

**Fideicomiso Irrevocable No.
F/17416-3 (Banco Nacional de
México, S.A., integrante del
Grupo Financiero Banamex,
División Fiduciaria) and
Subsidiaries**

Consolidated Financial Statements
for the Years Ended December 31,
2019, 2018 and 2017, and
Independent Auditors' Report
dated March 17, 2020



**Fideicomiso Irrevocable No. F/17416-3
(Banco Nacional de México, S.A., integrante del Grupo Financiero
Banamex, División Fiduciaria) and Subsidiaries**

**Independent Auditors' Report and
Consolidated Financial Statements for 2019,
2018 and 2017**

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Independent Auditors' Report to the Technical Committee and Trustors of Fideicomiso Irrevocable No. F/17416-3 (Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex, División Fiduciaria) and Subsidiaries

Opinion

We have audited the consolidated financial statements of Fideicomiso Irrevocable No. F/17416-3 (Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex, División Fiduciaria) and Subsidiaries (the "Entity" or the "Trust"), which comprise the consolidated statements of financial position as of December 31, 2019, 2018 and 2017, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in trustors' capital and 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 Fideicomiso Irrevocable No. F/17416-3 (Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex, División Fiduciaria) and Subsidiaries as of December 31, 2019, 2018 and 2017, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as 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 Consolidated Financial Statements* section of our report. We are independent of the trust with the International Ethics Standards Board for Accountants' *Code of Ethics for professional Accountants (IESBA Code)* and with the Ethics Code 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 IMCP Code.

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

Key audit matters

The key audit matters are those matters which, in our professional judgment, have been of the greatest significance in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of the consolidated financial statements taken as a whole, and in the formation of our opinion thereon, and we do not express a separate opinion on those matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.



Valuation of Investment Properties

As explained in Note 7 to the accompanying consolidated financial statements, to estimate the fair value of the investment properties, with the support of an independent expert, it selects the valuation techniques it considers most appropriate under the specific circumstances of each investment property. The assumptions related to the estimates of the fair values of the investment properties include, among others, the procurement of the contractual rentals, the expectation of future market rentals, renewal rates, maintenance requirements, discount rates which reflect the uncertainties of current markets, capitalization rates and recent transaction prices.

Based on a sample of properties selected randomly, we tested the information contained in the valuation of the investment property, including the lease revenues, acquisitions and capital expenses, comparing them with that recorded by the Trust. Such information was then tested and substantiated against the lease agreements that were duly signed and approved, and we reviewed the respective support documentation. For the properties in development, we made random selections, reviewed the cost recorded as of this date, and recorded in accounting and ascertained that the costs incurred are similar in other fully completed projects.

We met with the independent appraisers and obtained the valuation reports of all the properties. We analyzed such reports and confirmed that the valuation method of each property was applied in conformity with International Accounting Standard 40 "Investment Properties" and that the use in the determination of the book value was appropriate for financial statement purposes. Furthermore, we involved our internal valuation specialists to compare the valuations of each property against our market value expectation, and also reviewed and challenged the valuation methodology and assumptions considered by the independent appraiser. For this purpose, we used evidence of comparable market operations and focused specifically on properties where the growth in capital values was higher or lower compared to market indexes.

We questioned the methodology and reasoning of the Trust's management for the valuation of the investment properties, based on the above assumptions, and concluded that the values are fair.

Recognition of lease revenues

Once the Trust has established that it has a contract from which revenues are generated, it should assess which are commitments assumed and which represent obligations to the lessees. It will also have to determine the time at which the benefits and obligations have been transferred to the lessee with regard to the use of the spaces, which, together with other factors, will determine the initial recognition of the respective revenue.

The revenues associated with operating leases are recognized systematically for accounting purposes over the lease term, taking into account the incentives granted, such as grace periods, as well as the minimum payments which include considerations received at the beginning of the leases. Contingent rentals (such as variable rentals) are recognized when they are generated. The lease term is the no cancelable period of the contract, including additional periods for which the lessee has a renewal option, when at the beginning of the lease, management has a reasonable assurance that the lessee will exercise such option.

Pursuant to the foregoing, our procedures included, among others, the review of the commercial terms of the contracts to determine the appropriate moment to begin recognition of the revenues. We analyzed the rights and obligations established in the contracts and assured ourselves that all these elements were contemplated and accounted for correctly, and we inquired about and corroborated the elements used by management to determine the contingent revenues, among other procedures.

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, 2019. 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 consolidated financial statements and in the independent auditor's opinion

Management of the Trust is responsible for the other information. The other information will include the information that will be incorporated into the Annual Report which the Entity is required to prepare in conformity 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 for reading 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.

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

Management of the Trust is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management of the Trust 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 the Trust's ability to continue as a going concern, disclosing, as applicable, matters related with the Trust to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Trust's management is responsible for overseeing the Trust's financial reporting process.

Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient and adequate evidence about the financial information of the entities or business activities within the Trust in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Trust. We remain solely responsible for our audit opinion.

We communicate with the Trust's management about, among other matters, the scope and the timing of the performance of the planned audit and the significant audit findings, as well as any material internal control deficiency that we identify during the course of the audit.

We also provide to the Trust's management a statement that we have complied with applicable ethical requirements in relation to independence and communicated with them about all the relationships and other matters which might be reasonably expected to have an effect on our independence and, as the case may be, the related safeguards.

From the matters communicated with those charged of Trust's management, we determine those matters that were of most significance in the audit of the consolidated 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. Cesar Roman Navarrete Esparza
Mexico City, Mexico
March 17, 2020

(Concluded)



Fideicomiso Irrevocable No. F/17416-3
(Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, División
Fiduciaria) and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2019, 2018 and 2017
(In Mexican pesos)

Assets	Notes	2019	2018	2017
<i>Current assets:</i>				
Cash, cash equivalents and restricted cash	5	\$ 490,355,748	\$ 1,808,607,828	\$ 3,088,324,660
Lease receivable and others receivable	6	428,140,691	402,240,593	448,387,766
Accounts receivable from related parties	13	153,246	793,288	5,389,558
Recoverable taxes, mainly Income Taxes		84,514,506	37,599,750	2,304,907
Prepaid expenses, mainly insurance to amortize and deposits in guarantee		<u>26,467,213</u>	<u>27,156,963</u>	<u>24,197,582</u>
Total current assets		<u>1,029,631,404</u>	<u>2,276,398,422</u>	<u>3,568,604,473</u>
<i>Non-current assets:</i>				
Investment properties	7	64,364,614,588	62,716,149,554	60,371,665,765
Acquisition of technological platform		7,527,702	13,287,101	14,016,090
Other assets		6,329,927	10,000,000	10,000,000
Machinery and equipment		27,663,200	22,911,806	14,465,805
Deferred income tax of subsidiary		<u>12,030,350</u>	<u>10,208,988</u>	<u>7,016,301</u>
Total non-current assets		<u>64,418,165,767</u>	<u>62,772,557,449</u>	<u>60,417,163,961</u>
Total assets		<u>\$ 65,447,797,171</u>	<u>\$ 65,048,955,871</u>	<u>\$ 63,985,768,434</u>
Liabilities and trustors' capital				
<i>Current liabilities:</i>				
Short-term financial liabilities	12	\$ -	\$ 1,000,000,000	\$ -
Interest payable of financial liabilities		220,206,566	217,875,405	218,913,060
Deferred lease revenue		347,541,836	360,136,899	310,499,229
Trade accounts payable	11	67,556,735	56,230,830	192,928,447
Prepaid lease		35,050,189	39,174,502	39,108,432
Accounts payable to related parties	13	204,593,443	190,416,516	184,942,223
Tax payable		<u>50,231,969</u>	<u>69,533,984</u>	<u>57,585,850</u>
Total current liabilities		<u>925,180,738</u>	<u>1,933,368,136</u>	<u>1,003,977,241</u>
<i>Non-current liabilities:</i>				
Long-term financial liabilities	12	5,617,169,802	5,462,500,832	6,452,720,449
Deferred lease revenue		781,168,056	1,034,433,630	1,202,608,816
Deposits of tenants		408,431,794	397,290,015	366,234,292
Employee benefits	9	<u>17,272,106</u>	<u>13,259,369</u>	<u>9,959,699</u>
		<u>6,824,041,758</u>	<u>6,907,483,846</u>	<u>8,031,523,256</u>
Total liabilities		<u>7,749,222,496</u>	<u>8,840,851,982</u>	<u>9,035,500,497</u>
<i>Trustors' capital:</i>				
Trustors' capital	14	41,871,466,618	42,383,005,320	43,610,750,525
Retained earnings		15,040,867,303	13,072,255,847	10,878,899,354
Other comprehensive results		<u>(3,500,059)</u>	<u>(2,154,136)</u>	<u>(1,075,211)</u>
Controlling interest		56,908,833,862	55,453,107,031	54,488,574,668
Non-controlling interest		<u>789,740,813</u>	<u>754,996,858</u>	<u>461,693,269</u>
Total trustors' capital:		<u>57,698,574,675</u>	<u>56,208,103,889</u>	<u>54,950,267,937</u>
Total liabilities and trustors' capital		<u>\$ 65,447,797,171</u>	<u>\$ 65,048,955,871</u>	<u>\$ 63,985,768,434</u>



Fideicomiso Irrevocable No. F/17416-3
(Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, División
Fiduciaria) and Subsidiaries

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2019, 2018 and 2017
(In Mexican pesos)

