deferred income taxes | 11 | 3,055 | 3,298 | 4,055 |
| Derivative financial instruments | 12f | 114,652 | 120,887 | 11,441 |
| Total non-current assets | | 12,122,248 | 11,493,188 | 9,863,659 |
| Total assets | | $ 17,222,782 | $ 12,430,038 | $ 10,745,919 |
| **Liabilities and Trustees' Equity** | | | | |
| Current liabilities: | | | | |
| Current portion of long-term debt | 10 | $ 115,544 | $ 98,288 | $ 7,849 |
| Suppliers and accrued expenses | 9 | 485,840 | 348,107 | 316,936 |
| Taxes payable | | 9,564 | 6,868 | 5,110 |
| Total current liabilities | | 610,948 | 453,263 | 329,895 |
| Long-term liabilities: | | | | |
| Debt | 10 | 3,050,362 | 2,598,743 | 844,619 |
| Total liabilities | | 3,661,310 | 3,052,006 | 1,174,514 |
| Trustees' equity: | | | | |
| Contributions from trustees | 14 | 12,669,151 | 8,737,636 | 9,160,109 |
| Unsubscribed equity | | - | - | (15) |
| Retained earnings | | 840,141 | 580,354 | 414,383 |
| Valuation effect of derivative financial instruments | 12f | 52,180 | 60,042 | (3,072) |
| Total trustees' equity | | 13,561,472 | 9,378,032 | 9,571,405 |
| Total liabilities and trustees' equity | | $ 17,222,782 | $ 12,430,038 | $ 10,745,919 |

See accompanying notes to consolidated financial statements.

**Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary**

# Consolidated Statements of Comprehensive Income

**For the years ended December 31, 2017, 2016 and 2015**
**(In thousands of Mexican pesos)**

| | Notes | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Revenues from: | | | | |
| Rooms | | $ 2,687,525 | $ 2,057,257 | $ 1,541,320 |
| Food and beverages | | 621,345 | 468,397 | 367,525 |
| Real estate rentals | | 92,919 | 79,832 | 75,393 |
| Other income | | 34,207 | 29,519 | 23,699 |
| Total revenues | | 3,435,996 | 2,635,005 | 2,007,937 |
| Costs of: | | | | |
| Rooms | | 542,136 | 402,676 | 288,706 |
| Food and beverages | | 379,294 | 285,813 | 215,273 |
| Indirect costs | | 1,408,685 | 1,103,084 | 833,778 |
| Total costs | | 2,330,115 | 1,791,573 | 1,337,757 |
| Gross profit (lodging contribution) | | 1,105,881 | 843,432 | 670,180 |
| Property expenses | | 43,311 | 41,587 | 40,671 |
| Corporate expenses | | 195,330 | 252,458 | 211,953 |
| Depreciation | 7 | 367,926 | 296,930 | 213,782 |
| Other income | | (10,053) | (3,913) | (5,930) |
| Operating income | | 509,367 | 256,370 | 209,704 |
| Financial costs (income): | | | | |
| Interest income | | (121,827) | (11,173) | (34,327) |
| Interest expenses | | 186,311 | 40,282 | - |
| Other financial expenses | | 5,040 | 13,948 | 4,063 |
| Foreign exchange, Net | | (3,193) | (2,364) | 508 |
| Total financial costs (income) | | 66,331 | 40,693 | (29,756) |
| Income before income taxes | | 443,036 | 215,677 | 239,460 |
| Income taxes | 11 | 5,316 | 1,787 | 2,884 |
| Consolidated net income | | 437,720 | 213,890 | 236,576 |
| Other comprehensive income: | | | | |
| Gain (loss) on hedging instruments | | (7,862) | 63,114 | (3,072) |
| Consolidated net comprehensive income | | $ 429,858 | $ 277,004 | $ 233,504 |
| Net income per weighted average CBFIs with economic rights (pesos) | | $ 0.7415 | $ 0.4327 | $ 0.4786 |
| Net income per weighted average CBFIs (pesos) | | $ 0.7326 | $ 0.4282 | $ 0.4737 |
| Weighted average CBFIs with economic rights | | 590,330,985 | 494,273,561 | 494,273,561 |
| Weighted average outstanding CBFIs | | 597,473,995 | 499,401,766 | 499,401,766 |

See accompanying notes to consolidated financial statements.

## Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary

# Consolidated Statements of Changes in Trustees' Equity

**For the years ended December 31, 2017, 2016 and 2015**
**(In thousands of Mexican pesos)**

| | Number of CBFIs | Contributions from trustees | Unsubscribed equity | Retained earnings | Valuation effect of derivative financial instruments | Total trustees' equity |
|---|---|---|---|---|---|---|
| Balances as of January 1, 2015 | 499,401,766 | $ 9,495,343 | $ (15) | $ 271,662 | $ - | $ 9,766,990 |
| Distribution to trustees | - | (335,234) | - | (93,855) | - | (429,089) |
| Consolidated net comprehensive income | - | - | - | 236,576 | (3,072) | 233,504 |
| Balances as of December 31, 2016 | 499,401,766 | 9,160,109 | (15) | 414,383 | (3,072) | 9,571,405 |
| Payment of unsubscribed equity | - | - | 15 | - | - | 15 |
| Distribution to trustees | - | (422,473) | - | (47,919) | - | (470,392) |
| Consolidated net comprehensive income | - | - | - | 213,890 | 63,114 | 277,004 |
| Balances as of December 31, 2016 | 499,401,766 | 8,737,636 | - | 580,354 | 60,042 | 9,378,032 |
| Issuance of CBFIs - Public offering | 334,545,454 | 4,505,497 | - | - | - | 4,505,497 |
| Issuance expenses | - | (166,759) | - | - | - | (166,759) |
| Distribution to trustees | - | (407,223) | - | (177,933) | - | (585,156) |
| Consolidated net comprehensive income | - | - | - | 437,720 | (7,862) | 429,858 |
| Balances as of December 31, 2017 | 833,947,220 | $ 12,669,151 | $ - | $ 840,141 | $ 52,180 | $ 13,561,472 |

See accompanying notes to consolidated financial statements.

## Fideicomiso Irrevocable No. F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary

# Consolidated Statements of Cash Flows

**For the years ended December 31, 2017, 2016 and 2015**
**(In thousands of Mexican Pesos)**

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Consolidated net income | $ 437,720 | $ 213,890 | $ 236,576 |
| Adjustments for: | | | |
| Income taxes recognized in net income | 5,316 | 1,787 | 2,884 |
| (Gain) loss on sale of furniture and hotel equipment | (1,381) | (1,793) | 2,439 |
| Depreciation | 367,926 | 296,930 | 213,782 |
| Interest income | (121,827) | (11,173) | (34,327) |
| Interest expenses | 186,311 | 40,282 | - |
| Other financial expenses | 5,040 | 13,948 | 4,063 |
| | 879,105 | 553,871 | 425,417 |
| Changes in working capital: | | | |
| Trade accounts receivable and other receivables | (78,152) | (34,773) | (38,738) |
| Due from related parties | - | 3,190 | - |
| Recoverable taxes, mainly value-added tax | 200,492 | 63,061 | (52,879) |
| Prepaid expenses | (6,872) | (10,839) | (3,174) |
| Security deposits | (716) | (567) | (159) |
| Suppliers and accrued expenses | 111,232 | 5,785 | 83,056 |
| Taxes payable | (695) | 1,758 | 740 |
| Income tax paid | (1,682) | (4,243) | (6,331) |
| Net cash generated by operating activities | 1,102,712 | 577,243 | 407,932 |
| Cash flows from investing activities: | | | |
| Assets acquired | - | (244,826) | (189,359) |
| Acquisition of hotel properties, furniture and operating equipment | (216,233) | (243,266) | (302,068) |
| Proceeds from sale of furniture and hotel operating equipment | 1,381 | 2,098 | 3,184 |
| Investment in development projects | (706,266) | (1,261,461) | (2,071,817) |
| Interest received | 121,827 | 11,173 | 34,109 |
| Net cash used in investing activities | (799,291) | (1,736,282) | (2,525,951) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of CBFIs | 4,505,497 | - | - |
| Issuance expenses | (166,759) | - | - |
| Proceeds from borrowings | 699,867 | 1,844,562 | 852,468 |
| Debt payments | (230,991) | - | - |
| Derivative financial instrument payment | (1,627) | (46,332) | (14,513) |
| Capitalized interest paid | (80,154) | (57,255) | (1,864) |
| Interest paid | (159,906) | (25,592) | - |
| Distribution to trustees | (585,156) | (470,392) | (429,089) |
| Other financial expenses | (5,040) | (13,948) | (4,063) |
| Net cash generated by financing activities | 3,975,731 | 1,231,043 | 402,939 |
| Cash, cash equivalents and restricted cash: | | | |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 4,279,152 | 72,004 | (1,715,080) |
| Cash, cash equivalents and restricted cash at the beginning of the year | 448,829 | 376,825 | 2,091,905 |
| Cash, cash equivalents and restricted cash at the end of the year (including restricted cash of $4,455,181, $241,103 and $205,982 as of December 31, 2017, 2016 and 2015, respectively) | $ 4,727,981 | $ 448,829 | $ 376,825 |

