



Fideicomiso Irrevocable 1721 Banco  
Actinver, S.A., Institución de Banca Múltiple,  
Grupo Financiero Actinver, División Fiduciaria.  
(formely Fideicomiso Irrevocable F/1721 Deutsche Bank  
México, S. A., Institución de Banca Múltiple, División  
Fiduciaria)

Financial Statements as of December  
31, 2017 and 2016 and for the years  
then ended

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# Independent auditors' report

## To the Technical Committee and Trustors

*FIBRA Prologis Fideicomiso Irrevocable 1721*

*Banco Actinver, S. A. Institución de Banca Múltiple, Grupo Financiero Actinver, División Fiduciaria (formerly Fideicomiso Irrevocable 1721 Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria).*

*(Thousands of Mexican pesos)*

### Opinion

We have audited the financial statements of FIBRA Prologis Fideicomiso Irrevocable 1721 Banco Actinver, S. A., Institución de Banca Múltiple, Grupo Financiero Actinver, División Fiduciaria ("the Trust"), which comprise the statements of financial position as at December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FIBRA Prologis Fideicomiso Irrevocable 1721 Banco Actinver, S. A., Institución de Banca Múltiple, Grupo Financiero Actinver, División Fiduciaria as at December 31, 2017 and 2016, and of its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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



Investment Properties (\$43,932,382)	
See Note 12 to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>As of December 31, 2017, investment properties represent 98% of total assets in the statement of financial position, which includes investment on industrial buildings.</p> <p>Investment properties are stated at fair value based on valuations of external appraisers.</p> <p>The valuation process is considered a key audit matter because it involves significant amount of judgment in determining both the appropriate methodology used and the estimation the assumptions applied.</p> <p>Valuations are highly sensitive to changes in the key assumptions applied, particularly those related to capitalization and discount rates used.</p>	<p>As part of our auditing procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the investment properties and Trustees plans and we have assessed the controls relating to the valuation process, which includes the involvement of external appraisers.</li> <li>• We have evaluated the capacity and competence of external appraisers. We also read the terms of the agreement entered into between external appraisers and the Trust to determine if there are issues that could have affected the objectivity or limit on the scope of their work.</li> <li>• Through analytical procedures, we have evaluated the reasonableness of significant changes in the market values determined by external appraisers, as well as the capitalization and discount rates used.</li> <li>• Through the involvement of our specialists, we evaluated the valuation methodology used, and selectively, the reasonableness of the projected cash flow data, the values determined by the external appraiser and the capitalization and discount rates used, taking into consideration comparability and market factors applicable to real estate.</li> <li>• We have evaluated the disclosures in the notes to the financial statements, which include those related to key assumptions that have a high degree of sensitivity in valuations.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Trust's 2017 Annual Report to be filed with the National Banking and Securities Commission (CNBV) and the Mexican Stock Exchange, ("the Annual Report"), but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be available to us after the date of this auditors' report.

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



In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to report that fact.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related 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.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG Cardenas Dosal, S.C.

Jose Angel Chairez Garza  
Mexico City  
February 16, 2018.

## Statements of financial position

As of December 31, 2017 and 2016

in thousands Mexican Pesos	Note	December 31, 2017	December 31, 2016
<b>Assets</b>			
Current assets:			
Cash	3g	\$ 371,364	\$ 370,909
Trade receivables	9	44,220	50,457
Value added tax and other receivables	10	73,553	141,348
Prepaid expenses	11	1,600	2,965
		490,737	565,679
Non-current assets:			
Investment properties	12	43,932,382	45,064,110
Interest rate swaps	19	84,319	42,492
Other assets	3k	45,240	43,753
		44,061,941	45,150,355
<b>Total assets</b>		<b>\$ 44,552,678</b>	<b>\$ 45,716,034</b>
<b>Liabilities and equity</b>			
Current liabilities:			
Trade payables		\$ 112,875	\$ 54,904
Due to affiliates	18	98,895	110,111
Current portion of long term debt	13	21,847	4,556,722
		233,617	4,721,737
Non-current liabilities:			
Long term debt	13	14,893,139	10,634,498
Security deposits		291,840	294,174
		15,184,979	10,928,672
Total liabilities		15,418,596	15,650,409
Equity:			
CBFI holders capital	14	13,746,963	14,313,287
Other equity accounts		15,387,119	15,752,338
Total equity		29,134,082	30,065,625
<b>Total liabilities and equity</b>		<b>\$ 44,552,678</b>	<b>\$ 45,716,034</b>

The accompanying notes are an integral part of these financial statements.

## Statements of comprehensive income

For the years ended December 31, 2017 and 2016

in thousands Mexican Pesos, except per CBF1 amounts		Note	For the years ended December 31,	
			2017	2016
<b>Revenues:</b>				
Lease rental income	3d	\$	3,125,381	\$ 2,882,093
Rental recoveries	3d		310,430	296,744
Other property income	3d		67,567	60,517
			3,503,378	3,239,354
<b>Costs and expenses:</b>				
Property operating expenses:				
Operating and maintenance			189,221	176,650
Utilities			46,742	38,585
Property management fees	18		103,715	98,950
Real estate taxes			69,327	57,713
Non-recoverable operating			51,837	48,052
			460,842	419,950
<b>Gross profit</b>			<b>3,042,536</b>	<b>2,819,404</b>
<b>Other expenses (income):</b>				
Loss (gain) on valuation of investment properties	12		284,352	(6,141)
Gain on disposition of investment properties			-	(5,197)
Asset management fees	18		306,980	294,170
Incentive fee	18		139,162	-
Professional fees			98,085	36,691
Interest expense			627,112	627,656
Amortization of debt premium			(71,103)	(145,222)
Amortization of deferred financing cost			37,353	29,327
Net (gain) loss on early extinguishment of debt			(35,941)	57,105
Unused credit facility fee			24,685	42,547
Realized loss on exchange rate forwards	19		21,255	-
Exchange loss, net			24,299	34,981
Other general and administrative expenses			18,336	14,948
			1,474,575	980,865
<b>Net income</b>			<b>1,567,961</b>	<b>1,838,539</b>
<b>Other comprehensive income:</b>				
<i>Items that are not reclassified subsequently to profit or loss:</i>				
Translation loss (gain) from functional currency to reporting currency			1,273,795	(4,691,081)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Unrealized gain on interest rate swaps	19		(42,047)	(42,492)
			1,231,748	(4,733,573)
<b>Total comprehensive gain income for the period</b>			<b>\$ 336,213</b>	<b>\$ 6,572,112</b>
<b>Earnings per CBF1</b>			<b>8 \$ 2.46</b>	<b>\$ 2.90</b>

The accompanying notes are an integral part of these financial statements.



## Statements of changes in equity

For the years ended December 31, 2017 and 2016

in thousands Mexican Pesos	CBFI holders capital	Other equity accounts	Retained earnings	Total
Balance as of January 1, 2016	\$ 15,532,302	\$ 5,872,146	\$ 3,375,368	\$ 24,779,816
Return of equity	(1,219,015)	-	-	(1,219,015)
Dividends	-	-	(67,288)	(67,288)
Comprehensive income:				
Translation gain from functional currency to reporting currency	-	4,691,081	-	4,691,081
Unrealized gain on interest rate swap	-	42,492	-	42,492
Net income	-	-	1,838,539	1,838,539
Total comprehensive income	-	4,733,573	1,838,539	6,572,112
<b>Balance as of December 31, 2016</b>	<b>\$ 14,313,287</b>	<b>\$ 10,605,719</b>	<b>\$ 5,146,619</b>	<b>\$ 30,065,625</b>
Return of equity	(705,486)	-	-	(705,486)
Dividends	-	-	(701,432)	(701,432)
CBFIs issued	139,162	-	-	139,162
Comprehensive income:				
Translation loss from functional currency to reporting currency	-	(1,273,795)	-	(1,273,795)
Unrealized gain on interest rate swaps	-	42,047	-	42,047
Net income	-	-	1,567,961	1,567,961
Total comprehensive (loss) income	-	(1,231,748)	1,567,961	336,213
<b>Balance as of December 31, 2017</b>	<b>\$ 13,746,963</b>	<b>\$ 9,373,971</b>	<b>\$ 6,013,148</b>	<b>\$ 29,134,082</b>

The accompanying notes are an integral part of these financial statements.