	Notes	2019	2018	2017
Fixed rental revenues		\$ 3,728,308,048	\$ 3,346,441,358	\$ 2,603,591,802
Variable rental revenues		264,342,408	228,967,634	240,689,801
Deferred lease revenue		413,521,331	365,925,798	285,231,182
Parking revenues		473,167,193	421,461,742	367,305,390
Maintenance and advertising revenues		<u>915,116,691</u>	<u>790,175,281</u>	<u>639,845,987</u>
		<u>5,794,455,671</u>	<u>5,152,971,813</u>	<u>4,136,664,162</u>
Advisory fees	13	633,639,389	609,094,198	552,475,415
Representation fees	13	108,707,379	100,285,549	84,697,987
Administration expenses		121,013,582	117,174,886	19,258,564
Operation and maintenance expenses		814,747,034	739,690,898	639,919,739
Property tax		133,673,275	127,108,282	128,171,406
Insurance		35,916,564	33,586,136	30,226,896
Interest income		(71,060,221)	(80,173,400)	(113,293,979)
Interest expense		448,158,512	332,969,621	130,441,513
Foreign exchange gain – Net		22,370,393	6,560,786	18,406,362
Adjustments to fair value of investment property	7	(563,065,748)	(727,748,087)	(2,520,134,043)
Income tax expense of subsidiary		<u>5,589,422</u>	<u>2,625,654</u>	<u>232,946</u>
Profit for the year		<u>\$ 4,104,766,090</u>	<u>\$ 3,891,797,290</u>	<u>\$ 5,166,261,356</u>
Profit for the year attributable to:				
Owners of the Entity		\$ 4,091,268,558	\$ 3,889,865,680	\$ 5,166,261,356
Non-controlling interests		<u>13,497,532</u>	<u>1,931,610</u>	<u>-</u>
Profit for the year		<u>4,104,766,090</u>	<u>3,891,797,290</u>	<u>5,166,261,356</u>
Actuarial (losses) gains of employee benefits		<u>(1,345,923)</u>	<u>(1,078,925)</u>	<u>18,619</u>
Total consolidated comprehensive income for the year		<u>\$ 4,103,420,167</u>	<u>\$ 3,890,718,365</u>	<u>\$ 5,166,279,975</u>
Basic comprehensive income per CBFÍ (pesos)		<u>\$ 2.8219</u>	<u>\$ 2.7221</u>	<u>\$ 3.6590</u>
Diluted comprehensive income per CBFÍ (pesos)		<u>\$ 2.7647</u>	<u>\$ 2.5854</u>	<u>\$ 3.4016</u>



Fideicomiso Irrevocable No. F/17416-3

(Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, División Fiduciaria) and Subsidiaries

Consolidated Statements of Changes in Trustors' Capital

For the years ended December 31, 2019, 2018 and 2017

(In Mexican pesos)

	Trustors' capital	Retained earnings	Other items of comprehensive (loss) income	Controlling interest	Non-controlling interest	Total
Balance as of January 1, 2017	\$ 44,608,464,372	\$ 7,126,970,274	\$ (1,093,830)	\$ 51,734,340,816	\$ -	\$ 51,734,340,816
Increase in equity due to capitalization of advisory fees	486,341,093	-	-	486,341,093	-	486,341,093
Capital reimbursements	(1,484,054,940)	-	-	(1,484,054,940)	-	(1,484,054,940)
Dividends paid	-	(1,414,332,276)	-	(1,414,332,276)	-	(1,414,332,276)
Comprehensive income:						
Consolidated net income for the year	-	5,166,261,356	-	5,166,261,356	-	5,166,261,356
Actuarial profit for employee benefits	-	-	18,619	18,619	-	18,619
	-	5,166,261,356	18,619	5,166,279,975	-	5,166,279,975
Non-controlling interest	-	-	-	-	461,693,269	461,693,269
Balance as of December 31, 2017	43,610,750,525	10,878,899,354	(1,075,211)	54,488,574,668	461,693,269	54,950,267,937
Increase in equity due to capitalization of advisory fees	580,061,236	-	-	580,061,236	-	580,061,236
Capital reimbursements	(1,567,037,927)	-	-	(1,567,037,927)	-	(1,567,037,927)
Dividends paid	-	(1,696,509,187)	-	(1,696,509,187)	-	(1,696,509,187)
Cancellation of CBFIs Via Vallejo	(240,768,514)	-	-	(240,768,514)	-	(240,768,514)
Contribution to non-controlling interest	-	-	-	-	291,371,979	291,371,979
Comprehensive income:						
Consolidated net income for the year	-	3,889,865,680	-	3,889,865,680	1,931,610	3,891,797,290
Actuarial loss for employee benefits	-	-	(1,078,925)	(1,078,925)	-	(1,078,925)
	-	3,889,865,680	(1,078,925)	3,888,786,755	1,931,610	3,890,718,365
Balance as of December 31, 2018	42,383,005,320	13,072,255,847	(2,154,136)	55,453,107,031	754,996,858	56,208,103,889



	Trustors' capital	Retained earnings	Other items of comprehensive (loss) income	Controlling interest	Non-controlling interest	Total
Increase in equity due to capitalization of advisory fees	578,108,176	-	-	578,108,176	-	578,108,176
Capital reimbursements	(1,327,367,790)	-	-	(1,327,367,790)	-	(1,327,367,790)
Dividends paid	-	(2,122,657,102)	-	(2,122,657,102)	-	(2,122,657,102)
Issue of CBF's Torre Virreyes	426,737,116	-	-	426,737,116	-	426,737,116
Cancellation of CBF's Toreo (Comercial)	(189,016,204)	-	-	(189,016,204)	-	(189,016,204)
Decrease of non-controlling interest	-	-	-	-	(72,922,956)	(72,922,956)
Contribution to non-controlling interest	-	-	-	-	94,169,379	94,169,379
Comprehensive income:						
Consolidated net income for the year	-	4,091,268,558	-	4,091,268,558	13,497,532	4,104,766,090
Actuarial loss for employee benefits	-	-	(1,345,923)	(1,345,923)	-	(1,345,923)
	<u>-</u>	<u>4,091,268,558</u>	<u>(1,345,923)</u>	<u>4,089,922,635</u>	<u>13,497,532</u>	<u>4,103,420,167</u>
Balance as of December 31, 2019	<u>\$ 41,871,466,618</u>	<u>\$ 15,040,867,303</u>	<u>\$ (3,500,059)</u>	<u>\$ 56,908,833,862</u>	<u>\$ 789,740,813</u>	<u>\$ 57,698,574,675</u>



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(Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, División
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Consolidated Statements of Cash Flows

For the years ended December 31, 2019, 2018 and 2017

(In Mexican pesos)

	2019	2018	2017
Cash flows from operating activities:			
Consolidated net income	\$ 4,104,766,090	\$ 3,891,797,290	\$ 5,166,261,356
Adjustments to net income:			
(Benefits) income tax from subsidiary	5,589,422	2,625,654	232,946
Adjustments to fair value of investment properties	(563,065,748)	(727,748,087)	(2,520,134,043)
Advisory fee liquidated by equity instruments	578,108,176	580,061,236	486,341,092
Employee benefits	2,099,033	1,758,347	1,537,498
Depreciation of machinery and equipment	5,704,747	2,909,347	706,508
Amortization of technological platform	6,062,036	5,986,376	4,672,030
Interest income	(71,060,221)	(80,173,400)	(113,293,979)
Interest expense – Net	448,158,512	332,969,621	130,441,513
Profit from derecognition of fixed assets	(4,516,448)	-	-
Total	<u>4,511,845,599</u>	<u>4,010,186,384</u>	<u>3,156,764,921</u>
Changes in working capital:			
(Increase) decrease in:			
Leases receivable and others receivable	(2,203,680)	43,187,791	72,615,999
Accounts receivable from related parties	640,042	4,596,270	59,339,958
Recoverable taxes , mainly Income Taxes	(46,914,756)	(35,294,843)	118,748,271
Increase (decrease) in:			
Trade accounts payable and accrued expenses	(15,381,542)	(135,956,300)	101,422,326
Prepaid lease	(4,124,313)	66,070	(21,610,741)
Deferred lease revenue	(265,860,637)	(118,537,516)	73,543,533
Deposits of tenants	11,141,779	31,055,723	50,910,358
Income tax paid	(26,712,798)	5,355,945	51,781,595
Accounts payable to related parties	<u>14,176,927</u>	<u>5,474,293</u>	<u>(333,297,410)</u>
Net cash generated in operating activities	<u>4,176,606,621</u>	<u>3,810,133,817</u>	<u>3,330,218,811</u>
Cash flows from investing activities			
Acquisitions of investment properties	(820,505,715)	(1,641,815,898)	(2,112,519,857)
Acquisition of technological platform	(302,637)	(5,257,387)	(4,744,578)
Acquisitions of machinery and equipment	(10,456,141)	(11,355,349)	(9,051,971)
Proceeds from sale of land	11,293,333	-	62,953,798
Interest received	<u>71,060,221</u>	<u>80,173,400</u>	<u>113,293,979</u>
Net cash used in investing activities	<u>(748,910,939)</u>	<u>(1,578,255,234)</u>	<u>(1,950,068,629)</u>