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

**For the years ended December 31, 2017, 2016 and 2015**
**(In thousands of Mexican Pesos)**

## 1. Activities and significant events

***Activities –***

Fideicomiso F/1596 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiary (jointly referred as to "FibraHotel") was established as a real estate investment trust on July 31, 2012 by Concentradora Fibra Hotelera Mexicana, S. A. de C. V., (the "Trustor") and Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria (the "Trustee"). FibraHotel was established mainly to develop, acquire and hold real estate properties for use in hotel operations. The hotel services offered may be limited, select, complete and long stay, depending on the brand affiliation and service operators. The hotels in the FibraHotel portfolio operate under the following brands:

| | | |
|---|---|---|
| Live Aqua | One | Sheraton |
| Fiesta Americana Grand | Fiesta Inn Lofts | Fairfield Inn & Suites by Marriott |
| Fiesta Americana | Live Aqua Boutique | AC Hotels by Marriott |
| Fiesta Inn | Camino Real & Suites | Courtyard by Marriott |
| Gamma by Fiesta Inn | Real Inn | |

To carry out its operations, FibraHotel has entered into planning advisory agreements with Administradora Fibra Hotelera Mexicana, S. A. de C. V. ("Administradora Fibra Hotelera") (a related party), under which it pays an annual fee payable each quarter, equivalent to 1% of the carrying amount of undepreciated assets, net of debt. It also has entered into hotel operations contracts with Grupo Posadas, S. A. B. de C. V. ("Posadas"), Grupo Real Turismo, S. A. de C. V. ("Real Turismo"), Operadora Marriott, S. A. de C. V. ("Marriott International") as of December 31, 2016 and 2015, it had a contract with Starwood Hotels & Resorts Worldwide, Inc. ("Starwood Hotels") (collectively "Operadoras"), which establish a fee based on the hotels' gross operating profit, among other metrics. FibraHotel has also entered into lease agreements with Posadas which provide fixed income and, as the case may be, variable income, based on the income from operations.

FibraHotel has no employees and therefore no labor obligations, except for joint and several obligations which might arise due to noncompliance with the labor and tax obligations of the entities which render it personnel administrative and operating services. Any administrative services required are provided by related parties and third parties.

FibraHotel, as a real estate investment trust ("FIBRA"), qualifies to be treated as a pass-through entity for Mexican federal income tax purposes in accordance with the Mexican Income Tax Law ("LISR"). Therefore, all income derived from FibraHotel's operations is attributed to the holders of its real estate trust certificates ("CBFIs" for its name in Spanish) and FibraHotel itself is not subject to income tax in Mexico. In order to maintain FIBRA status, the Income Tax Law ("ISR" for its name in Spanish) has established in Articles 187 and 188, FibraHotel must, among other requirements, distribute at least 95% of its net taxable income each year to the holders of its CBFIs. On October 12, 2012, FibraHotel obtained a ruling from the Mexican Treasury Department, published in the Federal Official Gazette, formally establishing FibraHotel as a FIBRA.

Fibra Hotelera S. C. is a 99.99% owned subsidiary of Trust. Its responsibilities include managing the business, providing maintenance to the real estate properties and hotels, obtaining necessary licenses and permits, supervising projects involving renovation, development and remodeling, providing insurance coverage, oversight of public services, and negotiating hotel management contracts. Fibra Hotelera, S. C. is subject to the payment of regular Income Tax (“ISR”).

The address of FibraHotel is Avenida Santa Fe No. 481 Piso 7 Col. Cruz Manca, Cuajimalpa de Morelos, 05349, Mexico City.

a. ***Hotels portfolio composition***

The detail of the operating and leasing portfolio of FibraHotel by operator is as follows:

| | Number of hotels de hotels as of December 31, | | | | | |
|---|---|---|---|---|---|---|
| **Operator** | **2017** | | **2016** | | **2015** | |
| | **Operating agreement** | **Lease agreement** | **Operating agreement** | **Lease agreement** | **Operating agreement** | **Lease agreement** |
| Posadas | 61 | 3 | 58 | 3 | 49 | 3 |
| Real Turismo | 5 | | 5 | - | 5 | - |
| Marriott International | 12 | | 8 | - | 4 | - |
| Starwoods Hotels | - | - | 1 | - | 1 | - |
| Total | 78 | 3 | 72 | 3 | 59 | 3 |
| Total operating hotels | 81 | | 72 | | 62 | |
| Total rooms | 11,273 | | 10,422 | | 8,507 | |

As of December 31, 2017, 2016 and 2015, 5, 10 and 18 hotels were under development respectively.

Construction contracts have been signed with different real estate developers to perform the in part or the complete construction of the hotels which make up the development portfolio. The investments by FibraHotel regarding properties under development as of December 31, 2017, 2016 and 2015, amount to $975,996, $1,396,600 and $2,310,689, respectively, presented in the statement of financial position under the heading “Properties under development”.

b. ***Assets acquisition***

During 2016 and 2015, FibraHotel concluded the acquisition of one hotel in each year. In 2017 FibraHotel did not acquire hotels. The fair value of the net assets acquired are as follows:

| **Year** | **Land** | **Building** | **Hotel furniture and operating equipment** | **Total** |
|---|---|---|---|---|
| 2016 | $ 34,376 | $ 203,533 | $ 6,917 | $ 244,826 |
| 2015 | $ 38,660 | $ 133,847 | $ 16,852 | $ 189,359 |

The fair value of the aforementioned assets acquired in 2016 and 2015 is determined based on the income approach and the market approach. The income approach is based on the present value of future cash flows generated by the assets, taking into consideration the characteristics of the business, such as income, costs and expenses, among others, and is commonly used to determine the fair value for the types of assets maintained by the Trust.

As of December 31 2016 and 2015, final fair values using the income and market approach have been obtained.

c. ***Significant events***

a. ***Issuance of Real Estate Trust Certificates ("CBFIs")***

On September 14, 2017, FibraHotel concluded its third Public Offering on the Mexican Stock Exchange, together with a private international market placement through Rule 144A and the Regulation of the United States Security Law for a total of 334,545,454 CBFIs with a price of $13.75 pesos for each CBFI, to reach a total of 833,947,220 CBFIs. As December 31, 2017 there are 821,946,083 CBFIs with economic rights.

| | **2017** |
|---|---|
| CBFIs issued | 833,947,220 |
| Less - | |
| CBFIs in treasury | (6,872,932) |
| CBFIs related to the development portfolio | (5,128,205) |
| | (12,001,137) |
| CBFIs with economic rights | 821,946,083 |

The net resources derived from this placement were utilized to: (i) acquire the Fiesta Americana Condesa Cancún hotel; (ii) fund other hotel investments in process; (iii) temporarily reduce the debt, and (iv) for other corporate purposes. This investment contributed to portfolio diversification and included a significant acquisition in the "resorts" segment that will help enhance the diversification of the portfolio of FibraHotel, while generating a higher proportion of revenues in US dollars and allowing participation in Mexico's dynamic tourist sector.

b. ***Disposition of credit lines***

On May 23, 2017, FibraHotel contracted revolving credit line of $210 million with SabCapital, S. A de C. V., SOFOMER (SabCapital), of which it utilized $145 million. The contract establishes the payment of interest at the 28-day TIIE rate plus 1.50 percentage points. During this same period, FibraHotel settled the entire payable balance by using the resources received from the placement of CFBIs.

In July 2017, FibraHotel contracted a credit line of $500 million with BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA ("BBVA Bancomer"), of which it utilized the amount of $252.9 million. This contract establishes the payment of interest at the 28-day TIIE rate plus 1.60 percentage points.

At December 31, 2017, FibraHotel utilized all the credit lines contracted during 2016 and 2015 with BBVA Bancomer and Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte ("Banorte"), thereby reaching its total credit limit of $3,000 million.

As a result of the above, in order to maintain relatively stable interest rate payments, FibraHotel entered into interest rate hedges to cover the withdrawals from the BBVA Bancomer and first Banorte lines of credit. For more information regarding the interest rate hedges please refer to Note 10.

c. ***Promise acquisition agreement of Hotel Fiesta Americana Hermosillo***

On April 29, 2016, FibraHotel entered into a purchase-sale contract subject to a term, conditions precedent and a purchase option for the hotel named "Fiesta Americana Hermosillo" pursuant to the following clauses: i) the effective duration of the contract will be until January 31, 2020, ii) the consideration will be that resulting from multiplying 10.06x average EBITDA of the hotel for the last three years, less the investment made in improvements and disbursements for leasing, subject to a lower limit of $80.5 million. On the same date, FibraHotel signed a lease contract for a forced period to 2020 for $10 million, which amount the lessor undertakes to invest in property improvements. Also, FibraHotel agrees under the same terms to invest $75 million in such property. The sale of the property will be recognized once all the aforementioned clauses are fulfilled.

d. ***Promise acquisition agreement of Fiesta Hacienda Galindo Hotel***

On July 3, 2017, FibraHotel and Posadas executed a purchase-sale contract subjet to a term, conditions precendent and a purchase option for the Fiesta Americana Hacienda Galindo hotel, which has 168 full-service and convention rooms. The Fiesta Americana Hacienda Galindo hotel is currently operating and was remodeled in stages during 2017 and 2018 without being closed. The initial investment in the hotel was $130,000. As part of the agreement, this initial investment was utilized to renovate the hotel, including public areas and rooms. FibraHotel will settle the price agreed price for the hotel at the beginning of 2020, when the conditions to which the sale is subject are fulfilled and the transaction price is defined based on 10 times the 2019 EBITDA less the investment of FibraHotel. Meanwhile, FibraHotel acts as the hotel lesse. The sale of the property will be recognized once all the aforementioned clauses are fulfilled.

e. ***Purchase of the Fiesta Americana Condesa Cancun hotel***

On August 15, 2017, FibraHotel and Posadas executed a purchase-sale contract subject to certain conditions for the Fiesta Americana Condesa Cancun hotel. The total hotel price is $2,892,000 plus the respective Value Added Tax (IVA) without including acquisition expenses. The acquisition is subject to the fulfillment of certain conditions, which were met on February 20, 2018, see Note 18 a).