## Statements of cash flows

For the years ended December 31, 2017 and 2016

in thousands Mexican Pesos	For the year ended December 31,	
	2017	2016
<b>Operating activities:</b>		
Net income	\$ 1,567,961	\$ 1,838,539
<i>Adjustments for:</i>		
Loss (gain) on valuation of investment properties	284,352	(6,141)
Incentive fee	139,162	-
Gain on disposition of investment properties	-	(5,197)
Allowance for uncollectible trade receivables	29,198	27,391
Interest expense	627,112	627,656
Net (gain) loss on early extinguishment of debt	(35,941)	57,105
Amortization of deferred financing cost	37,353	29,327
Realized loss on exchange rate forwards	21,255	-
Unrealized exchange loss	26,544	41,064
Amortization of debt premium	(71,103)	(145,222)
Rent leveling	(45,273)	(65,223)
<i>Change in:</i>		
Trade receivables	(22,961)	(36,034)
Value added tax and other receivables	67,795	35,566
Prepaid expenses	1,365	47,797
Other assets	(1,487)	(9,313)
Trade payables	36,716	(9,225)
Due to affiliates	(11,216)	96,095
Security deposits	(2,334)	60,788
Net cash flow provided by operating activities	2,648,498	2,584,973
<b>Investing activities:</b>		
Funds for acquisition of investment properties	(558,738)	(2,214,825)
Funds for development of investment properties	-	(9,739)
Capital expenditures on investment properties	(421,199)	(394,960)
Proceeds from disposition of investment properties	-	31,360
Net cash flow used in investing activities	(979,937)	(2,588,164)
<b>Financing activities:</b>		
Return of equity	(705,486)	(1,219,015)
Dividends paid	(701,432)	(67,288)
Long term debt borrowings	7,719,363	2,164,884
Long term debt payments	(7,239,119)	(504,047)
Interest paid	(599,860)	(655,860)
Cash used for early extinguishment of debt	(2,684)	(94,561)
Net cash flow used in financing activities	(1,529,218)	(375,887)
Net increase (decrease) in cash	139,343	(379,078)
Effect of foreign currency exchange rate changes on cash	(138,888)	28,780
Cash at beginning of the period	370,909	721,207
<b>Cash at the end of the period</b>	<b>\$ 371,364</b>	<b>\$ 370,909</b>
<b>Non-cash transactions:</b>		
<b>CBFIs issued</b>	<b>\$ 139,162</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

## Notes to financial statements

As of December 31, 2017 and 2016 and for the years then ended  
 In thousands of Mexican Pesos, except per CBF

### 1. Main activity, structure, and significant events

**Main activity** – FIBRA Prologis (“FIBRAPL”), is a trust formed according to the Irrevocable Trust Agreement No. F/1721 dated August 13, 2013 (“Date of Inception”). Such agreement was signed between Prologis Property México, S. A. de C. V. as Trustor and Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria as Trustee. On December 14, 2017, FIBRAPL completed a trustee substitution from Deutsche Bank México, S.A., Institución de Banca Múltiple to Banco Actinver, S.A., Institución de Banca Múltiple as approved by its Technical Committee and certificate holders in September 2017.

FIBRAPL is a Mexican real estate investment trust authorized by Mexican law (Fideicomiso de Inversión en Bienes Raíces, or FIBRA, as per its name in Spanish) with its address on Avenida Prolongación Paseo de la Reforma No. 1236, Piso 9, Desarrollo Santa Fe, Cuajimalpa de Morelos, C.P. 05348. The primary purpose of FIBRAPL is the acquisition or construction of industrial real estate in Mexico generally with the purpose of leasing such real estate to third parties under long-term operating leases.

The term of FIBRAPL is indefinite in accordance with the Trust Agreement. FIBRAPL does not have employees; accordingly, it does not have labor obligations. All administrative services are provided by the manager, Prologis Property México, S. A. de C. V., a wholly owned subsidiary of Prologis, Inc. (“Prologis”).

**Structure** – FIBRAPL’s parties are:

<b>Trustor:</b>	Prologis Property México, S. A. de C. V.
<b>First beneficiaries:</b>	Certificate holders.
<b>Trustee:</b>	Banco Actinver, S.A., Institución de Banca Múltiple, Grupo Financiero Actinver, División Fiduciaria (Effective December 14, 2017) Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria (From August 13, 2013 to December 14, 2017)
<b>Common representative:</b>	Monex Casa de Bolsa, S. A. de C. V., Monex Grupo Financiero
<b>Manager:</b>	Prologis Property México, S. A. de C. V.

According to the Mexican Credit Institutions Law, a trust must name a technical committee under the rules set forth in its trust agreement. In this regard, prior to its initial public offering, FIBRAPL named its technical committee (the “Technical Committee”), which, among other things: (i) oversees compliance with guidelines, policies, internal controls and audit practices, reviews and approves auditing and reporting obligations of FIBRAPL, (ii) makes certain decisions relating to governance,

particularly in the event of a potential conflict with managers or its affiliates, and (iii) monitors the establishment of internal controls and mechanism to verify that each incurrence of indebtedness by FIBRAPL is compliant with applicable rules and regulations of the Mexican Stock Exchange. The Technical Committee currently has seven members, a majority of whom are independent.

### Significant events

#### i) Acquisitions and disposition:

in millions except per lease area	Date	Market	Lease area square feet	Consideration including closing cost	
				Mexican pesos	U. S. dollars
<b>Acquisitions:</b>					
El Puente Industrial	December 15, 2017	Reynosa	290,096	\$ 366.4	\$ 19.1
Toluca	November 30, 2017	Mexico	143,440	194.2	10.4
<b>Total acquisitions</b>				<b>\$ 560.6</b>	<b>\$ 29.5</b>

#### ii) Long term debt transactions:

in millions	Date	Denomination	Interest rate (*)	Mexican pesos	U. S. dollars
<b>Borrowings:</b>					
Citibank, NA Credit facility (Unsecured)	November 27, 2017	U. S. dollars	LIBOR +250bps	\$ 429.4	\$ 23.0
Citibank, NA Credit facility (Unsecured)	October 30, 2017	U. S. dollars	LIBOR +250bps	130.9	7.0
Citibank, NA Credit facility (Unsecured)	July 31, 2017	U. S. dollars	LIBOR +250bps	887.2	50.0
Citibank (Unsecured)	July 18, 2017	U. S. dollars	LIBOR +245bps	2,637.9	150.0
Citibank, NA Credit facility (Unsecured)	June 2, 2017	U. S. dollars	LIBOR +250bps	1,947.0	105.0
Citibank, NA Credit facility (Unsecured)	May 2, 2017	U. S. dollars	LIBOR +250bps	303.4	16.0
Citibank, NA Credit facility (Unsecured)	April 6, 2017	U. S. dollars	LIBOR +250bps	1,118.2	60.0
Citibank, NA Credit facility (Unsecured)	February 10, 2017	U. S. dollars	LIBOR +250bps	265.4	13.0
<b>Total borrowings</b>				<b>\$ 7,719.4</b>	<b>\$ 424.0</b>

in millions	Date	Denomination	Interest rate (*)	Mexican pesos	U. S. dollars
<b>Payments:</b>					
Citibank, NA Credit facility (Unsecured)	September 18, 2017	U. S. dollars	LIBOR +250bps	\$ 176.9	\$ 10.0
Metropolitan Life Insurance Co.	August 4, 2017	U. S. dollars	6.9%	670.2	37.5
Citibank, NA Credit facility (Unsecured)	July 18, 2017	U. S. dollars	LIBOR +250bps	2,647.7	150.0
Metropolitan Life Insurance Co.	June 5, 2017	U. S. dollars	6.9%	2,094.8	112.5
Citibank, NA Credit facility (Unsecured)	May 2, 2017	U. S. dollars	LIBOR +250bps	121.4	6.5
Citibank, NA Credit facility (Unsecured)	April 17, 2017	Mexican pesos	TIE +220bps	50.0	2.7
Blackstone	April 7, 2017	U. S. dollars	7.9%	1,203.1	64.1
Citibank, NA Credit facility (Unsecured)	March 17, 2017	Mexican pesos	TIE +220bps	125.0	6.5
Citibank, NA Credit facility (Unsecured)	January 15, 2017	Mexican pesos	TIE +220bps	150.0	6.8
<b>Total payments</b>				<b>\$ 7,239.1</b>	<b>\$ 396.6</b>

\* LIBOR (London Interbank Offered Rate)  
\* TIE (Interbank Balance Interest Rate, from its name in Spanish)

iii) *Distributions:*

in millions	Date	Mexican pesos	U. S. dollars	Mexican pesos per CBFi	U. S. dollars per CBFi
<b>Distributions:</b>					
Dividends	October 24, 2017	366.1	19.1	0.7508	0.0419
Dividends	August 1, 2017	335.3	18.9	0.5800	0.0303
Return of equity	April 26, 2017	343.3	18.3	0.5410	0.0288
Return of equity	February 2, 2017	362.2	17.7	0.5709	0.0275
<b>Total distributions</b>		<b>\$ 1,406.9</b>	<b>\$ 74.0</b>		

iv) *CBFIs issuance*

FIBRAPL is obligated to pay an incentive fee equal to 10% of cumulative total CBFi holder returns in excess of an annual compounded expected return of 9%, which is measured annually. For the period from June 6, 2016 to June 2, 2017, FIBRAPL generated an Incentive Fee of \$139.2 million Mexican pesos (\$7.5 million U.S. dollars) due to the Manager, based on the performance of the CBFIs. As part of the Ordinary Holders Meeting on June 26, 2017, the Manager was approved to receive the Incentive Fee through issuance of 4,383,025 CBFIs. The CBFIs issued to the Manager are subject to a six-month restriction period as established under the Management Agreement. The CBFIs were issued on October 10, 2017. See note 14.