	2019	2018	2017
Cash flows from financing activities:			
Loans obtained by third parties	150,000,000	-	-
Loan Payments	(1,000,000,000)	-	-
Loans obtained (financial liability)	-	-	2,500,000,000
Expenses paid on the issuance of financial liabilities	-	-	(20,928,176)
Debt commissions	3,670,073	-	(2,500,000)
Capital reimbursements	(1,327,367,790)	(1,567,037,927)	(1,484,054,940)
Dividends paid	(2,122,657,102)	(1,696,509,187)	(1,414,332,276)
Capital contributions to Fideicomiso Inve 3381 (Parque Tepeyac)	94,169,379	291,371,976	-
Interest paid	<u>(543,762,322)</u>	<u>(539,420,277)</u>	<u>(315,666,538)</u>
Net cash used in financing activities	(4,745,947,762)	(3,511,595,415)	(737,481,930)
Cash, cash equivalents and restricted cash:			
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,318,252,080)	(1,279,716,832)	642,668,252
Cash, cash equivalents and restricted cash at the beginning of period	<u>1,808,607,828</u>	<u>3,088,324,660</u>	<u>2,445,656,408</u>
Cash, cash equivalents and restricted cash at the end of period	<u>\$ 490,355,748</u>	<u>\$ 1,808,607,828</u>	<u>\$ 3,088,324,660</u>
Advisory fee liquidated by equity instruments (see Note 13)	578,108,176	580,061,236	486,341,093
Cancellation of CBFi's Via Vallejo (see Note 1 "relevant events")	-	(240,768,514)	-
Cancellation of CBFi's Toreo (Comercial) (see Note 1 y 7 "Relevant events" and "Investment properties, respectively)	(189,016,204)	-	-
Issuance of Torre Virreyes CBFi's (see Note 1 and 7 "Relevant events" and "Investment properties, respectively)	<u>426,737,116</u>	<u>-</u>	<u>-</u>
Total items that do not generate cash flow	<u>\$ 815,829,088</u>	<u>\$ 339,292,722</u>	<u>\$ 486,341,093</u>

(Concluded)



Fideicomiso Irrevocable No. F/17416-3
(Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, División
Fiduciaria) and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019, 2018 and 2017

(In Mexican pesos)

1. General information, activities and relevant events

Fideicomiso Irrevocable No. 17416-3 (Banco Nacional de México, S.A., integrante del Grupo Banamex División Fiduciaria) (the “Entity”, “Fibra Danhos” or the “Trust”) was established in Mexico City as a real estate trust on June 10, 2013, mainly to acquire, own, develop, lease and operate a wide variety of shopping centers, shops, offices, hotels, housing apartments, warehouses and industrial buildings in Mexico. The Trust was incorporated among the owners (the “Owners”) of certain properties, which were contributed in October 2013, contributed in exchange for Trust Certificates Real Estate (“CBFIs”), and simultaneously conducted a public offering, as detailed below.

The Trust, as a real estate investment trust (“FIBRA” for its acronym in Spanish), qualifies to be treated as a pass-through entity for Mexican federal income tax purposes. Therefore, all income from the conduct of the Trust’s operations is attributed to the holders of its real estate trust certificates (“CBFIs” for their acronym in Spanish) and the Trust itself is not considered a taxable entity in Mexico. In order to maintain FIBRA status, the Mexican Tax Administration Service (“SAT”) has established, per articles 187 and 188 of the Mexican Income Tax Law, that the Trust must annually distribute at least 95% of its taxable income to the holders of its CBFIs.

For the development of its operations, the Trust has entered into the following relevant contracts:

- i. An advisory agreement with DSD 1, S.C. to provide advisory services to the Trust for strategic planning.
- ii. A property management agreement with Administradora Fibra Danhos, S.C. (subsidiary) to conduct the day-to-day management of the operations of the Trust, including administering the related personnel. The Administrator will also be responsible for concluding agreements and contracts with third parties necessary for the operation of the properties, including advertising and marketing. Additionally, the Administrator held lease agreements with the Trust in connection with the operation of the parking and advertising spaces on the properties.
- iii. An advisory agreement with DSD2, S.C to perform representation services which are necessary and appropriate for the development of the Trust’s operations.

The Trust’s address is Monte Pelvoux 220 7th floor, Lomas de Chapultepec, México City, Z.C. 11000.

Relevant events –

On December 23, 2019, the total of the DANHOS16-2 bond was paid, which corresponded to the Fiduciary Stock Certificates (CEBURES for its acronym in spanish) issued on July 11, 2016, the amount settled is for 1,000 million pesos.

On December 13, 2019, the Michin Aquarium in Parque Puebla was successfully opened, this complements the entertainment offer of the property and generates a significant additional flow of visitors.



The construction of Parque Tepeyac is in process and is progressing according to the construction program. As of December 31, 2019, a 21.6% of advance was recorded. The project is anchored with department stores, commercial, entertainment and self-service chains and has successfully started the commercialization plan, with an estimated opening date in the last quarter of 2021.

On July 5, 2019, it was approved by an extraordinary meeting to make an adjustment to the consideration of the commercial component of Toreo Parque Central and Torre Virreyes, which represent the cancellation of 7,269,854 CBFIs and issue of 16,412,966 CBFIs, respectively, resulting in a net issuance of 9,143,112 CBFIs. The process to determine the contribution value of such assets, which were in development at the time, was settled out in the Initial Public Offering documents with the idea of valuing them based on the stabilized flow that they would generate. Concluded the process, the adjustment was approved by our Technical Committee, adhering to the best market practices, resulting in a partial cancellation of titles in Toreo and negotiating a substantially smaller issuance corresponding to Torre Virreyes, achieving to align interests between contributors and minority investors.

On September 26, 2019, the exchange of the "DANHOS13" Real Estate Fiduciary Stock Certificates (CBFIs) was made, this covers the cancellation of the 7,269,854 CBFIs for the adjustment to the consideration of Toreo Parque Central and the issuance of 101,462,966 CBFIs which includes 16,412,966 CBFIs corresponding to the adjustment of the Torre Virreyes consideration of 85,050,000 CBFIs for future Advisory Considerations.

On April 15, 2019, the opening to the public of the Hotel in Parque Puebla was successfully completed, generating income at the beginning of the second quarter of 2019, which incorporated approximately 9,596 m2 of gross profitable into the Operating Portfolio to achieve approximately 892,000 m2 of ARB.

On November 5, 2018 the entity informed that the inauguration of Kataplum fair in Parque Las Antenas, which was scheduled for November 6, 2018, was rescheduled for November 13, 2018, due to a closure of the Iztapalapa City Hall offices. They were closed and re-opened on November 5, which went through the times for the completion of procedures for its opening.

On September 24, 2018 in accordance with (i) the resolutions adopted at the General Meeting of Holders held on June 18, 2014; 52,095,398 CBFIs issued to be used as consideration for the Vía Vallejo project were not used for this purpose. As a consequence of the above, the number of CBFIS issued by Fibra Danhos to date amounts to 1,466,669,374 CBFIs.

On June 7, 2018, the opening of the new shopping and entertainment center, Parque Las Antenas, was opened to the public. The project reinforces the strategic of Fibra Danhos in the Metropolitan Area of Mexico City, which is the largest market in the country. The project is located in the limits of Iztapalapa and Xochimilco where there is a high population density, as well as a lack of quality commercial and entertainment options. Parque Las Antenas will offer a wide variety of commercial and entertainment options and will have an amusement park of more than 23,000 m2 on its roof, to complement and enrich the experience of its visitors. With approximately 300,000 m2 of construction on an area of more than 100,000 m2, Parque Las Antenas will have approximately 230 commercial premises and more than 140,000 m2 of commercial area, including the participation of Liverpool, Sears, Wal-Mart, Cinépolis, stores of Grupo Inditex, H & M, Alsea Group restaurants, gym and other services. With a total investment of approximately 5,000 million pesos (3,600 million Fibra Danhos, 700 million from the fair and the rest considering the tenants' investment), Parque Las Antenas adds approximately 100,000 m2 of profitable area to the Fibra Danhos Operating Portfolio. and more than 4,500 parking spaces. With its start-up, 95% of the Fibra Danhos Portfolio is in operation and only Tepeyac Park is under development.

On December 21, 2017 the trust signed an association agreement with third parties in order to participate in the development of a shopping and entertainment center in the north of Mexico City named Parque Tepeyac. The Fibra Danhos participation is 50%. The project will be developed in several properties with a joint area of approximately 51,700 sqm. Fibra Danhos will be in charge of the management, construction, operation and administration of such project.



The estimated net investment of Fibra Danhos will be approximately 1,800 million pesos, including land.

October 12, 2017, the Liverpool Toreo department store opened to the public, which will consolidate the successful mix of tenants in the shopping center with the country's most important department store chain.

Approximately 20,000 sqm of gross leasable area will be incorporated to the Toreo Parque Central shopping center that will reach approximately 90,000 sqm of gross leasable area.

On September 26, 2017, the trust held the opening to public of the shopping and entertainment center Parque Puebla, which incorporated approximately 70,000 sqm (seventy thousand square meters) of gross leasable area to the Operating Portfolio, which has reached approximately 760,000 sqm (seven hundred sixty thousand square meters).

On July 10, 2017, the Trust established a long-term Trust Certificate Program (“CEBURES” for its acronym in Spanish) (DANHOS 17), which was carried in the Mexican Debt Market for up \$2,500 million pesos. The transaction was made through a nominal 10-year fixed rate issue, which was placed with a coupon of 8.54% and rated AAA by Fitch Ratings and HR Ratings at the national scale. The transaction showed an oversubscription of 1.63x of the amount offered and was placed with a surcharge of 169 basis points, 16 basis points below the 10-year fixed rate DANHOS16 issued on July 7, 2016.