As an obligation under the purchase contract, Posadas, in its capacity as lessee, and FibraHotel, in its capacity as lessor, executed a lease contract. The following contractual terms, among others, must be considered when the purchase-sale contract takes effect:

(i) A 15-year period which is renewable for an additional five years, as of the date on which the purchase-sale contract takes effect.

(ii) A total annual rent, which will be equal to a fixed annual rental of US$9,500, restated each year according to the US Consumer Price Index, plus a variable component based on occupation and the revenues generated by the hotel.

## 2. Application of new and revised International Financial Reporting Standards

a. ***Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") that are mandatorily effective for the current year***

In the current year, FibraHotel has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for accounting periods that begin on or after January 1, 2017.

***Amendments to IAS 7 Disclosure Initiative***

FibraHotel has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Entity's liabilities arising from financing activities consist of borrowings (note 10), the application of these amendments has had no impact on the Entity's consolidated financial statements, because the only changes in financial liabilities are the cash amounts shown in the consolidated statement of cash flows.

b. ***New and revised IFRSs in issue but not yet effective***

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective. These revised IFRSs allow their early adoption, however FibraHotel did not exercise the option:

| | |
|---|---|
| IFRS 9 | Financial Instruments and the related Clarificatios[1] |
| IFRS 15 | Revenue from Contracts with Customers (and the related Clarifications)[1] |
| IFRS 16 | Leases[2] |

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

**IFRS 9 *Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about a FibraHotel's risk management activities have also been introduced.

Based on an analysis of the Entity's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, FibraHotel's management does not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Entity's consolidated financial statements and performance.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

FibraHotel´s management continues with the analysis of the impact. Apart from providing more extensive disclosures on the Entity's revenue transactions, FibraHotel´s management does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of FibraHotel.

**IFRS 16, *Leases***

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 was issued in January 2017 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. "Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of –use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others. Furthermore, the classification of cash flows will also affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.
Furthermore, extensive disclosures are required by IFRS 16.

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.

FibraHotel is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements, although given the nature of its operations it would not expect significant impacts.

## 3. Significant accounting polices

### a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

### b. *Basis of preparation*

The consolidated financial statements of FibraHotel have been prepared on the historical costs basis, except for derivative financial instruments and hotel properties, furniture and equipment, and properties under development, which were valued at fair value on 2012, at the date of contribution and acquisition, as explained in greater detail in the accounting policies below.

i. <u>Historical cost</u>

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. <u>Fair value</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, FibraHotel takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### c. *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Trust and the subsidiaries over which it exercises control. Control is achieved when Trust:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

Trust reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The subsidiary is consolidated from the date on which control is transferred to FibraHotel, and is no longer consolidated from the date that control is lost.

When necessary, adjustments to the financial statements of the subsidiary are made to align its accounting policies in accordance with the accounting policies of FibraHotel.
All balances and transactions between the subsidiary and FibraHotel have been eliminated in the consolidation.

| Entity | Ownership percentage 2017, 2016 and 2015 | Activity |
|---|---|---|
| Fibra Hotelera, S. C. | 99.99% | Provision of advisory services and technical, legal, tax, commercial and administrative consulting related to the purchase and sale, management, leasing and subletting of all kinds of land, houses, buildings, warehouses, hotels, malls and commercial premises and offices. |

FibraHotel reassessed whether it has maintained effective control over entities that provide administrative, personnel and operational services mentioned in Note 1, and based on its assessment, management concluded that in accordance with IFRS 10, it does not have effective control due to the following: (i) power, FibraHotel currently does not have the ability to direct the relevant activities, (ii) exposure or rights to variable returns; the trustors of the payroll entities have not received distributions, given that paying dividends is not the objective of the payroll entities. Furthermore administrative services fees are 5%, which is representative of market value for such services. This fee is not modified for the benefit of FibraHotel. The fee covers the expenses incurred by the payroll entities for their operation and is sufficient to ensure that the payroll entities do not incur losses. In addition to the above the assets of the payroll entities are of such a nature that they cannot be used in combination with FibraHotel for its operations.

d. ***Business combinations***

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of paid values of the assets transferred by FibraHotel, liabilities incurred by FibraHotel to the previous owners of the entity acquired and the equity issued by FibraHotel in exchange for control over the entity acquired at the acquisition date. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess over the sum of the consideration transferred, the amount of any non-controlling interest in the entity acquired, and the fair value of the acquirer’s previous held equity interest in the acquired (if any) over the net of the acquisition-date amounts of identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer’s previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

e. ***Financial instruments***

Financial assets and financial liabilities are recognized when FibraHotel becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit.

f. ***Financial assets***

Financial assets are classified into the following categories: financial assets 'at fair value with changes through profit or loss' (FVTPL), investments 'available-for-sale' (AFS), 'financial assets loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All regular way purchases or sales of financial assets recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require the delivery of assets within the time frame established by regulation or convention in the marketplace.

<u>Financial assets loan and accounts receivable</u>

Accounts receivable to customers and other receivables which have fixed or determinable payments that are not listed in an active market are classified as loans and accounts receivable, which are measured at amortized cost, using the effective interest method, minus any impairment.

<u>Impairment of financial assets</u>

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the future cash flows from the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the FibraHotel's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Derecognition of financial assets

FibraHotel derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

g. ***Cash, cash equivalents and restricted cash***

Cash and cash equivalents mainly consist of bank deposits in checking accounts and short-term investments. Cash is presented at fair value and cash equivalents are valued at fair value. FibraHotel considers as cash equivalents all highly liquid debt instruments acquired with a dated acquisition maturity of three months or less. Cash equivalents are represented mainly by government securities in which the resources are paid at maturity.

Restricted cash consists of cash corresponding to the fund for the investment in real estate, which will be used for the acquisition of real estate of the contribution portfolio and to the capital expenditures fund which will be used for repairs, major replacements and other capital expenditures and reserve fund for the repurchase of CBFIs.

h. ***Hotel properties, furniture and operating equipment***

Properties, furniture and operating equipment of the hotel are recorded initially at their acquisition cost.

Hotel properties, furniture and operating equipment are presented at cost, less accumulated depreciation and any accumulated loss from impairment.

The properties which are being constructed for purposes of exploitation, supply or administration are recorded at cost, less any recognized loss for impairment. The cost includes professional fees and, in the case of qualifying assets, capitalized interest, based on the accounting policy of FibraHotel. These properties are classified into the appropriate categories of property, plant and equipment when they are completed for their intended use. The depreciation of these assets, as in other real properties, begins when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method based on the remaining useful life of the asset, considering any residual values and considering components of each asset, as FibraHotel considers components more appropriate and consistent in relation to the methods used by the most representative entities of the sector. Based on technical studies, FibraHotel concluded that its buildings and their different components have different useful lives and will be subject to replacements in different periods, 10 years in the case of certain common areas and up to 55 years for metallic structures of the building. The residual value is 24% in the case of buildings; other fixed assets do not have significant residual values, as determined by independent appraisers.

Estimated useful lives, residual values and the depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Depreciation rates of hotel properties, furniture and operating equipment as of December 31 2017, 2016 and 2015:

| | % |
|---|---|
| Finished building | 10 |
| Building improvements | 10 |
| Building components | 7 |
| Civil construction building | 1 |
| Furniture and equipment | 10 |

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. ***Impairment in the value of long-lived assets***

At the end of each reporting period, FibraHotel reviews the carrying values of its long-lived assets to determine whether there is any indication that such assets have suffered a loss from impairment. If there is any such indication, the recoverable amount of the asset is calculated to determine the amount of the loss from impairment (if any). When it is not possible to estimate the recoverable amount of an individual asset, FibraHotel estimates the recoverable amount of the cash generating unit to which such asset belongs. When a reasonable and consistent distribution basis can be identified, corporate assets are also assigned to the individual cash generating units; otherwise, they are assigned to the smallest group of cash generating units for which a reasonable and consistent distribution basis can be identified.

The recoverable amount is the higher of the fair value less the cost to sell the asset and its value in use. When evaluating the value in use, the estimated future cash flows related to the asset are discounted at present value using a discount rate before taxes which reflects the current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash generating unit) is lower than its carrying value, the carrying value of the asset (or cash generating unit) is reduced to its recoverable amount. Losses from impairment are recognized immediately in results.

When a loss from impairment subsequently reverses, the carrying value of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the adjustment carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

j. ***Income taxes***

As discussed in Note 1, Trust is classified as and intends to maintain its classification as a FIBRA for income tax purposes; accordingly, it does not recognize a provision for income taxes, except for its subsidiary Fibra Hotelera, S. C., which is subject to the payment of regular Income Tax (“ISR”). See Note 11

k. ***Provisions***

Provisions are recognized when FibraHotel has a present obligation (legal or implied) as a result of a past event, it is probable that FibraHotel will be required to liquidate the obligation and it can be reliably estimate that the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

l. ***Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- FibraHotel as lessor

  Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

- FibraHotel as lessee

  Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

m. ***Foreign currency transactions***

Transactions performed in foreign currency are recorded at the exchange rate in effect on the date each transaction took place. Monetary assets and liabilities denominated in foreign currency are valued in Mexican pesos at the exchange rate in effect at the date of the financial statements. Exchange rate fluctuations are recorded in results.

n. ***Financial liabilities and equity instruments***

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of FibraHotel after deducting all of its liabilities. Equity instruments are recognized at the proceeds received, net of direct issue costs.