## 2. Basis of presentation

- a. **Financial reporting** - The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRS or IAS) as issued by the International Accounting Standards Board (IASB), as of December 31, 2017.
- b. **Functional currency and reporting currency** – The accompanying financial statements are presented in thousands of Mexican pesos, the local currency in Mexico, unless otherwise indicated. FIBRAPL’s functional currency is the U.S. dollar.
- c. **Critical accounting judgments and estimates** - The preparation of the financial statements requires the use of certain critical accounting estimates and management to exercise its judgment in the process of applying FIBRAPL’s accounting policies. The notes to the financial statements discuss areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements.

Estimates and judgments are continually evaluated and are based on management experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial statements are reasonable. Actual results in the future may differ from those reported and therefore it is possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from our assumptions and estimates and could result in an adjustment to the carrying amounts of the assets and

liabilities previously reported. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

#### **i. Investment property**

FIBRAPL accounts for the value of its investment property using the fair value model under IAS 40. The definition of fair value has been defined by the International Valuation Standards Council ("IVSC") as, *"The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms-length transaction."* The IVSC considers that the requirements of the fair value model are met by the valuer adopting market value. Fair value is not intended to represent the liquidation value of the property, which would be dependent upon the price negotiated at the time of sale less any associated selling costs. The fair value is largely based on estimates using property valuation techniques and other valuation methods as outlined below. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

At each valuation date, management reviews the latest independent valuations by verifying the significant inputs of the valuation and by holding discussions with independent appraisers to ensure that all pertinent information has been accurately and fairly reflected.

Valuations are predominately estimated using an income capitalization approach, utilizing comparable recent market transactions at arm's length terms. In Mexico, Discounted Cash Flow ("DCF") is the primary basis of assessment of value; which is the methodology FIBRAPL adopted.

Valuations are based on various assumptions such as tenure, leasing, town planning by management, the condition and repair of buildings and sites, including ground and groundwater contamination, as well as the best estimates of Net Operating Income ("NOI"), reversionary rents, leasing periods, purchasers' costs, etc.

#### **ii. Fair value financial liabilities**

The fair value of interest bearing debt is estimated for disclosure purposes by calculating, for each individual loan, the present value of future anticipated cash payments of interest and principal over the remaining term of the loan using an appropriate discount rate. The discount rate represents an estimate of the market interest rate for debt of a similar type and risk to the debt being valued, and with a similar term to maturity. These estimates of market interest rates are made by FIBRAPL management based on market data from mortgage brokers, conversations with lenders and from mortgage industry publications.

### iii. Operating lease contracts

FIBRAPL enters into commercial property leases on its investment properties. It has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

### iv. Method of acquisition accounting

Significant judgment is required to determine, in an acquisition of shares or assets of a company holding real-estate assets, if it qualifies as a business combination. Management makes this determination based on whether it has acquired an 'integrated set of activities and assets' as defined in IFRS 3, such as employees, service provider agreements and major input and output processes, as well as the number and nature of active lease agreements.

Acquisitions of properties made during the years ended December 31, 2017 and 2016 by FIBRAPL were accounted for as acquisitions of assets and not as business combinations.

- d. **Going concern basis of accounting** – FIBRAPL financial statements as of December 31, 2017 and 2016 and for the years then ended have been prepared on a going concern basis, which assumes that FIBRAPL will be able to meet the mandatory repayment terms of the banking facilities disclosed in note 13. For the years ended December 31, 2017 and 2016, FIBRAPL recognized a net profit of \$1,567,961 and \$1,838,539, respectively, and it generated positive operating cash flows of \$2,648,498 and \$2,584,973, respectively. As of December 31, 2017, FIBRAPL's current assets exceed current liabilities, FIBRAPL currently holds a borrowing capacity of \$3,331,000 under its undrawn credit facility and has an unrestricted cash balance of \$371,634. Management has a reasonable expectation that FIBRAPL has adequate resources to continue as a going concern and has the ability to realize its assets at their recognized values and to extinguish or refinance its liabilities in the normal course of business.

## 3. Summary of significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set forth below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### a. New standards, amendments and interpretations that are required for annual periods beginning after January 1, 2017.

A new standard, modifications to standards and interpretations are applicable to annual periods beginning after the 1st. January 2017, and have been applied in the preparation of these financial statements are the following:

### **Disclosure Initiative (Amendments to IAS 7)**

The amendments require disclosures that allow users of the financial statements to evaluate changes in liabilities derived from financing activities, including changes derived from cash flow and changes that do not affect cash.

In addition to the disclosure in note 13, the application of these amendments has not had an impact on the financial statements of FIBRAPL.

#### **b. Segment reporting**

Operating segments are identified based on FIBRAPL reports reviewed by senior management, identified as the chief operating decision maker, for the purpose of allocating resources to each segment and to assess its performance. Accordingly, information reported to senior management is focused on the location of the respective properties, comprising six reportable segments as disclosed in note 7.

#### **c. Foreign currency translation**

The financial statements of FIBRAPL are prepared in U.S. dollars, the currency of the primary economic environment in which it operates, and then translated into Mexican peso. For purposes of these financial statements, the results and financial position are reported in Mexican Pesos, which is the reporting currency of the financial statements, while the functional currency of FIBRAPL is the U.S. dollar.

In preparing the financial information of FIBRAPL, in its functional currency, transactions in currencies other than U.S. dollars are recognized at the rates of exchange prevailing at the date of the transaction. Equity items are valued at historical exchange rates. At the end of each reporting period, monetary items denominated in Mexican pesos are retranslated into U.S. dollars at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in Mexican pesos are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange rate differences on monetary items are recognized in profit or loss in the period in which they arise.

For purposes of presenting these financial statements, the assets and liabilities are translated into Mexican pesos using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the historical rates as of the date of the transaction. Exchange rate differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

#### **d. Revenue recognition**

Revenue is measured at the fair value of the consideration received or amount classified as a receivable.

Rental income represents rents charged to customers and is recognized on a straight-line basis taking into account any rent-free periods and other lease incentives, over the lease period to



the first break option (“rent leveling”). The rent leveling asset is included in investment property, which is valued as described in note 3l.

**e. Property related payments**

Repairs and maintenance costs are recorded as expenses when incurred. These repairs and maintenance costs consist of those expenses that are non-recoverable from tenants under the relevant lease agreements.

**f. Income and other taxes**

FIBRAPL is a real estate investment trust for Mexican federal income tax purposes. Under Articles No. 187 and 188 of the Mexican Income Tax Law, FIBRAPL is obligated to distribute an amount equal to at least 95% of its net taxable income to its CBFi holders on an annual basis. If the net taxable income during any fiscal year is greater than the distributions made to CBFi holders during the twelve months, FIBRAPL is required to pay tax at a rate of 30% for such excess. Management expects to distribute 95% of the taxable income of FIBRAPL.

FIBRAPL is a registered entity for Value Added Tax (“VAT”) in Mexico. VAT is triggered on a cash flow basis upon the performance of specific activities carried out within Mexico, at the general rate of 16%.

As of December 31, 2016, FIBRAPL had cumulative losses of \$2.6 billion Mexican pesos. In 2017, FIBRAPL computed a fiscal profit and all of the accumulated NOLs were amortized.

On May 11, 2016, FIBRAPL declared a dividend, derived from capital gains from the sale of assets completed on December 2015 and May 2016. FIBRAPL paid income taxes of \$28.8 million (\$1.5 million U.S. dollar), or \$0.0454 per CBFi (\$0.0024 U.S. dollar per CBFi), on behalf of the holders of CBFis with respect to the sales aforementioned. As a result, holders received a cash net of the income tax amount paid on their behalf by FIBRAPL.

**g. Cash**

Cash in the statement of financial position is comprised of cash held in bank accounts subject to very low risk of change in value. Bank on overdrafts are carried at the principal amount any interest charged overdrafts is expensed in the period incurred.