2. Application of new and revised International Financial Reporting Standard

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, the Entity applied a series of new and modified IFRS, issued by the International Accounting Standards Board (“IASB”) which are mandatory and entered into force from the periods that begin on or after January 1, 2019.

New and modified IFRSs that are effective for the reporting periods and periods beginning on or after January 1, 2019

The Entity verified the compliance with the IFRS 16 (issued by the IASB in January 2016) implementation, which establishes new or amended requirements regarding lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and financial lease and requiring the recognition of a right-of-use assets and a liability for leasing at commencement date of all leases, except those that are considered short term or low value assets. In contrast to the lessee accounting, the requirements for the lessor accounting have remained significantly unchanged. The impact of the adoption of IFRS 16 on the Entity's consolidated financial statements is described below.

a. *Impact for application of IFRS 16 Leases*

The Entity has determined to use the practical expedient available on the transition to IFRS 16 not to reassess whether a contract is or contains a lease. Therefore, the definition of leasing under IAS 17 and IFRIC 4 will continue to be applied to those contracts entered into or modified before January 1, 2019.

The change in the definition of a lease mainly refers to the concept of control. IFRS 16 determines whether a contract contains a lease basis on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the “risks and benefits” approach of IAS 17 and IFRIC 4.



The Entity applies the definition of a lease and the related guidelines outlined in IFRS 16 to all contracts entered into or modified on or after January 1, 2019. For the first time application of IFRS 16, the Entity carried out an implementation project, which revealed that the new definition of leasing under IFRS 16 does not significantly change the scope of the contracts that meet the definition of leasing for the Entity since the existing leases correspond to leases of low value and less than one year.

b. *Impact of accounting as lessee*

(i) *Previous operating leases*

IFRS 16 changes the way the Entity accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet

When applying IFRS 16, for all leases (except those mentioned below), the Entity:

- a. Recognizes the assets for use rights and the liabilities for leases in the consolidated statement of financial position, initially measured at the present value of the series of future lease payments.
- b. Recognizes the depreciation of the assets for use rights and the interest generated by the lease liabilities in the consolidated statement of profit or loss.
- c. Separates the total amount of cash paid to capital (presented within financing activities) and to interests (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (for example, rent-free periods) are recognized in the initial measurement as part of rights-of-use assets and lease liabilities, when under IAS 17 they generated the recognition of a lease incentive, amortized as a reduction of rental expenses, generally on a straight line method.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (with a term of 12 months or less) and for low-value assets (such as computers, small items of office, furniture and telephones), the entity has chosen to recognize a lease expense under the straight-line method, as permitted by IFRS 16. This expense is presented in “other expenses” in the consolidated statement of profit or loss.

(ii) *Previous financial leases*

The main differences between IFRS 16 and IAS 17 with respect to contracts classified as finance leases is the measurement of the residual value of the guarantees provided by the lessor to the lessee. IFRS 16 requires the Entity to recognize as part of the lease liabilities only the amount expected to be paid under a residual value guarantee, as opposed to the maximum amount of the guarantee required by IAS 17. This change did not generate any material impact on the Entity's consolidated financial statements.

c. *Impact of accounting as lessor*

IFRS 16 does not contain substantial changes in the way a lessor accounts for a lease. Under IFRS 16, a lessor continues to classify leases as finance leases or operating leases and the accounting for these two types of leases is carried out differently.

On the other hand, IFRS 16 changed and expanded the disclosures, in particular those regarding how the lessor manages the risks resulting from the residual interest in leased assets.



Under IFRS 16, an intermediate lessor must account for the main lease and the sublease as two separate contracts. The intermediate lessor should classify the sublease as a finance lease or operating lease in reference to the use rights asset resulting from the main lease (and not in reference to the underlying asset as it was under IAS 17).

d. *Initial financial impact from the adoption of IFRS 16*

The leases that the trust has as a whole through its administrator are low value leases of less than one year, so, the entity applied the exceptions to recognition. For this reason, the adoption of IFRS 16 did not have an impact on net cash flows.

Impact of application of other amendments to IFRS Standards and Interpretations effective for periods beginning on or after January 1, 2019

In the current year, the Entity has applied a number of amendments to IFRS and Interpretations issued by the IASB that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

Amendments to IAS 9 Prepaid features with negative compensation

The Entity adopted the amendments to IFRS 9 for the first time in the current period. The amendments to IFRS 9 clarify that, in order to assess whether a prepayment meets the Solely Payments of Principal and Interest (SPPI), the party exercising the option may pay or receive reasonable compensation for prepayment regardless of reason for prepayment. In other words, financial assets with prepaid characteristics with negative compensation do not necessarily fail the SPPI test.

Amendments to IAS 19, Employee Benefits Plan Amendment or Settlement

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
 - If no, the Entity should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.



The adoption of these Annual Improvements in the Entity's consolidated financial statements did not had a material impact

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, The Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 10 e IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 3	Business Definition
Amendments to IAS 1 and IAS 8,	Materiality definition
Framework	IFRS Standards framework

The management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Entity in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments), Sale or Contribution of Assets between and Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value is recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Entity anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3, Business definition

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided and helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.



The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2020, with early application permitted.

Amendments to IAS 1 and IAS 8, materiality definition of

The amendments intended to define materiality in IAS 1 and make it easier to understand, and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘darken’ material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The definition of materiality in IAS 8 has been replaced by a reference to the definition of materiality in IAS 1. In addition, the IASB amended other Standards and the framework that contain a definition of materiality or refer to the term ‘materiality’ to ensure consistency.

The amendments applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

IFRS Standards framework

Along with the revised framework, which became effective upon publication on March 29, 2018, the IASB has also issued amendments to references to the IFRS Standards framework. The document contains amendments to IFRS 2, 3, 6, 14, IAS 1, 8, 34, 37, 38, IFRIC 12, 19, 20, 22, and SIC-32.

However, not all amendments update those pronouncements regarding to the framework references, so that they refer to the revised framework. Some pronouncements are updated only to indicate which version of the framework is referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the standards have not been updated with the new definitions developed in the revised framework.

The amendments where actually updates and are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

3. Significant accounting policies

The significant accounting policies followed by the Trust are as follows:

- a. ***Statement of compliance***- The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standard Board (IASB).
- b. ***Basis of measurement*** - The consolidated financial statements have been prepared in accordance with the historical cost basis, except for the investment properties that are measured at fair value, as explained in the accounting policies below.
 - i. Historical Cost

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



ii. Fair Value

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, the Entity takes into account the characteristics of the asset or liability if market participants would consider those characteristics 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 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

All the investment properties are category level 3.

- c. **Basis of consolidation** - The consolidated financial statements include the financial statements of the Trust and its subsidiaries Administradora Fibra Danhos, S.C and Fideicomiso Invex 3382 “Parque Tepeyac” in which it exercises control.

It obtains the control when the 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.

The subsidiaries have been consolidated from the date on which control is transferred to the Trust.

Fideicomiso Invex 3382, was consolidated in the fiscal year 2017 in which it was determined that Trust 17416-3 had control over it.

Significant intercompany balances and transaction have been eliminated.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity’s voting rights in an investee are sufficient to give it power, including:



- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are recorded as equity transactions.

The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

- d. ***Financial Instruments*** - Financial assets and financial liabilities are recognized when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability are added to or deducted from the fair value of the financial asset 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 income.



Subsequent measurement of financial instruments depends on the accounting category in which they are classified. See a breakdown of the categories of financial instruments in Note 10 and the accounting treatment for each category in the accounting policies described below:

Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments. Cash is stated at nominal value and cash equivalents are valued at fair value. The Trust considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are primarily represented by money market transactions and promissory notes on which returns are paid upon maturity.

Restricted cash

Restricted cash consists of cash in the custody of the Trust. In this account, the rental income is deposited and once deposited, the Trustee authorizes funding to the concentration account and subaccounts, for the operation of the Trust.

Loans and receivables

Accounts receivable, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are recognized at amortized cost using the effective interest method and are subject to impairment tests.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

The Entity recognizes a provision for expected credit losses in investments in debt instruments which are measured at amortized cost or at fair value through other comprehensive income, lease receivables, others receivable, as well as deposits in guarantee. The amount of expected credit losses is updated on each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Entity recognizes expected credit losses for life for commercial accounts receivable, contractual assets and lease accounts receivable. The expected credit losses on these financial assets are estimated using a provision benchmark based on the Entity's historical experience of credit losses, adjusted for factors, which are debtors specifically, the general economic conditions and an evaluation of both the current management and of the forecast of conditions on the reporting date, including the time value of money when appropriate.

Derecognition of financial assets

The Trust derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when substantially all the risks and rewards of owning the asset are transferred to another entity.

Classification as debt or equity

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



The key feature in determining whether a financial instrument is a liability is the existence of a contractual obligation of the Trust to deliver cash or another financial asset to the holder, or to exchange financial assets or liabilities under conditions that are potentially unfavorable. In contrast, in the case of an equity instrument the right to receive cash in the form of dividends or other distributions is at the Trust's discretion and, therefore, there is no obligation to deliver cash or another financial asset to the holder of the instrument.