Repurchase of the FibraHotel's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the FibraHotel's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Other financial liabilities

Other financial liabilities (including ebt and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

FibraHotel derecognizes financial liabilities when, and only when, the FibraHotel’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

o. ***Derivative financial instruments***

FibraHotel enters into derivative financial instruments to manage its exposure to interest rates, including *cap spread* contracts. Further details of derivative financial instruments are disclosed in Note 12, f).

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

p. ***Hedge accounting***

FibraHotel designates certain hedging instruments, which include cash flows hedge derivatives.

At the inception of the hedge relationship, FibraHotel documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, FibraHotel documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 12, f) sets out details of the fair values of the derivative instruments used for hedging purposes.

q. ***Revenue recognition***

FibraHotel recognizes its revenues as follows:

i. The revenues are obtained from the operation of the hotels, and include rentals for guest rooms, food and beverages and other revenues, which are recognized as such hotel services are rendered.
ii. The policy of FibraHotel for recognition of revenues from operating leases is described in Note 3, l).

r. ***Classification of costs and expenses***

The costs and expenses presented in the consolidated statement of comprehensive income were classified on their nature and function.

s. ***Statement of cash flows***

FibraHotel presents its statement of cash flows using the indirect method. Interest received is classified as an investing cash flow, interest paid, distributions and dividends are classified as cash flows from financing activities.

t. ***Net income per CBFI***

Is determined by dividing the consolidated profit by the weighted average of the outstanding CBFIs during the period. The net profit generated by the CBFIs with economic rights is determined at December 31, 2017, 2016 and 2015 by subtracting 12,001,137 CBFIs in 2017 and 5,128,205 CBFIs in 2016 and 2015 from the total number of outstanding CBFIs (see Note 14).

| | **2017** | **2016** | **2015** |
|---|---|---|---|
| CBFIissued | 833,947,220 | 499,401,766 | 499,401,766 |
| Less - | | | |
| CBFIs in treasury | (6,872,932) | - | - |
| CBFIs related to the devolepment portfolio | (5,128,205) | (5,128,205) | (5,128,205) |
| | (12,001,137) | (5,128,205) | (5,128,205) |
| CBFIs with economic rights | 821,946,083 | 494,273,561 | 494,273,561 |

## 4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the FibraHotel's accounting policies, which are described in Note 3, the FibraHotel's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. ***Critical judgments in applying accounting policies***

Below are the critical judgements, apart from those estimates, made by the Entity's management during the application of FibraHotel's accounting policies.

Business combinations

Management uses its professional judgment to determine whether the acquisition of a property or portfolio of properties represents a business combination or an asset acquisition. Management specifically considers the following criteria:

i. Number of properties (land and building) acquired.

ii. The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the acquire (e.g., maintenance, cleaning, security, bookkeeping, other property services, etc.).

iii. Whether the acquire has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

This determination can have a significant effect on the manner in which acquired assets and liabilities are recognized in financial information, both as of the acquisition date and subsequent thereto. Transactions that occurred during the periods presented in the accompanying consolidated financial statements are determined to be business acquisition.

Hotel classification (investment property/asset)

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows independently of other assets held by FibraHotel. This distinguishes an investment property from an owner-occupied property.

FibraHotel is the owner of the property and manages the services provided to the hotel guests by holding operating and leasing contracts; if the services provided to the guests are significant, it is not classified as an investment property but property of FibraHotel. A hotel managed by the owner is an occupied property, rather than an investment property.

It can be difficult to determine whether the services provided are significant enough that a property does not qualify as investment property. For example, the owner of a hotel sometimes transfers some responsibilities to third parties under an operating agreement. The owner's position could be, in essence, a passive investor or the owner may simply have outsourced day to day functions while retaining significant exposure to variations in cash flows from the hotel operations.

Management uses its professional judgment to classify the contributed and acquired hotels as hotel property, plant and equipment, given that each hotel is used in its normal course of business and is, therefore, not considered as an investment property.

Transactions that occurred during the periods presented in the accompanying consolidated financial statements are determined to be business acquisition.

Lease classification

As explained in Note 3, 1), leases are classified based on the extent to which the risks and rewards inherent to the ownership of the asset under lease are transferred to FibraHotel or the tenant, depending on the substance, rather than the legal form, of the lease. Based on its evaluation of contractual terms and conditions, FibraHotel has concluded that it essentially assumes all the significant risks and rewards inherent to the hotels under lease and therefore classifies the respective lease agreements as operating leases.

b. ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period.

Estimated useful and residual lives of fixed assets

Taking into consideration the opinion of internal experts from its development area, FibraHotel evaluates the useful lives and residual values of assets at the end of each reporting period based on its operating experience, the characteristics of its assets and their operation at date of the assessment. Any changes in estimates are recognized prospectively, within accumulated depreciation in the consolidated statement of financial position and depreciation expense in the consolidated statement of comprehensive income.

Allowance for doubtful accounts

FibraHotel has not recognized an allowance for doubtful accounts because credit ratings of its customers have not significantly changed and outstanding amounts are deemed to be recoverable. FibraHotel does not hold any collateral or other credit improvements with regard to these balances; likewise, it does not have the legal right to offset these amounts against its debts with the counterparty.

Fair value measurements and valuation processes

Some of the assets and liabilities of FibraHotel are measured at fair value in the consolidated financial statements.
In estimating the fair value of an asset or a liability, FibraHotel uses observable market data when they are available. When level 1 data are not available, FibraHotel hires a qualified appraiser to conduct an independent valuation. Management works closely with the independent qualified appraiser to establish the valuation techniques and appropriate input data for the model.

Information about the valuation techniques and inputs used in determining the fair value of individual assets and liabilities are disclosed in Note 12.

## 5. Cash, cash equivalents and restricted cash

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Cash and bank deposits | $ 272,800 | $ 207,726 | $ 170,843 |
| Cash equivalents and restricted cash: | | | |
| Real estate investment fund (i) | 4,346,541 | 184,809 | 168,445 |
| Capital expenditure reserve fund (ii) | 98,640 | 56,294 | 37,537 |
| Reserve fund for the repurchase of CBFIs (iii) | 10,000 | - | - |
| | $ 4,727,981 | $ 448,829 | $ 376,825 |

Restricted cash

(i) Consists of a fund for the acquisition of the real properties and investment in the development portfolio. As with cash equivalents, the restricted cash is invested in government securities.
(ii) Represents amounts held in the capital expenditure reserve fund, which are restricted for the purpose of funding repairs, major replacements and other related capital expenditures. A total of up to 5% of revenues from the hotels is deposited in this fund. As in the case of cash equivalents, this restricted cash is invested in government securities.
(iii) Consists of the fund created to repurchase CBFIs approved by the Technical Committee on November 14, 2017 through the Stockholders' Ordinary Meeting. This cash has been placed in investment funds (government securities) with BBVA Bancomer.

## 6. Trade accounts receivable and other receivables

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Clients | $ 146,638 | $ 126,774 | $ 101,639 |
| Travel agencies | 87,028 | 70,568 | 49,310 |
| Credit cards | 27,605 | 18,749 | 13,305 |
| Other | 54,062 | 20,784 | 38,545 |
| | 315,333 | 236,875 | 202,799 |
| Lease receivables from: | | | |
| Grupo Posadas, S. A. B. de C. V. (formerly Hoteles y Villas Posadas, S. A. de C. V.) | 5,504 | 5,810 | 5,113 |
| | $ 320,837 | $ 242,685 | $ 207,912 |

Accounts receivable aging

FibraHotel currently has monthly collection levels that reflect its monthly billing; similarly, commercial and negotiating practices allow it to keep the majority of accounts receivable aging at less than 90 days. The accounts receivable subject to legal proceedings are immaterial, for which reason they do not merit the creation of an allowance for doubtful accounts.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| 60-90 days | $ 11,464 | $ 11,768 | $ 9,871 |
| More than 90-120 days | 31,085 | 30,372 | 28,136 |
| Total | $ 42,549 | $ 42,140 | $ 38,007 |
| Average aging (days) | 86 | 84 | 78 |