**h. Trade receivables**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Collectability of receivables is reviewed on an ongoing basis. Amounts that are known to be uncollectible are written off by reducing the carrying amount directly.

**i. Value Added Tax and other receivables**

As of December 31, 2017 and 2016, receivable balances are primarily comprised of VAT paid in connection with the purchase of investment properties. FIBRAPL submits withholding taxes to

the Mexican taxing authorities as a result of interest paid to foreign creditors, such payments are recognized as an expense unless they are expected to be reimbursed to FIBRAPL by the foreign creditor. If FIBRAPL does expect to be reimbursed the amount is recorded as an other receivable.

**j. Prepaid expenses**

Prepaid expenses are recognized at historic cost and subsequently amortized against profit or loss during the period the benefits or services are obtained. As of December 31, 2017 and 2016, prepaid expenses are comprised primarily of prepaid insurance and other prepaid expenses attributable to the investment properties.

**k. Other assets**

Other assets are comprised of utility deposits mainly from “*Comisión Federal de Electricidad*” that could be reimbursed once the service agreement is cancelled.

**l. Investment properties**

Investment properties are properties held to earn rental income and for capital appreciation by leasing to third parties under long term operating leases. Investment properties are measured initially at cost, which include transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is disposed.

**m. Distributions paid and payable**

Provisions for distributions to be paid by FIBRAPL are recognized on the statement of financial position as a liability and a reduction of equity when an obligation to make a payment is established and the distributions have been approved by the manager or Technical Committee, as applicable.

**n. Security deposits**

FIBRAPL obtains reimbursable security deposits from customers based on signed lease agreements as a guarantee of the rent payments for the life of the lease. These deposits are recognized as a non-current financial liability and carried at amortized cost.

**o. Long term debt**

Debt is initially recognized at fair value, net of transaction costs incurred. Mark to market adjustments and deferred financing cost are recognized in the statement of comprehensive income during the term of the loan using the effective interest rate method. As of December 31, 2017 and 2016, long term debt is presented at amortized cost.

**p. Financial instruments**

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

Financial liabilities are recognized initially at fair value and in the case of long term debt, directly attributable transaction costs are deducted. FIBRAPL financial liabilities include accounts payables and long term debt.

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

**i. Effective interest method**

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

Interest expense is recognized on an effective interest basis for debt instruments.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that FIBRAPL has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. Impairment of financial assets

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

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

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event

occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

iv. Derecognition of financial assets

FIBRAPL derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If FIBRAPL neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, FIBRAPL recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If FIBRAPL retains substantially all the risks and rewards of ownership of a transferred financial asset, FIBRAPL continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety (e.g. when FIBRAPL retains an option to repurchase part of a transferred asset), FIBRAPL continues to recognize a portion of the asset equal to its retained interest due to our continuing involvement. The portion of the carrying value that is not subject to FIBRAPL's continuing involvement, including any other comprehensive gain/loss, is recognized in profit/loss.

**q. Derivative Financial Instruments and Hedge Accounting**

FIBRAPL holds derivative financial instruments to hedge its interest rate exposures which qualify for hedge accounting. Derivatives are initially recognized at fair value and any directly attributable transaction costs are recognized in the statement of comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, any changes therein are generally recognized in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivatives is recognized immediately in profit or loss. See note 19.

**r. Provisions**

Provision for legal claims, warranties and other obligations are recognized when FIBRAPL has a present legal or contractual obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the

present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

**s. Cash flow**

FIBRAPL presents its cash flow statement using the indirect method. Interest paid is classified as cash flows from financing activities.

**t. Statement of comprehensive income**

The statement of comprehensive income of FIBRAPL presents its comprehensive results and other comprehensive income in one single financial statement, which groups other comprehensive income in two categories: i) items not to be reclassified to profit or loss and ii) items that can be reclassified to profit or loss if some conditions have been met. For the year ended December 31, 2017 and 2016, FIBRAPL presented as other comprehensive income (loss) the translation effects from functional currency to reporting currency and unrealized gain on interest rate swaps.

Additionally, the item of gross profit is presented as of the result of decreasing revenues, costs and operating expenses, considering that this item contributes to a better understanding of the FIBRAPL economic and financial performance.

**u. Earnings per CBF**

Basic earnings per CBF are calculated by dividing FIBRAPL profit attributable to CBF holders by the weighted average number of CBFs outstanding during the period. As FIBRAPL has no dilutive events, the diluted earnings per CBF is calculated the same as the basic earning per CBF.

**v. Contributed equity**

The CBFs are classified as equity and recognized at the fair value of the consideration received by FIBRAPL. Transaction costs resulting from the issuance of equity are recognized directly in equity as a reduction to the proceeds from issuance of CBFs.

#### 4. Reclassifications

During 2017 FIBRAPL modified the classification of utility deposits from prepaid expenses of 2016 to other assets in the Statement of Financial Position. Comparative amounts were also reclassified for consistency as detailed in the table below:

thousands of Mexican pesos	2016		
	Previously reported figures	Reclassifications	As reported
Current Assets:			
Prepaid expenses	\$ 46,718	\$ (43,753)	\$ 2,965
Non Current Assets:			
Other assets	-	43,753	43,753

#### 5. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, FIBRAPL has not early adopted the following new or amended standards in preparing these financial statements.

##### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, and IAS 11 *Construction Contracts*.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

FIBRAPL has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements and does not expect significant impact.

##### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. FIBRAPL currently plans to apply IFRS 9 initially on January 1, 2018.

##### *i. Impairment of financial assets*

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors effect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost of FVOCI, except for investment in equity instruments.

Under IFRS 9, loss allowance will be measured on either on the following bases:

- a. *12 Months ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- b. *Lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of financial instruments.

Based on the FIBRAPL assessment, changes to the impairment model are not expected to have a material impact on the financial assets of FIBRAPL for the following reasons:

- a. The majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and
- b. The financial assets at amortized cost are short-term (no longer than 12 months), of high credit quality and /or highly collateralized. Accordingly, the ECLs on such assets are expected to be immaterial.

*ii. Classification - Financial liabilities*

With respect to financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of the liability be presented in other comprehensive income, except for that the recognition of the effects of changes in the credit risk of the liability that is recognized in other comprehensive income will create or increase an accounting discrepancy in the income statement. Changes in fair value attributable to the credit risk of the financial liability are not reclassified subsequently to the income statement. Previously, in accordance with IAS 39, the full amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in the income statement.

FIBRAPL has not designated any financial liability in FVTPL and has no current intention to do it. The evaluation did not indicate any significant impact on the classification of financial liabilities as of January 1, 2018.

*iii. Hedge accounting*

Hedge accounting requirements have three hedge accounting mechanisms currently available in IAS 39. According to IFRS 9, greater flexibility has been introduced for the types of instruments to qualify for hedge accounting, specifically extending the types of instruments to qualify and the types of risk components of non-financial items that are eligible for hedge accounting. Additionally, the effectiveness tests have been revised and replaced with the concept of “economic relationship”.



Thereafter, a retrospective evaluation of effectiveness will not be required, and improved disclosure requirements have been introduced for the entity's risk management.

The estimated impact of the reserves and the accumulated results as of January 1, 2018 as a result of the application of IFRS 9 accounting requirements for hedge is not significant.

*iv. Disclosure*

IFRS 9 will require extensive new disclosures, in particular on credit risk and ECL. FIBRAPL has completed an analysis to identify gaps in data against current processes and is designing the system and controlling the changes that it believes will be necessary to capture the required data. The impact related with this change are not considered significant.

**IFRS 16 Leases**

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee is required to record a right-of-use asset representing its right to use the underlying asset and record a lease liability representing its obligation to make lease payments. There are scope exemptions for short-term leases and leases of low value items. The accounting for lessors will remain largely unchanged from current IFRS requirements and lessors will continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

FIBRAPL is in the process of determining the potential impacts that will be derived in its financial statements by the adoption of this standard, although due to the nature of its operations a significant impact would not be expected.

## 6. Rental revenues

Most of FIBRAPL's lease agreements associated with the investment properties contain a lease term of three to ten years. Generally, these leases are based on a minimum rental payment in U.S. dollars, plus maintenance fees and recoverable expenses.