Equity instruments

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

When the Trust receives contributions or acquires properties which do not constitute a business, in return for its equity instruments, the transaction is recorded as a payment to third parties (other than employees) payable with share-based equity instruments, which are valued at the fair value of the assets received, except where the value cannot be estimated reliably. The effects on the financial position are recorded in the statements of changes in equity of the trustors as "equity contributions" and do not impact current earnings. The fair value of the properties is estimated as described in Note 7.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss 'FVTPL' or 'other financial liabilities'.

Other financial liabilities, including long-term debt, are initially measured at fair value net of transaction costs. They are valued subsequently at amortized cost using the effective interest method, which is a method of allocating interest expense over the relevant period using the effective interest rate.

Derecognition of financial assets

The Trust derecognizes a financial asset only when the contractual rights to the asset's cash flows are fulfilled, cancelled or expire.

Derivative financial instruments

Financial instruments issued by the Trust, including over-allotment options of trust certificates, meet the definition of equity instruments and are presented as such. Consequently, there are no derivative financial instruments recognized in the Trust's consolidated financial statements.

Embedded derivatives

Embedded derivatives are non-derivative host contracts, which are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. The Trust has determined that it does not hold any embedded derivatives that require bifurcation.

- e. ***Leasing revenues and deferred lease revenue*** - Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and benefits incidental to ownership. All other leases are classified as operating leases. Properties operated under operating leases are classified as investment property in the accompanying consolidated statements of financial position.



Operating lease revenues are booked and are substantially equal to those determined by reducing incentives granted, such as grace periods. They are recognized on a straight line basis over the lease term, except for contingent rents (such as variable revenues), which are recognized when they occur. More than 96% (not audited) of the lease agreements are denominated in Mexican pesos, and the rest in U.S. dollars. The lease term corresponds to the non-cancellable period of the contract, including additional terms for which the lessee has the option to extend, when at lease inception, management has a reasonable certainty that the lessee will exercise the option.

Revenues also include reimbursements of operating expenses, maintenance and publicity, which are recognized in the period in which services are rendered.

Deferred lease revenue - The Trust receives a single nonrefundable payment from its tenants, at the beginning and when signing new leases, which is amortized over the term of the lease. The unearned amount is presented as deferred revenue in the consolidated statements of financial position. The deferred revenue varies on the specifics of the leased premises and the lease term, among other factors.

- f. **Investment properties** - Investment properties are properties held to earn rentals and /or capital gains. Properties that are under construction or development may qualify as investment properties.

Investment properties acquired and related leasehold improvements are initially recorded at acquisition cost, including transaction costs related to the acquisition of assets. Investment property acquired in exchange for equity instruments are initially recorded at fair value, as detailed below.

Subsequent to initial recognition, investment properties are stated at fair value. Fair values are determined by independent appraisals recorded at the following moments:

- (i) At the time a factor that impacts the value of the investment property has been detected, and
- (ii) At least once annually from the acquisition of the property.

Gains and losses in fair value are recorded in the line item "fair value adjustments of investment properties - net" in the statements of profit or loss in the period in which they arise.

Initial direct costs incurred in negotiation of leases are added to the carrying amount of investment properties.

When the Trust operates a property under an operating lease to earn rentals or for capital appreciation, or both, it is classified and accounted for as investment property.

An investment property is derecognized upon its disposal or when the investment property is permanently out of use and no future economic benefits are expected from its disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between consideration received and the carrying value of the investment property) is included in profit or loss in the period in which the property is derecognized.

- g. **Intangible assets** - Intangible assets corresponds to the acquisition of technology platform which have finite useful life, and are acquired separately and recognized at acquisition cost less accumulated amortization. Amortization is recognized based on the straight-line method over its estimated useful life. The estimated useful life and the amortization method are reviewed at the end of each year, and the effect of any change in the estimation recorded is recognized on a prospective basis.
- h. **Furniture, machinery and Equipment**-They are for use in the supply of goods and services leased to third parties or for management purposes, they are presented in the consolidated statement of financial position at their revalued amounts, calculating the fair value at the date of the revaluation, less any accumulated depreciation. Revaluations are carried out frequently enough so that the carrying amount does not defer significantly, from what would have been calculated using fair values at the end of the reporting period.



Furniture and equipment are presented at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is recognized to bring to cost the cost or valuation of assets, less their residual value, over their useful lives using the straight-line method, based on the following:

Machinery	10 % year
Furniture and equipment	10 % year
Christmas Display	25 % to 1

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each reporting period, and the effect of any change in the recorded estimate is recognized on a prospective basis.

i. **Foreign currency** - Foreign currency transactions are recognized at the rates of exchange prevailing at the dates of the related transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognized in the profit or loss.

j. **Income taxes** - As further explained in Note 1, the Trust intends to qualify for FIBRA status under the Mexican Income Tax Law and, accordingly, no provision for income taxes is recognized. The current and deferred tax consequences of a change in tax status are included in profit or loss for the period for the FIBRA's subsidiary, unless they relate to transactions that are recognized directly in equity or in other comprehensive income. The effects of income taxes of the subsidiary shown in the consolidated financial statements belong to the taxes of Administradora Fibra Danhos, S.C. (Subsidiary of the Trust). The (benefit) income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

2. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

k. **Employee retirement benefits, termination benefits and statutory employee profit sharing (PTU)**

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Termination benefits are recognized at the time when it is not possible to remove the indemnification offer and / or the Trust recognizes the related restructuring costs.

PTU and employee benefits are only applicable to Administradora Fibra Danhos, S.C. (subsidiary of the Trust),

Employee profit sharing

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses in the consolidated statements of profit or loss.



PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law.

- l. **Deposits from tenants** - The Trust obtains refundable deposits from tenants, mainly denominated in pesos, as security for the lease payments for a certain period. These deposits are accounted for as a financial liability (see financial instruments accounting policy below) and are initially recognized at fair value. If a significant difference between the fair value and the cost at which the liability was initially recorded arises, it would be considered as an initial rent payment and consequently, it would be amortized over the lease term. The deposit would subsequently be measured at amortized cost. Currently, there are no significant deferred lease payments.
- m. **Provisions** - Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that the Trust will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- n. **Consolidated Statement of cash flows** - The Trust presents its statements of cash flows using the indirect method. Interest received is classified as investing cash flows, while interest paid is classified as financing cash flows. Items which did not require cash, nor form part of the consolidated net income, are not included in this statement, as in the case of capital contributions that are shown in the consolidated statements of changes in trustor's capital, and part of the valuation adjustments described in Note 7.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Trust's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available through 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**

The following are the critical judgments, in addition to those involving estimates (see below), that management has made in the process of applying the Trust's accounting policies and that has a significant effect in the consolidated financial statements.

Lease classification

As explained in Note 3d, leases are classified based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the Trust or the tenant, depending on the substance of the transaction rather than the form of the contracts. The Trust has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and thus accounts for leases as operating leases.

Income taxes

In order to continue to maintain its FIBRA status for Mexican federal income tax purposes, the Trust needs to meet the various requirements, which relate to matters such as the annual distribution of at least 95% of its net taxable income. The Trust applies judgment in determining whether it will continue to qualify under such tax status. The Trust does not recognize current nor deferred income tax.



b. **Key sources of estimation uncertainty**

The following are the key assumptions concerning key sources of estimation uncertainty at the end of the reporting period and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of investment properties

In order to estimate the fair value of the investment properties, management, with the assistance of an independent appraiser, selects the appropriate valuation techniques given the particular circumstances of each property and valuation. Critical assumptions relating to the estimates of fair values of investment properties include the receipt of contractual rents, expected future market rents, renewal rates, and maintenance requirements, discount rates that reflect current market uncertainties, capitalization rates and recent investment property prices. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of investment property may change materially.

The Trust's management considers that the valuation techniques and critical assumptions used are appropriate to determine the fair value of its investment properties.

5. Cash, cash equivalents and restricted cash

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2019	2018	2017
Cash in bank deposits (1)	\$ 208,159,222	\$ 842,736,671	\$ 1,402,699,853
Temporary investments (2)	281,990,526	965,665,157	1,685,428,807
Restricted cash	<u>206,000</u>	<u>206,000</u>	<u>196,000</u>
	<u>\$ 490,355,748</u>	<u>\$ 1,808,607,828</u>	<u>\$ 3,088,324,660</u>

(1) As of December 31, 2019 and 2018, includes \$108,695,350 and \$ 2,681,043 of the Invex 3382 Trust, respectively.

(2) As of December 31, 2019 and 2018, includes \$207,325,753 and \$473,101,839, of the Invex 3382 Trust, respectively.

6. Lease receivables and others receivable

	2019	2018	2017
Receivables from tenants	\$ 345,523,925	\$ 324,383,781	\$ 385,807,131
Straight- line receivables	77,696,306	72,904,843	57,687,961
Other receivables	<u>4,920,460</u>	<u>4,951,969</u>	<u>4,892,674</u>
	<u>\$ 428,140,691</u>	<u>\$ 402,240,593</u>	<u>\$ 448,387,766</u>



a. Lease receivables and credit risk management

At the inception of lease contracts, the Trust requests a refundable deposit from its customers to guarantee timely payment of rents on its commercial property leases, generally denominated in Mexican pesos, consisting in most of the cases, of two months of rent, which is presented under the caption "Deposit from tenants" in the accompanying consolidated statements of financial position. In addition, depending on the characteristics of the commercial property, the Trust may request a non-refundable deposit.