## 7. Hotel properties, furniture and operating equipment

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Land | $ 1,714,429 | $ 1,566,756 | $ 1,252,162 |
| Building | 8,366,600 | 7,487,919 | 5,701,739 |
| Hotel furniture and operating equipment | 2,105,628 | 1,708,630 | 1,078,859 |
| | 12,186,657 | 10,763,305 | 8,032,760 |
| Less - Accumulated depreciation | (1,161,208) | (793,282) | (497,099) |
| | $ 11,025,449 | $ 9,970,023 | $ 7,535,661 |

| *Cost* | Land | Building | Hotel furniture and operating equipment | Total |
|---|---|---|---|---|
| Balances as of January 1, 2015 | $ 1,176,161 | $ 5,015,764 | $ 816,586 | $ 7,008,511 |
| Acquisitions: | | | | |
| Acquisitions and transfer of properties under development (1) | 76,001 | 685,975 | 262,273 | 1,024,249 |
| Balances as of December 31, 2015 | 1,252,162 | 5,701,739 | 1,078,859 | 8,032,760 |
| Acquisitions: | | | | |
| Acquisition (1) | 34,376 | 70,047 | 473,424 | 577,847 |
| Transfer of properties under development | 280,218 | 1,716,133 | 157,399 | 2,153,750 |
| Disposals | | | (1,052) | (1,052) |
| Balances as of December 31, 2016 | 1,566,756 | 7,487,919 | 1,708,630 | 10,763,305 |
| Acquisitions: | | | | |
| Acquisition (1) | - | 2,809 | 316,275 | 319,084 |
| Transfer of properties under development | 147,673 | 875,872 | 80,723 | 1,104,268 |
| Balances as of December 31, 2017 | $ 1,714,429 | $ 8,366,600 | $ 2,105,628 | $ 12,186,657 |

| **Accumulated depreciation** | Building | Hotel furniture and operating equipment | Total |
|---|---|---|---|
| Balances as of January 1, 2015 | $ 149,968 | $ 133,469 | $ 283,437 |
| Depreciation expense | 108,550 | 105,232 | 213,782 |
| Disposals | - | (120) | (120) |
| Balances as of December 31, 2015 | 258,518 | 238,581 | 497,099 |
| Depreciation expense | 140,337 | 156,593 | 296,930 |
| Disposals | - | (747) | (747) |
| Balances as of December 31, 2016 | 398,855 | 394,427 | 793,282 |
| Depreciation expense | 168,358 | 199,568 | 367,926 |
| Balances as of December 31, 2017 | $ 567,213 | $ 593,995 | $ 1,161,208 |

Some real properties of FibraHotel are pledged against the credit lines described in Note 10, which approximate carrying value is $4,153 million.

## 8. Properties under development

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Live Aqua San Miguel Allende Project | $ 215,107 | $ 137,419 | $ - |
| Courtyard Toreo Project | 156,639 | - | - |
| Fiesta Americana Tlalnepantla Project | 147,149 | 87,756 | - |
| Cencali Project | 117,148 | 108,767 | 103,010 |
| Fiesta Americana Via 515 Project | 111,290 | 100,871 | 50,378 |
| Courtyard Toreo Project Restricted CBFIs | 94,872 | 94,872 | 94,872 |
| GICSA Project | 76,454 | 302,559 | 186,306 |
| Fiesta AmericanaVeracruz Project | 41,805 | 36,838 | - |
| Courtyard y fairfield | - | 272,227 | 69,527 |
| Fiesta Inn Los Mochis Project | - | 141,464 | 39,672 |
| Proyecto AC Veracruz | - | 102,125 | 34,397 |
| Live Aqua y Grand Fiesta Americana Monterrey Valle Project | - | - | 640,390 |
| Fiesta Americana Pabellón M Project | - | - | 372,604 |
| AC by Marriott Guadalajara Project | - | - | 243,517 |
| AC by Marriott Querétaro Project | - | - | 190,039 |
| Fairfield Inn Juriquilla Project | - | - | 120,718 |
| Fairfield Inn Cuautitlan Project | - | - | 57,174 |
| One Durango Project | - | - | 53,639 |
| Fairfield Inn Nogales Project | - | - | 22,065 |
| Hotel Toluca Project | - | - | 8,228 |
| Others | 15,532 | 11,702 | 24,153 |
| | $ 975,996 | $ 1,396,600 | $ 2,310,689 |

As a result of the public offering dated November 30, 2012, Grupo GDI made a contribution of four hotels, and received 9,697,897 CBFIs, equivalent to $179,411. As a result of negotiations, affiliates of Grupo GDI undertook the construction of these hotels. When they are open to the public, the CBFIs will obtain economic rights and FibraHotel will pay the difference between the value of the contribution and the total cost of each of the hotels. As of December 31, 2017, 2016 and 2015 the CBFIs without economic rights that come from the initial contribution amount to 5,128,205 CBFIs.

## 9. Suppliers and accrued expenses

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Suppliers | $ 306,622 | $ 210,807 | $ 165,125 |
| Accrued expenses | 58,873 | 79,258 | 73,724 |
| Other accounts payable, including interest payable of borrowings for $53,900, $27,407 and $2,017 | 120,345 | 58,042 | 78,087 |
| | $ 485,840 | $ 348,107 | $ 316,936 |

## 10. Debt

a. Long-term debt is as follows:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Long-term line of credit with mortgage security executed with Banorte, accruing interest as of 31 December 31, 2017 at 2.00 percentage points above the 91-day TIIE rate and as of 31 December 31, 2016 at 1.25 percentage points above the 91-day TIIE rate. | $ 977,614 | $ 1,000,000 | $ 395,933 |
| Long-term line of credit with mortgage security executed with Banorte accruing interest at 1.30 percentage points above the 91-day TIIE rate. | 1,000,000 | 698,067 | - |
| Long-term line of credit with mortgage security executed with BBVA Bancomer accruing interest at 1.50 percentage points above the 28-day TIIE rate. | 935,359 | 998,964 | 456,535 |
| Long-term line of credit with mortgage security executed with BBVA Bancomer accruing interest at 1.60 percentage points above the 28-day TIIE rate. | 252,933 | - | - |
| | 3,165,906 | 2,697,031 | 852,468 |
| Less – Current portion | (115,544) | (98,288) | (7,849) |
| Long-term debt | $ 3,050,362 | $ 2,598,743 | $ 844,619 |

b. Maturities of long-term debt:

| Year | Maturities |
|---|---|
| 2019 | $ 203,525 |
| 2020 | 244,397 |
| 2021 | 356,839 |
| 2022 | 537,877 |
| 2023 | 446,356 |
| More than 5 years | 1,261,368 |
| | $ 3,050,362 |

To maintain stability in the rates, FibraHotel entered into certain interest rate hedges to cover the credit lines with BBVA Bancomer and first Banorte line in accordance with the following assumptions:

Five instruments, contracted with BBVA Bancomer, covering $911.8 million of the credit lines with BBVA Bancomer in accordance with the following assumptions:

- If the TIIE is lower than 5.0%, FibraHotel pays the TIIE rate.
- If the TIIE is between 5.0% and 9.0%, FibraHotel exchanges the TIIE rate and pays a rate of 5.0%.
- If the TIIE is above 9.0%, FibraHotel exchanges the TIIE rate against a TIIE rate, less a rebate of 4.0%.

An instrument, contracted with Santander, covering $341.1 million of the credit line with BBVA Bancomer in accordance with the following assumptions:

- If the TIIE is lower than 5.0%, FibraHotel pays the TIIE rate.
- If the TIIE is between 5.0% and 7.0%, FibraHotel exchanges the TIIE rate and pays a rate of 5.0%.
- If the TIIE is above 7.0%, FibraHotel exchanges the TIIE rate against a TIIE rate, less a rebate of 2.0%.

An instrument, contracted with Banorte, covering $1,000 million of the first credit line with Banorte in accordance with the following assumptions:

- If the TIIE is lower than 4.5%, FibraHotel exchanges the TIIE rate and pays a rate of 5.0%.
- If the TIIE is between 4.5% and 6.0%, FibraHotel pays the TIIE rate.
- If the TIIE is above 6.0%, FibraHotel exchanges the TIIE rate and pays a rate of 6.0%.

With Respect to the credit line with BBVA Bancomer and Banorte, FibraHotel must comply with covenants. As of December31, 2017, FibraHotel was in compliance with such covenants.

## 11. Income taxes

In order to maintain its status as a FIBRA, per requirements of SAT, in conformity with Articles 187 and 188 of the Income Tax Law (LISR), FibraHotel must annually distribute at least 95% of its taxable income to the holders of the CBFIs.

Fibra Hotelera, S. C. is subject to income tax ("ISR" for its acronyms in Spanish), the rate of current income is 30%.

a. Income taxes expense are as follows:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| ISR: | | | |
| Current tax | $ 5,073 | $ 1,030 | $ 2,944 |
| Deferred tax | 243 | 757 | (60) |
| | $ 5,316 | $ 1,787 | $ 2,884 |

b. As of December 31, 2017, 2016 and 2015 the deferred income tax asset is composed solely of temporary differences resulting from accrued expenses of $3,055, $3,298 and $4,055, respectively.

## 12. Financial instruments

a. ***Equity management***

FibraHotel manages its equity to ensure its ability to continue as a going concern, while maximizing the net worth of its trustors and distributions to the trustors by optimizing its use of debt and equity. FibraHotel's overall strategy remains unchanged from 2017, 2016 and 2015.

The equity of FibraHotel is primarily composed by the net worth of its trustors. Equity management objectives include ensuring the availability of operating funds to maintain the consistency and sustainability of distributions paid to trustors, while funding the required capital expenditure requirements and providing the resources needed to acquire and develop new properties.

FibraHotel can acquire hotels subject to existing financial mortgages or other encumbrances; similarly, it can acquire new debt or refinance existing debt to acquire hotels, albeit subject to compliance with leverage policies. Under certain circumstances, it could have the obligation to pay distributions in excess of the cash available for this purpose; if necessary, it can utilize the resources generated by organizing future debt and equity offerings, selling assets or obtaining loans to make certain distributions. The debt service related to this financing or indebtedness takes priority over any distributions related to the CBFIs.

- Debt index

The debt index as of December 31, 2017 is a follows:

| | | 2017 |
|---|---|---|
| Debt (i) | $ | 3,165,906 |
| Total assets | $ | 17,222,782 |
| Index of debt to total assets | | 18.4% |

(i) Debt is defined as long and short-term loans plus interests (excluding derivatives), as described in Note 10.