Future minimum lease payments from base rent on leases with lease periods greater than one year, valued at the December 31, 2017 exchange rate in Mexican pesos are as follows:

in thousands Mexican Pesos	Amount
<b>Rental revenues:</b>	
2018	\$ 3,146,234
2019	2,470,554
2020	1,608,918
2021	1,057,929
2022	688,657
Thereafter	879,809
	<b>\$ 9,852,101</b>

## 7. Segment reporting

Operating segment information is presented based on how management views the business, which includes information aggregated by market. The results for these operating segments are presented for the years ended December 31, 2017, and 2016, while assets and liabilities are included as of December 31, 2017 and 2016. FIBRAPL operates in six geographic markets that represent its reportable operating segments under IFRS 8 as follows: Mexico City, Guadalajara, Monterrey, Tijuana, Reynosa and Juarez.

in thousands Mexican Pesos	For the year ended December 31, 2017						
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Total
<b>Revenues:</b>							
Lease rental income	\$ 1,164,182	\$ 520,322	\$ 365,980	\$ 371,176	\$ 399,470	\$ 304,251	\$ 3,125,381
Rental recoveries	126,002	35,773	33,466	42,645	33,580	38,964	310,430
Other property income	14,862	40,739	6,110	1,021	4,276	559	67,567
	1,305,046	596,834	405,556	414,842	437,326	343,774	3,503,378
<b>Cost and expenses:</b>							
Property operating expenses	170,451	78,889	53,024	45,247	47,717	65,514	460,842
<b>Gross Profit</b>	<b>\$ 1,134,595</b>	<b>\$ 517,945</b>	<b>\$ 352,532</b>	<b>\$ 369,595</b>	<b>\$ 389,609</b>	<b>\$ 278,260</b>	<b>\$ 3,042,536</b>

in thousands Mexican Pesos	For the year ended December 31, 2016						
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Total
<b>Revenues:</b>							
Lease rental income	\$ 1,038,298	\$ 499,170	\$ 356,824	\$ 354,870	\$ 375,648	\$ 257,283	\$ 2,882,093
Rental recoveries	96,331	33,267	34,199	43,290	33,652	56,005	296,744
Other property income	11,982	32,382	7,807	974	6,857	515	60,517
	1,146,611	564,819	398,830	399,134	416,157	313,803	3,239,354
<b>Cost and expenses:</b>							
Property operating expenses	145,146	79,619	41,990	42,775	46,375	64,045	419,950
<b>Gross Profit</b>	<b>\$ 1,001,465</b>	<b>\$ 485,200</b>	<b>\$ 356,840</b>	<b>\$ 356,359</b>	<b>\$ 369,782</b>	<b>\$ 249,758</b>	<b>\$ 2,819,404</b>

in thousands Mexican Pesos	As of December 31, 2017							
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Unsecured debt	Total
<b>Investment properties:</b>								
Land	\$ 3,584,544	\$ 1,448,059	\$ 1,006,784	\$ 930,118	\$ 1,022,807	\$ 726,983	\$ -	\$ 8,719,295
Buildings	14,338,176	5,792,237	4,027,138	3,720,472	4,091,226	2,907,933	-	34,877,182
	17,922,720	7,240,296	5,033,922	4,650,590	5,114,033	3,634,916	-	43,596,477
Rent leveling	140,107	33,186	33,536	48,408	44,800	35,868	-	335,905
<b>Investment properties</b>	<b>\$ 18,062,827</b>	<b>\$ 7,273,482</b>	<b>\$ 5,067,458</b>	<b>\$ 4,698,998</b>	<b>\$ 5,158,833</b>	<b>\$ 3,670,784</b>	<b>\$ -</b>	<b>\$ 43,932,382</b>
<b>Long term debt</b>	<b>\$ 1,754,827</b>	<b>\$ 980,797</b>	<b>\$ 1,450,659</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,838</b>	<b>\$ 10,614,865</b>	<b>\$ 14,914,986</b>

in thousands Mexican Pesos	As of December 31, 2016							
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Unsecured debt	Total
<b>Investment properties:</b>								
Land	\$ 3,740,487	\$ 1,511,474	\$ 1,054,821	\$ 942,030	\$ 952,522	\$ 751,698	\$ -	\$ 8,953,032
Buildings	14,961,955	6,045,897	4,219,283	3,768,120	3,810,088	3,006,790	-	35,812,133
	18,702,442	7,557,371	5,274,104	4,710,150	4,762,610	3,758,488	-	44,765,165
Rent leveling	123,069	27,475	35,804	44,684	40,679	27,234	-	298,945
<b>Investment properties</b>	<b>\$ 18,825,511</b>	<b>\$ 7,584,846</b>	<b>\$ 5,309,908</b>	<b>\$ 4,754,834</b>	<b>\$ 4,803,289</b>	<b>\$ 3,785,722</b>	<b>\$ -</b>	<b>\$ 45,064,110</b>
<b>Long term debt</b>	<b>\$ 2,491,169</b>	<b>\$ 1,062,636</b>	<b>\$ 1,743,979</b>	<b>\$ 736,084</b>	<b>\$ 1,293,050</b>	<b>\$ 967,128</b>	<b>\$ 6,897,174</b>	<b>\$ 15,191,220</b>

## 8. Earnings per CBFi

The calculated basic and diluted earnings per CBFi are the same as follows:

in thousands Mexican Pesos, except per CBFi	For the year ended December 31,	
	2017	2016
Basic and diluted earnings per CBFi (pesos)	\$ 2.46	\$ 2.90
Net income	1,567,961	1,838,539
<b>Weighted average number of CBFis ('000)</b>	<b>636,749</b>	<b>634,480</b>

As of December 31, 2017, FIBRAPL had 638,862,771 CBFis outstanding. See note 14.

## 9. Trade receivables

As of December 31, 2017 and 2016, trade accounts receivables of FIBRAPL were as follows:

in thousands Mexican Pesos	December 31, 2017	December 31, 2016
Trade accounts receivable	\$ 66,371	\$ 91,914
Allowance for uncollectable trade receivables	(22,151)	(41,457)
	<b>\$ 44,220</b>	<b>\$ 50,457</b>

## 10. Value added tax and other receivables

As of December 31, 2017 and 2016, value added tax and other receivables were as follows:

in thousands Mexican Pesos	December 31, 2017	December 31, 2016
Value Added Tax	\$ 23,782	\$ 108,241
Other receivables	49,771	33,107
	<b>\$ 73,553</b>	<b>\$ 141,348</b>

FIBRAPL submits withholding taxes to the Mexican tax authorities as a result of interest paid to foreign creditors; such payments are recognized as an expense unless they are expected to be reimbursed to FIBRAPL by the foreign creditor. If FIBRAPL does expect to be reimbursed, the amount is recorded as other receivables.

## 11. Prepaid expenses

As of December 31, 2017 and 2016, prepaid expenses of FIBRAPL were as follows:

in thousands Mexican Pesos	December 31, 2017	December 31, 2016
Insurance	\$ 593	\$ 688
Other prepaid expenses	1,007	2,277
	<b>\$ 1,600</b>	<b>\$ 2,965</b>

## 12. Investment properties

FIBRAPL obtained a valuation as of December 31, 2017, from independent appraisers in order to determine the fair value of its investment properties which resulted in a loss (gain) of \$284,352 and (\$6,141) for the years ended December 31, 2017 and 2016, respectively.

a) As of December 31, 2017, investment properties were as follows:

Market	Fair value as of December 31, 2017 in thousands of Mexican Pesos	# of properties	Lease area in thousands square feet
Mexico City	\$ 18,062,824	53	13,494
Guadalajara	7,273,482	26	5,838
Monterrey	5,067,459	24	3,868
Tijuana	4,698,999	33	4,214
Reynosa	5,158,834	30	4,712
Juarez	3,670,784	31	3,566
<b>Total</b>	<b>\$ 43,932,382</b>	<b>197</b>	<b>35,692</b>

The table above includes an Intermodal facility in the Mexico City market with a leasable area of 1,092 thousand of square feet and a fair value of \$299,978.

As of December 31, 2017, the fair value of investment properties includes excess land in the Monterrey market of \$47,957.

As of December 31, 2016, the fair value of investment properties was \$45,064,110 on 195 buildings with a lease area of 35,262.

As of December 31, 2017, 32 of the properties from FIBRAPL are encumbered by some bank loans as described in note 13.

As of December 31, 2017, and 2016, the balance of investment properties included rent leveling assets of \$335,905 and \$298,945, respectively.