On a combined basis, and considering only the figures for the months of December 2019, 2018 and 2017, the rental revenues of the property "Toreo Parque Central", "Parque Delta", "Parque Tezontle" and "Parque Las Antenas" (the last one only applicable to 2018 and 2019, as indicated in note 1, began operations in 2018) represents 42%, 39% and 37% respectively of the Trust's lease revenue.

In addition, individual properties comprising the combined properties may be individually subject to concentrations of credit risk.

b. Age of receivables that are past due but not impaired

Currently, the Trust holds monthly collection levels equal to its monthly billing period. Business practices and negotiation allow the Trust to maintain its accounts receivable with maturities of no greater than 60 days.

7. Investment properties

As of December 31, the integration of investment properties at fair value is as follows:

<i>Fair Value</i>	2019	2018	2017
Investment properties for lease ⁽¹⁾	\$ 62,580,452,000	\$ 61,210,084,000	\$ 56,673,116,000
Investment properties under construction and capitalized loan costs. ⁽²⁾	<u>1,784,162,588</u>	<u>1,506,065,554</u>	<u>3,698,549,765</u>
Fair value of investment properties	<u>\$ 64,364,614,588</u>	<u>\$ 62,716,149,554</u>	<u>\$ 60,371,665,765</u>

⁽¹⁾ Corresponds to the operating portfolio of Fibra Danhos and as of December 31, 2019, 2018 and 2017, includes the opening of the Hotel in Parque Puebla, Parque Las Antenas and Parque Puebla shopping center, respectively. See note 1.

⁽²⁾ Corresponds to the development Portfolio of Fibra Danhos. As of December 31, 2019, it mainly includes the development of Parque Tepeyac and Toreo Business Center, as of December 31, 2018, Toreo Business Center and the Hotel in Parque Puebla and as of December 31, 2017, Parque las Antenas.

As of December 31, the detail of investment properties at fair value are as follows:

	2019	2018	2017
Balance at the beginning of the year	\$ 62,716,149,554	\$ 60,371,665,765	\$ 55,044,271,556
Investment in Development Portfolio ⁽¹⁾ ^{(2), (3)}	847,678,374	1,375,967,188	2,807,260,166
CBFIs adjustments ⁽⁵⁾	237,720,912	240,768,514	-
Adjustments to the fair value of investment properties ⁽⁴⁾	<u>563,065,748</u>	<u>727,748,087</u>	<u>2,520,134,043</u>
Balances as of December 31	<u>\$ 64,364,614,588</u>	<u>\$ 62,716,149,554</u>	<u>\$ 60,371,665,765</u>



- (1) As of December 31, 2019, additions correspond mainly to:
- Cash payments due to the construction completion in Parque Las Antenas, Parque Vía Vallejo, Parque Puebla, and an increase in the construction work of Toreo Business and Parque Tepeyac, plus capitalization of interests of Parque Tepeyac.
- (2) As of December 31, 2018, additions correspond mainly to:
- Cash payments due to the construction completion in Parque Delta, Toreo (Commercial), Toreo Torre A, Parque Puebla, and the increase in the construction work of the Hotel in Parque Puebla, Parque Tepeyac and Parque Las Antenas plus capitalization of interests of Parque Tepeyac and Parque Las Antenas.
- (3) As of December 31, 2017, additions correspond mainly to:
- Cash payments due to the construction completion in Parque Delta, Toreo (Commercial), Toreo Torre B y C, Toreo Hotel, Torre Virreyes and Parque Vía Vallejo, and the increase in construction work at Toreo Torre A, Parque Puebla and Parque Las Antenas plus capitalization of interests of Parque Puebla, Parque las Antenas and Parque Tepeyac.
- (4) Adjustments at fair value of investment properties at December 31, 2019, 2018 and 2017 were \$563,065,748, \$727,748,087 y \$2,520,134,043, respectively.

All of the Trust's investment properties are held under freehold interests.

The fair value of the investment properties as of December 31, 2019, 2018 and 2017 was determined under the respective dates by independent appraisers not related to the Trust. They are members of the Institute of Appraisers of Mexico, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The appraisal was conducted in accordance with International Valuation Standards and was determined based on market evidence of transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. It first considers whether it can use current prices in an active market for a similar property in the same location and condition, and it is subject to leases and other similar contracts.

However, in most cases, it uses a valuation technique of discounted cash flows given the availability of information. The valuation technique of discounted cash flows requires the projection of periodic cash flows expected in a property in operation or under development. Periodic expected cash flows generally include the incomes considering the occupation and bad debt less operating expenses. These flows are treated with an appropriate discount rate, derived from assumptions made by market participants, to determine the present value of the cash flows associated with the property, which represents, its fair value.

Categorization of fair value measurements at different levels of the fair value hierarchy depends on the degree to which the data entries in the fair value measurements and the importance of inputs to measure fair value are observed.

There were no transfers between Levels 1 and 2 during the year.

All of the Trust's investment properties are held under freehold interests. Valuations of investment properties generally qualify as Level 3 under the fair value hierarchy. No transfers out of Level have occurred for the periods presented in the accompanying consolidated financial statements.



- (5) As mentioned in note 1, on July 5, 2019, in a extraordinary meeting it was approved to record an adjustment to the consideration of the commercial component of Toreo Parque Central and Torre Virreyes, which represent the cancellation of 7,269,854 CBFIs and issuance of 16,412,966 CBFIs, respectively, resulting in a net issue of 9,143,112 CBFIs, which corresponds to \$ 189,016,204 of the cancellation and \$ 426,737,116 of the issuance, respectively.

On September 24, 2018, 52,095,398 CBFIs issued to be used as consideration of Parque Vía Vallejo project were canceled. Consequently, the number of CBFIs issued by Fibra Danhos were 1,466,669,374 CBFIs, which corresponds to \$ 240,768,514 of such cancellation.

8. Investment in subsidiaries

The details of the Trust's consolidated subsidiaries as of December 31 are:

Name of the subsidiary	Main activity	Place and date of establishment	Proportion of ownership interest and voting power		
			2019	2018	2017
Administradora Fibra Danhos, S.C.	Managing services	Mexico City	100%	100%	100%
Trust Invex 3382 "Parque Tepeyac" (1)	Management, construction, operation and administration of shopping center	Mexico City	50%	50%	50%
Trust CIB / 2391 (2)	Management, construction, operation and administration of shopping center	Mexico City	-	29%	29%

- (1) The Entity exercises control based on its contractual right to be in charge of the management, construction, operation and administration of the project.
- (2) In 2019, the Entity stopped participating in Trust CIB /2391.

9. Employee benefits

a. *Defined benefit plans*

The Trust operates defined contribution retirement benefit plans, which consist in one payment of 12 days for each worked year on a basis of the last wage, limited by double minimum wage, that it is established by the Mexican labor law. The net defined benefit liability and the annual expense, are calculated by an independent actuary under the circumstances of a defined benefit plans, were measured using the projected unit credit method.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out as of December 31, 2019, 2018 and 2017 by independent actuaries, which are members of the Institute of Actuaries of Mexico. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.



The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019	2018	2017
	%	%	%
Discount rate	7.40	8.75	7.75
Expected wage increase rate	4.85	4.85	4.85

Movements in the present value of the defined benefit obligation in the current year were as follows:

	2019	2018	2017
Defined benefit obligation at the beginning of the year	\$ 13,259,369	\$ 9,959,699	\$ 8,448,799
Current labor service cost	2,099,033	1,758,347	1,537,498
Components of defined benefit cost recognized in results of operations	-	-	-
Payments during the year	(9,040)	-	-
Actuarial loss (gain)	<u>1,922,744</u>	<u>1,541,323</u>	<u>(26,598)</u>
Total	<u>\$ 17,272,106</u>	<u>\$ 13,259,369</u>	<u>\$ 9,959,699</u>

The current service cost is included in the employee benefits expense in the consolidated statements of profit or loss and other comprehensive income. As a part of the expense for the years 2019, 2018 and 2017, \$2,099,033, \$1,758,347 and \$1,537,498, respectively, has been included in results of operations within administration expenses and \$1,922,744, \$1,541,319 and \$(26,598), respectively has been included in other comprehensive income.

Actuarial (gains) and losses of the net defined benefit liability are included in other comprehensive income.

The amount included in the statements of financial position arising from the obligation of the Trust with respect to its defined benefit plans is as follows:

Significant actuarial assumptions for the determination of the defined obligation are the discount rate, expected salary increase and mortality rates. It is important to mention that a sensibility analyses was not performed, as the value of the defined benefit obligation is not significant.

10. Financial instruments

a. *Capital risk management*

The Trust manages its capital to ensure that the Trust will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balances. The overall strategy of the Trust has not been changed compared to 2018.

The Trust's capital consists of debt and trustors' capital. The trust's objectives in managing capital are to ensure that adequate operating funds are available to maintain consistent and sustainable distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various financial reasons related to equity and distributions to ensure capital adequacy and monitor capital requirements are used.