Please note that the FibraHotel trust contract stipulates that the leverage level cannot exceed 40%; however, the new regulation for FIBRAS establishes that it cannot exceed 50%.

- Debt hedge index

At December 31, 2017, the debt service hedging ratio of FibraHotel is 1.05x; the metrics used for its calculation are as follows:

- Commitments:
  - Debt service: $516 million.
  - Estimated capital expenses (maintenance capex): $339 million.
  - Estimated nondiscretionary development expenses: $4,853 million (including the acquisition of the Fiesta Americana Condesa Cancún hotel).

- Available resources:
  - Cash and cash equivalents (excluding restricted cash): $4,629 million.
  - Recoverable VAT: $28.2 million.
  - Estimated operating profit after paying the distribution (including depreciation and financial revenues): $855 million.
  - Unused available credit lines: $457 million.

b. ***Categories of financial instruments***

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| ***Financial assets:*** | | | |
| Cash, cash equivalents and restricted cash | $ 4,727,981 | $ 448,829 | $ 376,825 |
| Trade accounts receivable and other receivables | $ 320,837 | $ 242,685 | $ 207,912 |
| Due from related parties | $ - | $ - | $ 3,190 |
| Derivative financial instrument | $ 114,652 | $ 120,887 | $ 11,441 |
| ***Financial liabilities:*** | | | |
| Amortized cost | $ 3,651,746 | $ 2,924,622 | $ 1,083,601 |

c. ***Financial risk management objectives***

Financial risk management is intended to manage financial expectations, while generating results of operations and cash flows to improve the financial position of FibraHotel and ensure its ability to make distributions to the holders of the CBFIs and fulfill any future debt obligations.

The Technical Committee of FibraHotel is responsible for advising and instructing the trustee with regard to the sale or cancellation of the CBFIs, analyzing and improving potential investments, sales and acquisitions, providing business services, coordinating access to national financial markets, as well as monitoring and managing the financial risks derived from the operations of FibraHotel through internal risk reports which provide an analysis of the level and magnitude of FibraHotel's risk exposure. These risks include the market risk (including exchange rate and interest rate risks), credit risk and liquidity risk.

d. ***Market risk***

The activities of FibraHotel expose it mainly to financial risks of interest rate changes. FibraHotel subscribes a variety of financial derivatives to handle this exposure to exchange risk and interest rate risk, including interest rate cap spreads to mitigate the risk of interest rate increases.

Exposures to market risk are valued using the Value at Risk (VaR), supplemented by a sensitivity analysis.

There have been no changes in the exposure of FibraHotel to market risks or the way in which these risks are managed and valued.

e. ***Foreign currency risk management***

As FibraHotel performs transactions denominated in U.S. dollars ("U.S. dollar"), it is exposed to exchange rate fluctuations involving the Mexican peso and the U.S. dollar.

i. As of December 31, the foreign currency monetary position is as follows:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Thousands of U.S. dollars: | | | |
| Monetary assets | $ 6,337 | $ 2,508 | $ 1,561 |
| Monetary liabilities | (553) | (574) | (238) |
| Long position | 5,784 | 1,934 | 1,323 |
| Equivalent in Mexican pesos | $ 114,150 | $ 39,964 | $ 22,764 |

ii. Mexican peso exchange rates in effect at the date of the consolidates statement of financial position and at the date of issuance of these consolidates financial statements were as follows:

| | December 31, 2017 | December 31, 2016 | December 31, 2015 | March 31, 2018 |
|---|---|---|---|---|
| U.S. dollar | $ 19.7354 | $ 20.6640 | $ 17.2065 | $ 18.3445 |

- Foreign currency sensitivity analysis

  Management considers that its exchange rate risk is not significant, given the amount of its long position in U.S. dollars.

  If the exchange rate had increased or decreased by $1 peso per U.S. dollar and all other variables had remained constant, the result of the year and net worth of FibraHotel for the year ended December 31, 2017, 2016 and 2015 would have decreased/increased by approximately $5,784, $1,934 and $1,323, respectively.

f. ***Interest rate risk management– Derivative financial instrument***

FibraHotel is exposed to interest rate risk because it borrows funds at floating interest rates. The risk is managed by the FibraHotel by *cap spread* interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. Detail of the derivative financial instruments is as follows:

Derivative financial instruments designed as interest rate hedge

| Current contract | Bank | Maximum benefit % | Date of holding | Due date | Notional value December 31, 2017 | Fair value December 31, 2017 |
|---|---|---|---|---|---|---|
| *Cap Spread* | Bancomer, S.A. | 4 | 18/nov/15 | 30/oct/20 | $ 180,000 | $ 9,992 |
| *Cap Spread* | Bancomer, S.A. | 4 | 16/dic/15 | 30/nov/20 | 153,400 | 8,717 |
| *Cap Spread* | Bancomer, S.A. | 4 | 27/ene/16 | 31/dic/20 | 202,400 | 11,791 |
| *Cap Spread* | Santander, S.A. | 4 | 11/mar/16 | 1/mar/21 | 341,067 | 13,805 |
| *Cap Spread* | Bancomer, S.A. | 4 | 1/dic/15 | 30/nov/20 | 123,333 | 7,010 |
| *Collar* | Banorte, S.A. | 6 | 15/sep/16 | 20/nov/21 | 1,000,000 | 59,226 |
| *Cap Spread* | Bancomer, S.A. | 4 | 1/ago/17 | 31/jul/2020 | 252,933 | 4,111 |
| | | | | | | $ 114,652 |

Based on the aforementioned financial derivatives, the debt hedged as of December 31, 2017 is 71%.

- Interest rate sensitivity analysis – Derivative financial instruments

  The following sensitivity analyses have been determined based on the exposure to interest rates both for the derivatives and non-derivatives at the end of the reporting period. For variable rate liabilities, an analysis is prepared by assuming that the amount of the liability in effect at the end of the reporting period has been the liability in effect for the entire year. A sensitivity analysis was performed, taking into account the following interest rate scenarios (28 and 91 day TIIE): +100 basis points, +25 basis points, -25 basis points, -100 basis points, using a confidence level of between 95% and 99% for a time horizon of one day, the results of these effects as of December 31, 2017 are as follow:

| Scenarios | 28-day TIIE | 91-day TIIE | Impact |
|---|---|---|---|
| Less 100 basis points | 6.62% | 6.66% | $ (14,388) |
| Less 25 basis points | 7.37% | 7.41% | (3,891) |
| As of December 31, 2017 | 7.62% | 7.66% | - |
| Plus 25 basis points | 7.87% | 7.91% | 3,891 |
| Plus 100 basis points | 8.62% | 8.66% | 13,983 |

According to the results of the sensitivity analysis based on the scenarios and the characteristics and structure of the derivatives positions analyzed, we conclude that the market risks to which the entity's swaps position is exposed are principally: a) 28 day TIIE rate; b) TIIE-IRS Curve and c) the correlation between the risk factors. The greater the correlation, the greater the volatility of the risk factors portfolio.

g. ***Credit risk management***

Credit risk refers to the situation in which counterparty defaults on its contractual obligations, thereby generating a financial loss for FibraHotel. Virtually all the revenues generated by FibraHotel are derived from the provision of hotel services. Consequently, its performance depends on its ability to collect revenues from hotel services from guests, as well as the capacity of the latter to make the required payments. FibraHotel's income and funds available for distribution would be adversely affected if a significant number of guests or its main leaseholders defaulted on their rental payments, closed their businesses or filed bankruptcy proceedings.

FibraHotel has adopted the policy of negotiating hotel leases with solvent counterparties and obtaining sufficient guarantees, when necessary, as a means of mitigating the risk of losses generated by nonpayment.

Credit risk is generated by the balances of cash and cash equivalents, trade accounts receivable, other receivables and financial instruments. The maximum risk exposure is included in the consolidated statement of financial position.

h. ***Liquidity risk management***

Liquidity risk represents the risk whereby FibraHotel faces certain difficulties when fulfilling obligations associated with financial liabilities which must be settled in cash or through the delivery of another financial asset. As FibraHotel is responsible for liquidity risk management, it has established a suitable liquidity risk management structure to manage its short, medium and long-term financing, while satisfying liquidity management requirements. FibraHotel manages its liquidity risk by maintaining adequate reserves, monitoring projected and actual revenue cash flows and reconciling the maturity profiles of financial assets and liabilities. The Treasury department monitors liability maturities so as to program the respective payments.

The following table details the remaining contractual maturities of FibraHotel for its financial liabilities with reimbursement periods established. The table has been designed based on the undiscounted projected cash flows of the financial liabilities based on the date that FibraHotel must generate/obtain the resources. The table includes the projected interest cash flows, taking into account the debt as of December 31 each year, as well as capital disbursements from the financial debt included in the statement of financial position. The variable interest rate financial debt is subject to change; if the changes in variable interest rates differ from those interest rate estimates determined at the end of the reporting period, the values below will differ:

| | Less than 1 year | 1 and 3 years | 3 + years | Total |
|---|---|---|---|---|
| As of December 31, 2017 | | | | |
| Debt | $ 103,247 | $ 460,218 | $ 2,602,441 | $ 3,165,906 |
| Suppliers and accrued expenses | 357,101 | - | - | 357,101 |
| Projected variable interest of debt, net of derivative financial instrument. | 257,818 | 472,055 | 737,670 | 1,467,543 |
| Total | $ 718,166 | $ 932,273 | $ 3,340,111 | $ 4,990,550 |
| As of December 31, 2016 | | | | |
| Debt | $ 98,288 | $ 298,127 | $ 2,300,616 | $ $ 2,697,031 |
| Suppliers and accrued expenses | 227,591 | - | - | 227,591 |
| Projected variable interest of debt, net of derivative financial instrument. | 194,130 | 540,669 | 711,877 | 1,446,667 |
| Total | $ 520,009 | $ 838,796 | $ 3,012,493 | $ 4,371,289 |
| As of December 31, 2015 | | | | |
| Debt | $ 7,849 | $ 253,429 | $ 591,190 | $ 852,468 |
| Suppliers and accrued expenses | 238,982 | - | - | 238,982 |
| Projected variable interest of debt, net of derivative financial instrument. | 46,154 | 92,694 | 177,540 | 316,388 |
| Total | $ 292,985 | $ 346,123 | $ 768,730 | $ 1,407,838 |

i. ***Fair value of financial instruments***

Fair value of financial instruments recorded at amortized cost.