- b) The reconciliation of investment properties for the year ended December 31, 2017 and 2016 was as follows:

in thousands Mexican Pesos	For the year ended December 31,	
	2017	2016
Beginning balance	\$ 45,064,110	\$ 35,475,843
Translation effect from reporting currency	(1,866,196)	6,878,640
Acquisition of investment properties	545,552	2,171,887
Acquisition cost	15,109	52,620
Capital expenditures, leasing commissions and tenant improvements	421,199	394,960
Development	-	9,739
Dispositions	-	(26,130)
Rent leveling	36,960	100,410
(Loss) gain on valuation of investment properties	(284,352)	6,141
<b>Ending balance of investment properties</b>	<b>\$ 43,932,382</b>	<b>\$ 45,064,110</b>

- c) During the years ended December 31, 2017 and 2016, capital expenditures, leasing commissions and tenant improvements of FIBRAPL were as follows:

in thousands Mexican Pesos	For the year ended December 31,	
	2017	2016
Capital expenditures	\$ 138,058	\$ 139,606
Leasing commissions	82,819	91,255
Tenant improvements	200,322	164,099
	<b>\$ 421,199</b>	<b>\$ 394,960</b>

### 13. Long term debt

As of December 31, 2017 and 2016, FIBRAPL had long term debt comprised of loans from financial institutions denominated in U.S. dollars, except if described otherwise, as follows:

	Paragraph	Denomination	Maturity date	Rate	Fair Value		December 31, 2017		December 31, 2016	
					thousands U. S. Dollars	thousands Mexican Pesos	thousands U. S. Dollars	thousands Mexican Pesos	thousands U. S. Dollars	thousands Mexican Pesos
Metropolitan Life Insurance Co. (The Metlife 1 Loan) (Secured)	-	USD	September 1, 2017	6.90%	-	\$ -	-	\$ -	112,500	\$ 2,319,683
Neptuno Real Estate, S. de R. L. de C. V. "Blackstone" (Secured)	-	USD	October 7, 2017	7.90%	-	-	-	-	64,149	1,322,714
Metropolitan Life Insurance Co. (The Metlife 2 Loan) (Secured)	-	USD	November 1, 2017	6.90%	-	-	-	-	37,500	773,228
Prudential Insurance Company and Metropolitan Life Insurance Co. (The Pru-Met Loan) 3rd. Section (Secured)	a.	USD	December 15, 2018	5.04%	63,921	1,261,507	63,807	1,259,257	65,749	1,355,705
Prudential Insurance Company and Metropolitan Life Insurance Co. (The Pru-Met Loan) 4th. Section (Secured)	a.	USD	December 15, 2018	4.78%	8,681	171,323	8,671	171,126	8,943	184,399
Citibank (Unsecured)	b.	USD	December 18, 2020	LIBOR + 245bps	255,000	5,032,527	255,000	5,032,527	255,000	5,257,947
Citibank N.A. Credit facility (Unsecured)	c.	USD	July 18, 2022	LIBOR + 250bps	175,000	3,453,695	175,000	3,453,695	67,500	1,391,810
Citibank N.A. Credit facility (Unsecured)	c.	MXN	July 18, 2022	TIE + 220bps	-	-	-	-	15,762	325,000
Citibank (Unsecured)	d.	USD	July 18, 2022	LIBOR + 245bps	150,000	2,960,310	150,000	2,960,310	-	-
Prudential Insurance Company and Metropolitan Life Insurance Co. (The Pru-Met Loan) 1st. Section (Secured)	a.	USD	February 1, 2027	4.67%	51,959	1,025,432.00	53,500	1,055,844	53,500	1,103,138
Prudential Insurance Company and Metropolitan Life Insurance Co. (The Pru-Met Loan) 2nd. Section (Secured)	a.	USD	February 1, 2027	4.67%	51,959	1,025,432.00	53,500	1,055,844	53,500	1,103,138
<b>Total</b>					<b>756,520</b>	<b>14,930,226</b>	<b>759,478</b>	<b>14,988,603</b>	<b>734,103</b>	<b>15,136,762</b>
Long term debt interest accrued							677	13,368	424	8,736
Debt premium, net							1,175	23,188	6,962	143,549
Deferred financing cost							(5,583)	(110,173)	(4,744)	(97,827)
<b>Total debt</b>							<b>755,747</b>	<b>14,914,986</b>	<b>736,745</b>	<b>15,191,220</b>
Less: Current portion of long term debt							1,107	21,847	220,992	4,556,722
<b>Total long term debt</b>							<b>754,640</b>	<b>\$ 14,893,139</b>	<b>515,753</b>	<b>\$ 10,634,498</b>

During the years ended December 31, 2017 and 2016, FIBRAPL paid interest on long term debt of \$599,860 and \$655,860, respectively and principal of \$7,239,119 and \$504,047, respectively.

### Cash transactions in long debt

	Beginning balance	Long term debt borrowings	Cash		Total cash transactions	Non Cash			December 31, 2017
			(Long term debt payments)	(Interest paid)		Amortizations	Accruals	Others	
Principal	\$ 15,136,762	\$ 7,719,363	\$ (7,239,119)	\$ -	\$ 15,617,006	\$ -	\$ (628,403)	\$ -	\$ 14,988,603
Long term debt interest	8,736	-	-	(599,860)	(591,124)	-	627,112	(22,620)	13,368
Debt premium, net	143,549	-	-	-	143,549	(71,103)	-	(49,258)	23,188
Deferred financing cost	(97,827)	-	-	-	(97,827)	37,353	-	(49,699)	(110,173)
<b>Total debt</b>	<b>\$ 15,191,220</b>	<b>\$ 7,719,363</b>	<b>\$ (7,239,119)</b>	<b>\$ (599,860)</b>	<b>\$ 15,071,604</b>	<b>\$ (33,750)</b>	<b>\$ (1,291)</b>	<b>\$ (121,577)</b>	<b>\$ 14,914,986</b>

Loans detailed in the table above also include the following conditions as it is referenced:

- This loan is secured by 32 properties; such properties and their cash flows are subject to a Mexican law guarantee security trust for the benefit of the lenders. The Pru-Met Loan is governed by the laws of the state of New York in the United States.
- Unsecured senior term loan facility scheduled to mature on December 18, 2019; however, FIBRAPL may extend the maturity date to December 18, 2020. Pricing is currently LIBOR plus 245 basis points and can be adjusted depending on the loan to value or credit rating of FIBRAPL.
- On July 18, 2017, 2017, FIBRAPL renegotiated its credit facility with Citibank N.A. As of December 31, 2017, FIBRAPL has an unsecured \$325.0 million U.S. dollar revolving credit facility (the "Credit Facility") with Citibank N.A. as the administrative agent; and \$25.0 million U.S. dollars of the facility can be borrowed in Mexican pesos. FIBRAPL has an option to increase the Credit Facility by \$150.0 million U.S. dollars.

The Credit Facility can be used by FIBRAPL for acquisitions, working capital needs and general corporate purposes. The Credit Facility bears interest on borrowings outstanding at (i) LIBOR plus 250 basis points denominated in U.S. dollars and (ii) TIE plus 220 basis points denominated in Mexican peso, subject to loan to value grid, and an Credit Facility Commission of 60 basis points. This line of credit matures on July 18, 2020, and contains two separate one-year extension options which may be extended at the borrower's option and with approval of the lender's Risk Committee. As of December 31, 2017, FIBRAPL had an outstanding balance of \$175.0 million U.S. dollars (\$3,454.0 million Mexican pesos) under the Credit Facility.

- d. On July 18, 2017, FIBRAPL borrowed \$150.0 million U.S. dollars (\$2,960.0 million Mexican pesos) on a new unsecured term loan with Citibank, which matures on July 18, 2020, and carries an interest rate of LIBOR plus 245 basis points. The terms of the note contain two separate one-year extension options which may be extended at the borrower's option and with approval of the lenders' Risk Committee. The borrowings were used to pay down the existing facility.

The loans described above are subject to certain affirmative covenants, including, among others, (a) reporting of financial information; and (b) maintenance of corporate existence, the security interest in the properties subject to the loan and appropriate insurance for such properties. In addition, the loans are subject to certain negative covenants that restrict FIBRAPL's ability to, among other matters and subject to certain exceptions, incur additional indebtedness under or create additional liens on the properties subject to the loans, change its corporate structure, make certain restricted payments, enter into certain transactions with affiliates, amend certain material contracts, enter into derivative transactions for speculative purposes or form any new subsidiary. The loans contain, among others, the following events of default: (i) non-payment; (ii) false representations; (iii) failure to comply with covenants; (iv) inability to generally pay debts as they become due; (v) any bankruptcy or insolvency event; (vi) disposition of the subject properties; or (vii) change of control of the subject properties.

As of December 31, 2017, FIBRAPL was in compliance with all its covenants.

#### 14. FIBRAPL certificates

FIBRAPL was formed on August 13, 2013 through an initial contribution from the sponsor to the fiduciary of \$1.00 Mexican peso.

Effective June 4, 2014, FIBRAPL was listed on the Mexican Stock Exchange, under the ticker symbol FIBRAPL 14 in connection with its IPO (Initial Public Offering).

On December 1, 2014, FIBRAPL registered the issuance of 3,785,280 new CBFIs as part of the new investment in 6 properties.

On October 10, 2017, FIBRAPL issued 4,383,025 CBFIs based on the annual incentive fee that was approved in the ordinary holders meeting on June 26, 2017.