Financial Instruments categories:

	2019	2018	2017
Financial assets:			
Cash, cash equivalents and restricted cash	\$ 490,355,748	\$ 1,808,607,828	\$ 3,088,324,660
Accounts receivable and other financial assets	428,140,691	402,240,593	448,387,766
Due to related parties	153,246	793,288	5,389,558
Financial liabilities:			
Amortized Cost:			
Trade accounts payable	\$ 67,556,735	\$ 56,230,830	192,928,447
Due to related parties	204,593,443	190,416,516	184,942,223
Interest payable on financial liabilities	220,206,566	217,875,405	218,913,060
Long-term financial liabilities	5,617,169,802	6,462,500,832	6,452,720,449
Deposit from tenants	408,431,794	397,290,015	366,234,292

b. **Financial risk management objective**

The objective of financial risk management is to meet financial expectations, results of operations and cash flows that will enhance the trading price of the CBFIs, to ensure the ability to make distributions to holders of CBFIs and to satisfy any future debt service obligations.

The Trust's Technical Committee function provides services to the business, coordinates access to domestic financial markets and monitors and manages the financial risks relating to the operations of the Trust through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

c. **Market risk management**

The activities of the Trust, expose it primarily to the financial risks of changes in foreign currency, however this effects are not material and are not considered additional disclosures in this regard.

d. **Interest rate risk management**

The following sensitivity analysis is based on the assumption of an unfavorable movement of base points in interest rates, in the amounts indicated, applicable to the category of financial liabilities that controls variable rate. This sensitivity analysis covers all the Trust's debt. The Trust determines its sensitivity by applying the hypothetical interest rate to its outstanding debt.

As of December 31, 2019, a hypothetical, instantaneous and unfavorable change of 100, 50 and 25 basis points in the interest rate applicable to the variable rate financial liability would have resulted in an additional financing expense of approximately \$1,500,001 \$749,999 and \$375,001 respectively. As of December 31, 2019, this hypothetical change was calculated for the disposed debt for the amount of \$150,000,000

e. **Foreign currency risk management**

The Trust enters into transactions where rental revenues and some maintenance services and fees are denominated in U.S. dollars ("dollar"), therefore, is exposed to currency fluctuations between the exchange rate of the Mexican peso and the dollar.



1. The foreign currency financial position is as follows:

	2019	2018	2017
U.S. dollars:			
Financial assets	5,276,189	48,488,702	45,482,349
Financial liabilities	<u>(5,896,388)</u>	<u>(5,922,333)</u>	<u>(8,254,550)</u>
Net financial asset position	<u>(620,199)</u>	<u>42,566,369</u>	<u>37,227,799</u>
Equivalent in Mexican pesos	<u>\$ (11,704,830)</u>	<u>\$ 836,710,095</u>	<u>\$ 734,705,503</u>

- (1) Mainly corresponds to security deposits and prepaid lease.

2. The exchange rates, in pesos, in effect as of the date of the consolidated statements of financial position and the date of issuance of the accompanying consolidated financial statements, are as follows:

	December 31,			
	2019	2018	2017	2019
U.S. dollar	<u>\$ 18.8727</u>	<u>\$ 19.6566</u>	<u>\$ 19.7354</u>	<u>\$ 21.9288</u>

f. **Foreign currency sensitivity analysis**

The Trust entered into transactions denominated in foreign currency, and consequently is exposed to fluctuations in the exchange rate, which are managed within approved policies.

If exchange rates had been one Mexican peso per U.S. dollar higher/lower and all other variables were held constant, the Trust's net income and trusts' capital for the year ended December 31, 2019, 2018 and 2017 would have decreased/increased by \$(620,199), \$42,566,369 and \$37,227,799, respectively.

g. **Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Trust. Substantially all Trust income derives from rental revenues from commercial property. As a result, its performance depends on its ability to collect rent from its tenants and its tenants' ability to make rental payments. Income and funds available for distribution would be negatively affected if a significant number of tenants, or any major tenant fails to make rental payments when due or close their businesses or declare bankruptcy.

As of December 31, 2019, 2018 and 2017, the Trust's 10 largest tenants occupied approximately 41.7%, 38.7% and 41.7%, respectively, of the total leasable area and represented approximately 24.6%, 26.6% y 26.6%, respectively, of base rents attributable to its investment property portfolio. In addition, one tenant as of December 31, 2019, 2018 and 2017 representing approximately 6.9%, 6.2% and 7.2%, respectively, of the leasable area.

The Trust has adopted a policy of only dealing with counterparties with liquidity and obtaining sufficient collateral, where appropriate, which results in mitigating the risk of financial loss from defaults.

Credit risk arises from balances of cash and cash equivalents, accounts receivable and due from related parties and financial instruments. The maximum exposure to credit risk is the balance of each of those accounts as shown in the consolidated statements of financial position.



h. **Liquidity risk management**

Liquidity risk represents the risk that the Trust will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Ultimate responsibility for liquidity risk management rests within the Trust Technical Committee, which has established an appropriate liquidity risk management framework for the management of the Trust's short-, medium- and long-term funding and liquidity management requirements. The Trust manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of forecasted rental cash flows and liabilities. The Treasury department monitors the maturity of liabilities to program payments.

The following tables detail the Trust's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

December 31, de 2019	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable	\$ 67,556,735	\$ -	\$ -	\$ 67,556,735
Due to related parties	204,593,443	-	-	204,593,443
Interest payable of financial liabilities	468,149,586	2,295,733,413	440,922,225	3,204,805,224
Financial liability	-	150,000,000	5,467,169,802	5,617,169,802
Deposit from tenants	-	408,431,794	-	-
	<u>\$ 740,299,764</u>	<u>\$ 2,854,165,207</u>	<u>\$ 5,908,092,027</u>	<u>\$ 9,094,125,204</u>
December 31, de 2018	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable	\$ 56,230,830	\$ -	\$ -	\$ 56,230,830
Due to related parties	190,416,516	-	-	190,416,516
Interest payable of financial liabilities	545,129,446	2,270,412,508	893,394,448	3,708,936,402
Financial liability	1,000,000,000	-	5,462,500,832	6,462,500,832
Deposit from tenants	-	397,290,015	-	397,290,015
	<u>\$ 1,791,776,792</u>	<u>\$ 2,667,702,523</u>	<u>\$ 6,355,895,280</u>	<u>\$10,815,374,595</u>
December 31, 2017	Less than 1 year	1 to 5 years	More than 5 years	Total
Accounts payable	\$ 192,928,447	\$ -	\$ -	\$ 192,928,447
Due to related parties	184,942,223	-	-	184,942,223
Interest payable of financial liabilities	218,913,060	1,892,417,787	1,820,252,783	3,931,583,630
Financial liability	-	994,888,586	5,457,831,863	6,452,720,449
Deposit from tenants	-	366,234,292	-	366,234,292
	<u>\$ 596,783,730</u>	<u>\$ 3,253,540,665</u>	<u>\$ 7,278,084,646</u>	<u>\$11,128,409,041</u>

i. **Fair value of financial instruments**

Fair value of financial instruments carried at amortized cost



The carrying amounts of accounts receivable, accounts payable and other financial assets and liabilities (including due to/from related parties, and prepaid expenses) are of a short-term nature and, excluding liabilities related to advisory services (which is not a significant amount), and in some cases, bear interest at rates tied to market indicators. Accordingly, the Trust believes that their carrying amounts approximate their fair value. Further, deposits from tenants approximate their fair value since the discount rate used to estimate their fair value upon initial recognition has not changed significantly.

December 31, 2019	Fair value	Value in books	Hierarchy and Valuation Technique
Financial liability	\$ <u>5,334,841,905</u>	\$ <u>5,617,169,802</u>	Level 2 - Market value. The fair value of the debt is measured by information that is not observable

j. ***Valuation techniques and assumptions applied for the purposes of measuring fair value***

In estimating the fair value of an asset or a liability, the Trust takes into account the characteristics of the asset or liability market participants would utilize when pricing the asset or liability at the measurement date. The fair value for purposes of measurement and / or disclosure of these consolidated financial statements is determined as such, except for leases that are within the scope of IFRS 16.

Furthermore, financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable inputs in measurements and their importance in determining fair value are included as a whole, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 fair value measurements incorporate inputs that are not based on observable market data.

11. *Accounts payable and accrued expenses*

	2019	2018	2017
Accounts payable	\$ 62,435,390	\$ 44,258,526	\$ 57,833,090
Accrued expenses	<u>5,121,345</u>	<u>11,972,304</u>	<u>135,095,357</u>
	<u>\$ 67,556,735</u>	<u>\$ 56,230,830</u>	<u>\$ 192,928,447</u>

12. *Long-term financial liability*

- a. During 2017 and 2016 the Trust completed the placement of CEBURES for \$2,500 and \$4,000 million pesos. The CEBURES do not have any specific guarantee. The long-term financial liability is as follows:



Not guaranteed, with amortized cost Payable in Mexican pesos	2019	2018	2017
On December 21, 2015, the Entity signed off a credit agreement with BBVA Bancomer, SA, and modified on September 25, 2019, for \$2,000,000,000, of which, the Trust disposed \$150,000,000 with maturity per month on December 2022, accruing interest at an annual base rate of TIEE plus 135 basis points.	\$ 150,000,000	\$ -	\$ -
3.5-year line of credit of Certificados Bursatiles Fiduciarios with a floating rate which was placed with a 28-day TIEE coupon plus 65 basis points. (9.03% (average) as of December 31, 2019)	-	1,000,000,000	1,000,000,000
10 year line of credit of Certificados Bursatiles Fiduciarios in nominal fixed rate, the coupon was placed with the 7.80%.	3,000,000,000	3,000,000,000	3,000,000,000
Disposal of a nominal fixed-rate Fiduciary Stock Certificates credit line with a maturity of 10 years, which was placed with an 8.54% coupon..	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>
	5,500,000,000	6,500,000,000	6,500,000,000
Short-term financial liabilities		(1,000,000,000)	
Expenses of issuance of financial liabilities corresponding to CEBURES	<u>(32,830,198)</u>	<u>(37,499,168)</u>	<u>(47,279,551)</u>
	<u>\$ 5,617,169,802</u>	<u>\$ 5,462,500,832</u>	<u>\$ 6,452,720,449</u>

- b. Long-term loans include certain restrictive clauses that limit the Bank to its level of indebtedness, guaranteed debt, hedges, and total non-taxable assets. For the year ended as of December 31, 2019, these restrictions were met.
- c. As of December 31, 2019 and 2018, the company amortized the amount of \$7,122,451 and \$7,122,451, respectively of issuance expenses.
- d. On December 23, 2019, the payment of the Danhos 16-2 bond for \$ 1,000,000 was made.