Except for long-term debt, carrying value of trade accounts receivable and other receivables, due from related parties, suppliers and accrued expenses are short-term in nature and, in certain cases, accrue interest at rates linked to market indicators. FibraHotel therefore considers that the carrying value of these financial assets and liabilities recognized at amortized cost approximates their fair values. The fair value of long-term debt is show as follows:

Fair value of financial instruments carried at FVTPL on a recurring basis are as follows

| Assets and Liabilities financial | Fair value at December 31, 2017 | 2016 | 2015 | Fair value hierarchy | Techniques and key inputs |
|---|---|---|---|---|---|
| Derivative financial instruments designed as hedge – Cap Spread | $ 114,652 | $ 120,887 | $ 11,441 | Level 2 | Discounted future cash flows are calculated on the basis of term interest rates (starting with the observable yield curves at the end of the period in question) and contractual interest rates, discounted at a rate which reflects the credit risk of various counterparties.. |
| Investments in government securities | $ 4,455,181 | $ 241,103 | $ 205,982 | Level 1 | Market value. The fair value of investments is measured by quoted prices (unadjusted) in active markets for identical instruments |

*Fair value over financial instruments that are valued at amortized cost*

| Liabilities financial | 2017 Carrying amount | 2017 Fair value | 2016 Carrying amount | 2016 Fair value | 2015 Carrying amount | 2015 Fair value | Fair value hierarchy | Techniques and key inputs |
|---|---|---|---|---|---|---|---|---|
| Debt | $ 3,165,906 | $ 3,148,419 | $ 2,697,031 | $ 2,517,135 | $ 852,468 | $ 616,308 | Nivel 3 | Market value. The fair value of debt is measured with unobservable information. |

***Valuation techniques and assumptions applied for purposes of determining the fair value***

- The fair value of financial assets and financial liabilities with standard terms and traded in active liquid markets are determined with reference to quoted market prices (including unlisted redeemable notes, bills of exchange, perpetual and government bonds).

- The fair value of other financial assets and liabilities (excluding those described above) are determined in accordance with pricing models generally accepted, based on the analysis of discounted cash flows using prices from observable current transactions in the market and quotations for similar instruments. In particular, the fair value of long-term debt, which is calculated only for the purpose of this disclosure and not for the accounting of the debt, which is considered measurement Level 3, as described below, it was determined using a model of discounted cash flows, using current rates estimates based on observable market TIIE curves and credit spread estimated using observable credit similar entities, which is adjusted as needed.

Financial instruments measured at fair value after initial recognition are grouped in three levels, based on the degree to which the fair value is observable:

- Level 1 valuations at fair value are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuations at fair value are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 valuations at fair value are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable indicators).

## 13. Transactions and balances with related parties

a. Commercial transactions:

During the year, FibraHotel carried out the following transactions with related parties:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Administradora Fibra Hotelera, S. A. de C. V. | | | |
| Management fee | $ 100,045 | $ 104,673 | $ 103,669 |
| Group A: | | | |
| Administrative services | $ 86,532 | $ 51,572 | $ 41,465 |

The Group A is comprised of Prestación de Servicios Hoteleros GG, S. A. de C. V., Soluciones y Administración Estrátegica, S. A. de C. V., Fibra Hotelera, S. C., Solución de Recursos Humanos, S. A. de C. V., Administradora GDI, S. A de C. V., and Control y Desarrollo Administrativo, S. A. de C. V. FibraHotel pays an annual fee for the administrative services corresponding to personnel employee benefits and taxes, plus a 5%. The above transaction is documented through renewable five-year agreements.

b. Due from related parties:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Controladora Cabi FHM | $ - | $ - | $ 2,174 |
| Alterturismo, S. de R. L. de C. V. | - | - | 734 |
| Grupo Innovador Turístico y de Servicios, S. de R. L. de C. V. | - | - | 233 |
| Grupo Empresarial Hermosillo | - | - | 49 |
| | $ - | $ - | $ 3,190 |

## 14. Trustees' equity

***Contributions***

a. Equity contributions of trustors at par value are as follows:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Initial capital contribution | $ 15 | $ 15 | $ 15 |
| Issuance of CBFIs | 14,348,386 | 10,009,645 | 10,009,645 |
| Total | $ 14,348,401 | $ 10,009,660 | $ 10,009,660 |

On February 5, 2017 the initial contributed net worth of FibraHotel has been paid in full.

b. The net worth of FibraHotel is represented by an initial contribution of $15, the Contribution Portfolio, the Contribution Portfolio under Development and the resources generated by issuing the CBFIs in the IPO, as discussed below:

c. On May 30, 2013, FibraHotel held a subsequent offering of CBFIs in the Bolsa Mexicana de Valores ("BMV") and in other international markets. The total amount of the offering was $4,877,725, offering 195,000,000 CBFIs, including overallotment at $24.95. The Control Trust of FibraHotel participated in the subscription of 2,000,000 CBFIs.

d. On September 14, 2017, FibraHotel concluded its third Public Offering on the Mexican Stock Exchange, together with a private international market placement through Rule 144A and the Regulation of the United States Securities Law for a total of 334,545,454 CBFIs with a price of $13.75 pesos for each CBFI, to reach a total of 833,947,220.

The net proceeds derived from this placement were utilized to: (i) acquire the Fiesta Americana Condesa Cancún hotel; (ii) fund other hotel investments in process; (iii) temporarily reduce the debt, and (iv) for other corporate purposes. This investment contributed to portfolio diversification and included a significant acquisition in the "resorts" segment that will help enhance the diversification of the portfolio of FibraHotel, while generating a higher proportion of revenues in US dollars and permitting participation in Mexico's dynamic tourist sector.

At December 31, 2017, there are 833,947,220 outstanding CBFIs; at December 31, 2016 and 2015, there were 499,401,766.

*Distributions-*

e. As of December 2017, 2016 and 2015, the Technical Committee of FibraHotel has approved and paid distributions of the tax income accounts, to the CBFIs owners as follows:

| Date of distribution approval | Distributio n by CBFI (Pesos) | Distributions from equity redemption | Distributions of taxable income | Total distributions |
|---|---|---|---|---|
| February 27, 2017 | $ 0.3045 | $ 150,485 | $ - | $ 150,485 |
| April 25, 2017 | 0.2443 | 63,602 | 57,174 | 120,776 |
| July 18, 2017 | 0.3478 | 90,496 | 81,404 | 171,900 |
| October 17, 2017 | 0.1728 | 102,640 | 39,355 | 141,995 |
| Total as of December 2017 | | $ 407,223 | $ 177,933 | $ 585,156 |

| Date of distribution approval | Distribution by CBFI (Pesos) | Distributions from equity redemption | Distributions of taxable income | Total distributions |
|---|---|---|---|---|
| February 16, 2016 | $ 0.2380 | $ 117,659 | $ - | $ 117,659 |
| April 19, 2016 | 0.2003 | 89,757 | 9,224 | 98,981 |
| July 19, 201 | 0.2408 | 119,008 | - | 119,008 |
| October 18, 2016 | 0.2726 | 96,049 | 38,695 | 134,744 |
| Total as of December 2016 | | $ 422,473 | $ 47,919 | $ 470,392 |

| Date of distribution approval | Distribution by CBFI (Pesos) | Distributions from equity redemption | Distributions of taxable income | Total distributions |
|---|---|---|---|---|
| February 19, 2015 | $ 0.2250 | $ 111,216 | $ - | $ 111,216 |
| April 21, 2015 | 0.2074 | 85,452 | 17,052 | 102,504 |
| July 21, 2015 | 0.2204 | 63,014 | 45,926 | 108,940 |
| October 20, 2015 | 0.2153 | 75,552 | 30,877 | 106,429 |
| Total as of December 2015 | | $ 335,234 | $ 93,855 | $ 429,089 |

The distribution by CBFIs is the result of dividing the total distributable amount between the number of CBFIs in circulation with economic rights, the cut of the number of CBFIs that are entitled to distribution is made when publishing the distribution notice.
.
The policy utilized by FibraHotel to determine the total distributable amount involves distributing approximately 100% of the Adjusted Funds from Operations (“AFFO”). The AFFO of FibraHotel is calculated in the following manner: consolidated profit plus depreciation and amortization, less the CAPEX reserve and plus non-operating adjustments. At December 31, 2017, there were 12,001,137 CBFIs without economic rights and 5,128,205 CBFIs in 2016 and 2015.