As of December 31, 2017, total CBFi outstanding were 638,862,771.



Total CBFI holder’s capital is as follows:

in thousands Mexican Pesos	December 31, 2017	December 31, 2016
Trust certificates	\$ 17,316,172	\$ 17,177,010
Issuance cost	(508,949)	(508,949)
Distributions	(3,060,260)	(2,354,774)
	<b>\$ 13,746,963</b>	<b>\$ 14,313,287</b>

## 15. Capital and Financial Risk Management

### **Liquidity Risk**

Real estate investments are not as liquid as many other investments and such lack of liquidity may limit the ability to react promptly to any changes in economic, market or other conditions. Consequently, the ability to sell the assets at any time may be limited. FIBRA rules establish a 4 years minimum hold period for estate assets beginning on the acquisition date or completion of construction. If a property is sold before the 4 year holding period, FIBRAPL is required to pay 30% tax on the taxable gain within 15 business days after the sale and cannot offset the taxable gain with NOLs. This lack of liquidity may limit the ability to make changes to the FIBRAPL portfolio in a timely manner, which may materially and adversely affect financial performance.

While the business objectives consist primarily of the acquisition of real estate assets and obtaining revenue from their operation, there are times when FIBRAPL management believes that the disposal of certain properties may be appropriate or desirable. The ability of FIBRAPL to dispose of properties on favorable terms depends on factors that may be beyond its control, including competition from other sellers, demand and the availability of financing. In addition, there may be required capital expenditures to correct defects or make improvements before a property is sold, and FIBRAPL cannot ensure that it will have funds available to make such capital expenditures. Due to such constraints and uncertain market conditions, FIBRAPL cannot guarantee it will be able to sell properties in the future or realize potential appreciation from the sale of such properties.

The following table shows the balances pending as of December 31, 2017 and 2016, of financial liabilities classified according to their due dates. The table includes principal, accrued interest and future interest accruals due. For loans with floating interest rates, spot interest rates at the end of the reporting period were used for future interest accruals.

in thousands Mexican Pesos	Less than 1 year	From 1 to 5 years	More than 5 years	Total
<b>December 31, 2017</b>				
Trade payables	\$ 112,875	\$ -	\$ -	\$ 112,875
Due to affiliates	98,895	-	-	98,895
Principal of long term debt	34,241	14,954,362	-	14,988,603
Interest	469,507	847,355	196,693	1,513,555
Security deposits	-	209,686	82,154	291,840
<b>December 31, 2016</b>				
Trade payables	\$ 54,904	\$ -	\$ -	\$ 54,904
Due to affiliates	110,111	-	-	110,111
Principal of long term debt	4,415,625	10,721,137	-	15,136,762
Interest	462,817	615,694	307,683	1,386,194
Security deposits	-	293,452	722	294,174

### **Quantitative and Qualitative Disclosures about Market Risk**

FIBRAPL is exposed to market risks arising from the ordinary course of business involving, primarily, adverse changes in interest rates and inflation, foreign exchange rate fluctuations and liquidity risks that may affect its financial condition and future results of operations. The following discussion contains forward-looking statements that are subject to risks and uncertainties.

### **Financial Risk**

In the normal course of business, FIBRAPL enters into loan agreements with certain lenders to finance real estate investment transactions. Unfavorable economic conditions could increase its related borrowing costs, limit its access to the capital markets or financing and prevent FIBRAPL from obtaining credit.

There is no guarantee that borrowing arrangements or ability to obtain financing will continue to be available, or if available, will be available on terms and conditions that are acceptable.

A decline in the market value of FIBRAPL's assets may also have particular adverse consequences in instances where it borrowed money based on the market value of certain assets. A decrease in market value of such assets may result in a lender requiring FIBRAPL to post additional collateral or to repay certain loans.

### Investment Properties Valuation Sensitivity Analysis

A variation of +/- 0.25% on capitalization rates would increase or decrease the change in investment properties values as follows:

Variation %	Thousands Mexican pesos	Change in current value
0.25% increase	\$ (1,452,490)	(3.34%)
0.25% decrease	\$ 1,596,617	3.67%

### **Interest Rate Risk**

Interest rates are highly sensitive to many factors, including governmental, fiscal, monetary and tax policies, domestic and international economic and political considerations and other factors that are beyond FIBRAPL's control. Interest rate risk arises primarily from variable rate interest-bearing financial liabilities. FIBRAPL may in the future enter into credit facilities or otherwise incur indebtedness with variable interest rates. To the extent FIBRAPL borrows on these facilities, or otherwise incurs variable-rate indebtedness, FIBRAPL will be exposed to risk associated with market variations in interest rates. FIBRAPL utilizes hedging instruments to protect against fluctuations in interest rates. As of December 31, 2017, all variable rate debt that FIBRAPL had was the Citibank unsecured loan and the borrowing from the Credit Facility.

### Interest Rate Sensitivity Analysis

For the portion of \$5.0 million U.S. dollars from the Citibank Loan that is not hedged by the swap instruments, FIBRAPL has entered into and had borrowings from the Credit Facility as of December 31, 2017, a variation of +/- 0.25% on interest rate would increase or decrease the annual interest expense as follows:

Variation %	Income Statement Effect
0.25% increase	\$ 8,881
0.25% decrease	\$ (8,881)

### **Foreign Currency Risk**

Foreign currency risk is attributable to fluctuation of exchange rates between the currency denomination in which FIBRAPL conducts its sales, purchases, receivables and borrowings and the functional currency of FIBRAPL, which is the U.S. dollar. A majority of FIBRAPL's revenue and debt transactions, including 70.6% and 75.6% of revenues under FIBRAPL lease agreements, and 100% and 98% of debt financings as of December 31, 2017 and 2016 and for the years then ended, respectively, are denominated in U.S. dollars. As a result, FIBRAPL management believes that its exposure to transactional foreign currency risk has been decreased.

The summary quantitative data about the FIBRAPL exposure to currency risk as reported to the management of the FIBPRAPL, denominated in Mexican pesos, is as follows:

in thousands Mexican pesos	December 31, 2017	December 31, 2016
<b>Assets</b>		
Cash and equivalents of cash	\$ 170,354	\$ 131,936
Trade receivables	19,608	18,720
Value added tax and other receivables	23,782	89,039
Prepaid expenses	480	216
	214,224	239,911
<b>Liabilities</b>		
Trade payables	67,574	449
Due to affiliates	970	8,221
Security deposits	31,263	24,064
	99,807	32,734
<b>Net statement of financial position exposure</b>	<b>\$ 114,417</b>	<b>\$ 207,177</b>

The U.S. dollar to Mexican peso exchange rate as of December 31, 2017 and 2016, as well as the average exchange rates of the respective years, are as follows:

exchange rate	December 31, 2017	December 31, 2016
U.S. dollar vs. Mexican peso	19.7354	20.6194
Average for the years ended December 31, 2017, and 2016	18.9214	18.6728

#### Foreign Currency Sensitivity Analysis

As mentioned above, the functional currency is the U.S. dollar and transactional foreign exchange rate risk is represented by transactions denominated in Mexican pesos. FIBRAPL managements believes its exposure to foreign currency risk is decreased by the fact that the majority of its transactions are denominated in U.S. dollars, including 70.6% of lease agreements and 100% of debt in 2017.

### ***Inflation***

Most of FIBRAPL's leases contain provisions designed to mitigate the adverse impact of inflation. These provisions generally increase annualized base rents during the terms of the leases either at fixed rates or indexed escalations (based on the Mexican Consumer Price Index or other measures). As of December 31, 2017 and 2016, all of the leases in the portfolio had an annual rent increase. In addition, most of the leases are triple net leases, which may reduce the exposure to increases in costs and operating expenses resulting from inflation, assuming the properties remain leased and customers fulfill their obligations to assume responsibility for such expenses. As of December 31, 2017 and 2016, the portfolio was 97.3% and 96.8% leased, respectively.

## **16. Fair Value of Assets and Liabilities**

Some of the accounting policies and disclosures of FIBRAPL require measuring the fair value of assets and financial liabilities.

FIBRAPL has established a control framework in relation to the measurement of fair value. This includes supervision from an internal specialist of all significant fair value measurements, including the fair value of Level 3 inputs (disclosed below).

FIBRAPL management regularly reviews the significant unobservable inputs and valuation adjustments. If third party information is used, such as broker quotes or pricing services to measure fair values, management evaluates the evidence from third parties to support the conclusion that these valuations satisfy the requirements of IFRS, including the level within the fair value hierarchy (discussed below) within which those valuations should be classified.