13. Transactions and balances with related parties

Transactions with related parties were as follows:

	2019	2018	2017
Advisory fees (1)	<u>\$ 633,639,389</u>	<u>\$ 609,094,198</u>	<u>\$ 552,475,415</u>
Representation fees (2)	<u>\$ 108,707,379</u>	<u>\$ 100,285,549</u>	<u>\$ 84,697,987</u>

- (1) Based on the consulting services agreement celebrated on October 8, 2013 and modified on 2015, the Trust pays the amount equivalent to 0.75% of the initial contribution value of property; this percentage will increase to 1% in 2018 with an increase in a linear base of .0625% each year. In addition, the Trust pays 1% on the value of property acquired after the initial contribution. Payment is made through CBFIs, or in cash, if the Consultant so requests to cover their taxes.
- (2) The Trust pays a monthly fee in an amount equal to 2.0% of the lease payments received, plus any applicable value-added taxes in exchange for representation services.

Balances receivables and payables with related parties are as follows:

	2019	2018	2017
Receivables:			
Constructora El Toreo, S.A de C.V	\$ -	\$ -	\$ 3,202,432
Banco Invex, S.A. Fideicomiso 1629	153,246	-	1,298,597
Construcciones de Inmuebles Premier GD, S.A. de C.V.	-	749,404	462,411
Eduardo Zaga y Copropietarios.	-	43,884	-
Ad Space & Comm Skills, S.C.	<u>-</u>	<u>-</u>	<u>426,118</u>
	<u>\$ 153,246</u>	<u>\$ 793,288</u>	<u>\$ 5,389,558</u>

	2019	2018	2017
Payables:			
DSD2, S.C.	\$ 10,408,431	\$ 178,141,025	\$ 9,174,244
DSD1, S.C.	192,025,948	10,847,708	174,997,817
Constructora El Toreo, S.A. de C.V.	1,497,203	1,415,242	750,020
Ad Space & Comm Skills, S.C.	<u>661,861</u>	<u>12,541</u>	<u>20,142</u>
	<u>\$ 204,593,443</u>	<u>\$ 190,416,516</u>	<u>\$ 184,942,223</u>

14. Trustors' capital

Contributions

- a. Capital contributions of trustors at par value is as follows:

Trustors' capital as of December 31, 2019	Trustors' capital as of December 31, 2018	Trustors' capital as of December 31, 2017
<u>\$ 41,871,466,618</u>	<u>\$ 42,383,005,320</u>	<u>\$ 43,610,750,525</u>



- b. In Technical Committee sessions held during 2019, 2018 and 2017, it was decided to carry out capital reimbursements and distribution of dividends to CBFIs' holders. The detail is as follows:

2019				
Date of the Technical Committee	Approved capital reimbursements	Approved dividend distribution	Total distribution to holders of CBFIs	Distribution per economic certificate
21-february-2019	\$ 159,516,751	\$ 693,986,366	\$ 853,503,117	0.61
25-april-2019	383,303,312	473,817,032	857,120,343	0.61
25-july-2019	442,410,267	417,361,636	859,771,902	0.61
24-october-2019	<u>342,137,460</u>	<u>537,492,068</u>	<u>879,629,529</u>	0.62
Total	<u>\$1,327,367,790</u>	<u>\$2,122,657,102</u>	<u>\$3,450,024,891</u>	
2018				
Date of the Technical Committee	Approved capital reimbursements	Approved dividend distribution	Total distribution to holders of CBFIs	Distribution per economic certificate
22-february-2019	\$ 249,640,359	\$ 544,880,410	\$ 794,520,769	0.58
26-april-2019	402,553,821	394,792,814	797,346,635	0.58
26-july-2019	417,903,405	409,637,941	827,541,346	0.60
25-october-2019	<u>496,940,342</u>	<u>347,198,022</u>	<u>844,138,364</u>	0.61
Total	<u>\$1,567,037,927</u>	<u>\$1,696,509,187</u>	<u>\$3,263,547,114</u>	
2017				
Date of the Technical Committee	Approved capital reimbursements	Approved dividend distribution	Total distribution to holders of CBFIs	Distribution per economic certificate
21-february-2018	\$ 277,460,684	\$ 400,024,814	\$ 677,485,498	0.54
27-april-2018	315,644,600	399,426,704	715,071,304	0.56
25-july-2018	499,684,204	243,507,823	743,192,027	0.57
26-october-2018	<u>391,265,452</u>	<u>371,372,935</u>	<u>762,638,387</u>	0.57
Total	<u>\$1,484,054,940</u>	<u>\$1,414,332,276</u>	<u>\$2,898,387,216</u>	

- c. As of December 31, 2019, 2018 and 2017 there were 1,560,862,486, 1,466,669,374 and 1,518,746,772 CBFIs in circulation, respectively, which are distributed as follows:

CBFI's								
With economic rights			Outstanding CBFIs			CBFI's issued		
2019	2018	2017	2019	2018	2017	2019	2018	2017
1,427,844,547	1,399,185,438	1,369,863,396	1,468,807,093	1,437,570,053	1,419,711,706	1,560,862,486	1,466,669,374	1,518,764,772

- d. The basic net income per CBFI was calculated by dividing the net income of the period by the weighted average of CBFI with economic right and the diluted net income of CBFI considers the diluted events as if it had occurred after the issuance of the CBFIs with these characteristics. As of December 31, 2019, 2018 and 2017, the basic net income per CBFI amounted to \$2.8219, \$2.7221 and \$3.6590, respectively, and net income per diluted CBFI amounts to a \$2.7647, \$2.5854 and \$3.4016, respectively.



15. Income taxes

In order to maintain its FIBRA status, the SAT has established, per articles 187 and 188 of the Mexican Income Tax Law, that the Trust must annually distribute at least 95% of its taxable income to the holders of its CBFIs. The details of the distributions made in 2019 was disclosed in Note 14 b.

Moreover, Administradora Fibra Danhos, S.C., the Subsidiary is taxpayer and subject to income tax (ISR), which are recorded in the income statements in the year as incurred. The deferred tax effect is not material, therefore, no additional disclosures are included.

16. Future leases

The annualized amount of minimum future rentals to be received under existing contracts at December 31, 2019, with remaining terms ranging from one to six years, is as follows:

Year	Commercial	Offices	Total
2020	\$ 2,287,150,795	\$ 1,224,758,237	\$ 3,511,909,032
2021	1,748,284,453	918,067,742	2,666,352,195
2022	1,332,857,270	750,307,300	2,083,164,570
2023	870,402,903	451,468,884	1,321,871,787
2024	634,886,518	300,930,042	935,816,560
2025 and subsequent years	<u>2,863,545,065</u>	<u>154,479,983</u>	<u>3,018,025,048</u>
	<u>\$ 9,737,127,004</u>	<u>\$ 3,800,012,188</u>	<u>\$ 13,537,139,192</u>

The above summary does not consider any adjustments to the amounts of future rent with respect to contingent rental payments, as may be established in the lease contract, and in most cases corresponds to the effects of inflation. In addition, it is not considered any income variable character or renewal periods, but only the mandatory terms for tenants, in accordance with the aforementioned concept of minimum future rents.

By comments from the management of the properties, according to the history and behavior of the leases are renewed at the end of their respective lease periods, as a result of the high demand and attractiveness of the Properties and their locations. The average occupancy rate at the issuance date of these consolidated financial statements is 92.2% (unaudited).

17. Events after the closing

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

The economic impacts and consequences for client's operations are uncertain and will depend on the evolution and spread of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic agents impacted.

Therefore, at the date of these financial statements, we consider that it is premature to carry out an evaluation or quantification of the possible impacts that this effect will have on the Entity, due to the uncertainty about its consequences, in the short, medium and long term in the industry in which the Entity operates, additionally, the entity is evaluating possible impacts on (i) an increase in the accounts receivable aging from tenants (ii) a decrease in income, mainly in variable lease income that, due to its nature which comes from a factor in the lessee's monthly income (iii) fluctuations in the financial reference indicators such as interest rate and exchange rate that could affect the inputs for the recognition of the fair value of certain assets.



18. Authorization to issue the consolidated financial statements

On March 17, 2020, the issuance of the consolidated financial statements was authorized by C.P. Blanca Canela, Executive Director of Administration. These consolidated financial statements are subject to the approval at the Ordinary General Meeting of Holders of CBFIs which may amend to the consolidated financial statements based on provisions set forth in the Mexican General Corporate Law.

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