## 15. Minimum lease payments

The aggregate annual future minimum lease payments expected to be received under existing operating leases are as follows:

| Period | Fiesta Inn | Live Aqua Boutique |
|---|---|---|
| Less than 1 year | $ 52,787 | $ 22,259 |
| 1 to 5 years | 264,936 | 111,297 |
| | $ 317,723 | $ 133,556 |

The lease contracts have remaining terms ranging from one to five years.

The aforementioned minimum lease payments do not include amounts expected to be received with respect to contingent rentals, which is mainly comprised of rent increases based on inflation and variable income, if any. Additionally, the payments disclosed only consider the compulsory lease term and do not consider any renewal periods, related to minimum future rentals.

## 16. Business segment information

### a. Segments financial information

Segment information reported externally was analyzed on the basis of the types of room revenues, food and beverage income, operating expenses for the different types of hotel brands that comprise the investment portfolio of FibraHotel. However, the information analyzed by management who makes operating decisions of the Trust for purposes of allocating resources and assessing segment performance is focused more specifically on the category of customer for each type of portfolio. The main categories of customers for these goods are services provided and brand. FibraHotel segments to report according to IFRS 8 are therefore the following:

**Limited service**

Limited service hotels offer a service, as its name implies, of convenience, which traditionally has no bars, restaurants or conference or meeting rooms, nor does it offer additional services, but in recent years the trend has been that this class hotels offer a mix of services, including business centers, gyms and swimming pools, with a limited selection of food (breakfast included) and limited spaces boardrooms.

**Select service**

These hotels provide certain additional services to limited service hotels, including the offer of food and drink, restaurants, bars and room service 24 hours. Rooms for social and business events, as well as additional services within the room.

**Extended stay**

Hotels in this segment are characterized by a suite format in studio setups with one or two bedrooms, almost always with a full kitchen and a dining space and workspace. Among the services provided by these hotels are public areas similar to a hotel of select services without meeting rooms.

**Full service**

These hotels have a robust supply of food and beverages with several centers of consumption (restaurants and bars), boardrooms and conference rooms for business and social events as well as in certain cases additional services related to complete service hotels such as spas, room service, valet parking, concierge, bell boys and more extensive public areas.

b. **Income and segment results**

An analysis of income and results of the Trust of continuing operations is presented by reported segment:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Select service | Limited service | Extended stay | Full service | Corporate | Total |
| Revenue for: | | | | | | |
| Rooms | $ 1,457,670 | $ 550,271 | $ 85,200 | $ 594,384 | $ - | $ 2,687,525 |
| Food and beverages | 417,756 | - | - | 203,589 | - | 621,345 |
| Real Estate Rentals | 78,553 | - | - | 14,366 | - | 92,919 |
| Others | 10,638 | 13,713 | 746 | 9,110 | - | 34,207 |
| | 1,964,617 | 563,984 | 85,946 | 821,449 | - | 3,435,996 |
| Costs and expenses: | | | | | | |
| Rooms | 287,828 | 128,829 | 9,112 | 116,366 | - | 542,136 |
| Food and beverages | 241,881 | 3,802 | - | 133,611 | - | 379,294 |
| General and administrative | 812,289 | 249,369 | 9,270 | 337,758 | - | 1,408,685 |
| Corporate and property expenses and other income | - | - | - | - | 228,588 | 228,588 |
| Depreciation | - | - | - | - | 367,926 | 367,926 |
| | 1,341,998 | 382,000 | 18,382 | 587,735 | 596,514 | 2,926,629 |
| | | | | | Operating income | 509,367 |
| | | | | | Financial expenses net and others | (66,331) |
| | | | | | Income before income taxes | $ 443,036 |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Select service | Limited service | Extended stay | Full service | Corporate | Total |
| Revenue for: | | | | | | |
| Rooms | $ 1,252,953 | $ 413,211 | $ 67,985 | $ 323,108 | $ - | $ 2,057,257 |
| Food and beverages | 360,156 | - | - | 108,241 | - | 468,397 |
| Real Estate Rentals | 73,436 | - | - | 6,396 | - | 79,832 |
| Others | - | - | - | - | 29,519 | 29,519 |
| | 1,686,545 | 413,211 | 67,985 | 437,745 | 29,519 | 2,635,005 |
| Costs and expenses: | | | | | | |
| Rooms | 234,077 | 93,643 | 11,961 | 62,995 | - | 402,676 |
| Food and beverages | 205,384 | 2,846 | - | 77,583 | - | 285,813 |
| General and administrative | 704,060 | 192,021 | 7,564 | 199,439 | - | 1,103,083 |
| Corporate and property expenses and other income | - | - | - | - | 290,132 | 290,132 |
| Depreciation | - | - | - | - | 296,930 | 296,930 |
| | 1,143,521 | 288,510 | 19,525 | 340,017 | 587,062 | 2,378,635 |
| | | | | | Operating income | 256,370 |
| | | | | | Financial expenses net and others | (40,693) |
| | | | | | Income before income taxes | $ 215,677 |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Select service | Limited service | Extended stay | Full service | Corporate | Total |
| Revenue for: | | | | | | |
| Rooms | $ 1,015,905 | $ 309,166 | $ 48,600 | $ 167,649 | $ - | $ 1,541,320 |
| Food and beverages | 298,442 | - | - | 69,083 | - | 367,525 |
| Real Estate Rentals | 74,251 | - | - | 1,142 | - | 75,393 |
| Others | - | - | - | - | 23,699 | 23,699 |
| | 1,388,598 | 309,166 | 48,600 | 237,874 | 23,699 | 2,007,937 |
| Costs and expenses: | | | | | | |
| Rooms | 181,793 | 65,309 | 7,718 | 33,886 | - | 288,706 |
| Food and beverages | 171,081 | - | - | 44,192 | - | 215,273 |
| General and administrative | 572,623 | 142,612 | 1,509 | 117,034 | - | 833,778 |
| Corporate and property expenses and other income | - | - | - | - | 246,694 | 246,694 |
| Depreciation | - | - | - | - | 213,782 | 213,782 |
| | 925,497 | 207,921 | 9,227 | 195,112 | 460,476 | 1,798,233 |
| Operating income | | | | | | 209,704 |
| Financial expenses net and others | | | | | | 29,756 |
| Income before income taxes | | | | | | $ 239,460 |

c. The main assets and liabilities by segment as of December 31, are as follows:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Select service | Limited service | Extended stay | full service | Others | Total |
| Hotel properties, furniture and operating equipment – Net | $ 1,451,607 | $ 6,089,854 | $ 443,318 | $ 3,039,743 | $ 927 | $ 11,025,449 |
| Properties under development | $ 14,066 | $ 445,115 | $ 1,464 | $ 515,351 | $ - | $ 975,996 |
| Long-term liabilities (1) | $ - | $ - | $ - | $ - | $ 3,165,906 | $ 3,165,906 |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Select service | Limited service | Extended stay | full service | Others | Total |
| Hotel properties, furniture and operating equipment – Net | $ 1,772,760 | $ 5,231,710 | $ 415,481 | $ 2,549,146 | $ 926 | $ 9,970,023 |
| Properties under development | $ 145,507 | $ 768,498 | $ 94,872 | $ 387,723 | $ - | $ 1,396,600 |
| Long-term liabilities (1) | $ - | $ - | $ - | $ - | $ 2,697,031 | $ 2,697,031 |

| | 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Select service | Limited service | Extended stay | Full service | Others | Total |
| Hotel properties, furniture and operating equipment – Net | $ 1,343,777 | $ 5,030,418 | $ 369,317 | $ 791,306 | $ 843 | $ 7,535,661 |
| Properties under development | $ 253,596 | $ 538,850 | $ - | $ 1,496,927 | $ 21,316 | $ 2,310,689 |
| Long-term liabilities (1) | $ - | $ - | $ - | $ - | $ 852,468 | $ 852,468 |

**(1)** Debt was issued at the holding level, which cannot be allocated to a specific segment.

## 17. Commitments and contingencies

Except as noted previously, neither FibraHotel nor its assets are subject to any type of legal action, other than those stemming from its routine operations and activity.

## 18. Events after the reporting period

a. ***Purchase of the Fiesta Americana Condesa Cancún hotel***

On February 20, 2018, the conditions and requirements contained in the purchase contract for the Fiesta Americana Condesa Cancún hotel, as discussed in Note 2e), were fulfilled. The total sale price agreed for all the assets was $2,892,000. The long-term lease contract agreed for this hotel also took effect. The parties agreed to implement the purchase-sale contract and lease as of January 1, 2018.

b. ***Creation of the Repurchase Fund***

On November 14, 2017, the FibraHotel Holders' Meeting authorized the creation of a CBFI Repurchase Fund based on the approval of the purchase of up to 5% of all the CBFIs issued by FibraHotel during the period from January 1 through December 31, 2017 and for up to 5% of all the CBFIs issued by FibraHotel during the period from January 1 through December 31, 2018.

On December 29, 2017, FibraHotel began the repurchase of CBFIs. As of March, 2018, FibraHotel has repurchased 11,425,605 CBFIs at an average price of $11.18. These Securitization Certificates are held by the Trust Treasury and cease to have economic (distribution) and corporate (voting) rights on the date of their purchase.

## 19. Authorization to issue the consolidated financial statements

The consolidated financial statements were authorized for issue on March 31, 2018, by Lic. Edouard Boudrant Finance Director and Lic. Eduardo López, Managing Director of FibraHotel, consequently they do not reflect events after this date, and subject to the approval of the Technical Committee and at the General Ordinary Trustors meeting which may be modify them.

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