When the fair value of an asset or liability is measured, FIBRAPL uses observable market data whenever possible. The fair values are classified into different levels within a fair value hierarchy based on the variables used in the valuation techniques as follows:

- Level 1 (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: Different data quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices.) or indirectly (i.e. derived from prices.).
- Level 3: Data for the asset or liability that are not based on observable market data (unobservable inputs).

If the variables used to measure the fair value of an asset or liability can be classified into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety on the same level of the fair value hierarchy at the variable lowest level that is meaningful to the overall measurement.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

in thousands Mexican pesos	As of December 31, 2017							
	Carrying amount				Fair value			
	Designated at fair value	Cash and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Investment properties	\$ 43,932,382	\$ -	\$ -	\$ 43,932,382	\$ -	\$ -	\$ 43,932,382	\$ 43,932,382
Interest rate swaps	84,319	-	-	84,319	-	-	84,319	84,319
	<b>\$ 44,016,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,016,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,016,701</b>	<b>\$ 44,016,701</b>
<b>Financial assets not measured at fair value</b>								
Cash and cash equivalents	\$ -	\$ 371,364	\$ -	\$ 371,364	\$ -	\$ -	\$ -	\$ -
Trade receivables	-	44,220	-	44,220	-	-	-	-
Value added tax and other receivables	-	73,553	-	73,553	-	-	-	-
Prepaid expenses	-	1,600	-	1,600	-	-	-	-
Other assets	-	45,240	-	45,240	-	-	-	-
	<b>\$ -</b>	<b>\$ 535,977</b>	<b>\$ -</b>	<b>\$ 535,977</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Financial liabilities not measured at fair value</b>								
Trade payables	\$ -	\$ -	\$ 112,875	\$ 112,875	\$ -	\$ -	\$ -	\$ -
Due to affiliates	-	-	98,895	98,895	-	-	-	-
Long term debt	-	-	14,914,986	14,914,986	-	14,930,226	-	14,930,226
Security deposits	-	-	291,840	291,840	-	-	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,418,596</b>	<b>\$ 15,418,596</b>	<b>\$ -</b>	<b>\$ 14,930,226</b>	<b>\$ -</b>	<b>\$ 14,930,226</b>

in thousands Mexican pesos	As of December 31, 2016							
	Carrying amount				Fair value			
	Designated at fair value	Cash and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>								
Investment properties	\$ 45,064,110	\$ -	\$ -	\$ 45,064,110	\$ -	\$ -	\$ 45,064,110	\$ 45,064,110
Interest rate swaps	42,492	-	-	42,492	-	-	42,492	42,492
	<b>\$ 45,106,602</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,106,602</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,106,602</b>	<b>\$ 45,106,602</b>
<b>Financial assets not measured at fair value</b>								
Cash and cash equivalents	\$ -	\$ 370,909	\$ -	\$ 370,909	\$ -	\$ -	\$ -	\$ -
Trade receivables	-	50,457	-	50,457	-	-	-	-
Value added tax and other receivables	-	141,348	-	141,348	-	-	-	-
Prepaid expenses	-	2,965	-	2,965	-	-	-	-
Other assets	-	43,753	-	43,753	-	-	-	-
	<b>\$ -</b>	<b>\$ 609,432</b>	<b>\$ -</b>	<b>\$ 609,432</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Financial liabilities not measured at fair value</b>								
Trade payables	\$ -	\$ -	\$ 54,904	\$ 54,904	\$ -	\$ -	\$ -	\$ -
Due to affiliates	-	-	110,111	110,111	-	-	-	-
Long term debt	-	-	15,191,220	15,191,220	-	15,293,096	-	15,293,096
Security deposits	-	-	294,174	294,174	-	-	-	-
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,650,409</b>	<b>\$ 15,650,409</b>	<b>\$ -</b>	<b>\$ 15,293,096</b>	<b>\$ -</b>	<b>\$ 15,293,096</b>

FIBRAPL recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. There have been no transfers between fair value levels during the period.

## 17. Commitments and contingencies

FIBRAPL has no significant commitments or contingencies except as described in the financial statements notes, as of December 31, 2017.

## 18. Related party information

The detail of transactions of FIBRAPL with its related parties is as follows:

### a. Manager

Prologis Property Mexico, S. A. de C. V. (the "Manager"), in its capacity as the FIBRAPL manager is entitled to receive, according to a management agreement between FIBRAPL and the Manager (the "Management Agreement"), the following fees and commissions:

- 1. Asset management fee:** annual fee equivalent to 0.75% of the current appraised value, calculated in accordance with the valuation policies approved by the technical committee under Section 14.1 of the Trust Agreement, based on annual appraisals, plus investment cost for assets that have not been appraised, plus the applicable VAT, paid quarterly. The asset management fee will be prorated with respect to any asset that has been owned less than a full calendar quarter.
- 2. Incentive Fee:** an annual fee equal to 10% of cumulative total CBFi holder returns in excess of an annual compound expected return of 9%, paid annually in CBFIs, with each payment subject to a six-month lock-up, as established under the Management Agreement. The return measurement related to the Incentive Fee is based on a cumulative return period. As of December 31, 2017, FIBRAPL recorded an incentive fee expense in amount of \$139.2 million Mexican pesos (\$7.5 million U.S. dollars) for the year started on June 4, 2016 to June 3, 2017 (IPO anniversary). As of December 31, 2017, given the historical volatility and uncertainty of future CBFi performance, FIBRAPL has not recorded an Incentive Fee expense or liability for the next possible Incentive Fee ending in June 2018.
- 3. Development Fee:** contingent fee equal to 4.0% of total project cost of capital improvements (including replacements and repairs to the properties managed by the Manager, including improvements by the lessor), excluding land or new property development payable upon completion of the project.
- 4. Property Management Fee:** fee equal to 3.0% of the revenues generated by the properties, paid monthly.
- 5. Leasing Fee:** fee equal to certain percentages of total rent under signed lease agreements, as follows: (i) 5.0% in connection with years one through five of the respective lease agreements; (ii) 2.5% in connection with years six through ten of the respective lease agreements; and (iii) 1.25% in connection with years eleven and beyond of the respective lease agreements. For renewals of existing leases, percentages will be 2.5%, 1.25% and

0.62% for the periods mentioned in bullet points (i), (ii) and (iii), respectively. One half of each leasing fee is payable at signing or renewal and one half is payable at commencement of the applicable lease. The Leasing Fee will be paid in full to the Manager, unless a third-party listing broker provides the procuring or leasing, expansion or renewal service, in which case the Manager shall not be entitled to a Leasing fee.

**b. Other Affiliates**

On August 23, 2016, technical committee of FIBRAPL approved the reimbursement of maintenance costs incurred on its properties by Prologis affiliates beginning June 1, 2016. Such costs include payroll expenses from maintenance employees plus a 1.5% fee. Prior to June 1, 2016, FIBRAPL had been paying an unaffiliated third party for such services.

**c. Due to affiliates**

As of December 31, 2017 and 2016, the outstanding balances due to related parties were as follows:

in thousands Mexican Pesos	as of December 31,	
	2017	2016
Asset management fees	\$ 80,445	\$ 81,465
Property management fees	18,450	27,673
Maintenance cost	-	51
Development fees	-	922
	<b>\$ 98,895</b>	<b>\$ 110,111</b>

As of December 31, 2017 and 2016, asset management fees, property management fees and development fees are due to the Manager while capital expenditures reimbursements are due to affiliates of the Manager.



d. **Transactions with affiliates**

Transactions with affiliated companies for the years ended December 31, 2017, and 2016, were as follows:

in thousands Mexican Pesos	For the year ended December 31,	
	2017	2016
Acquisition of properties	\$ 545,552	\$ 2,171,887
Return of equity	\$ 323,644	\$ 545,937
Dividends	\$ 323,144	\$ 30,865
Asset management fee	\$ 306,980	\$ 294,170
Property management fee	\$ 103,715	\$ 98,950
Leasing commissions	\$ 25,490	\$ 36,951
Development fee	\$ 10,958	\$ 13,510
Maintenance costs	\$ 9,528	\$ 3,383
Incentive Fee*	\$ 139,162	\$ -

*\*Settled with the issuance of CBFIs. See note 14*

19. **Hedging activities**

*Interest rate Swaps*

On October 13, 2017, FIBRAPL entered into two interest rate swap contracts with Bank of Nova Scotia and HSBC Bank in USA, whereby, FIBRAPL pays a fixed rate of interest of 1.752%, and receives a variable rate based on one month LIBOR. The swaps mature on October 18, 2020 and they hedge the exposure to the variable interest rate payments on the \$150.0 million U.S. dollar (each swap maintains a \$75.0 million U.S. dollar notional amount) variable rate unsecured term loan with Citibank. See note 13.

On January 21, 2016 FIBRAPL entered into interest rate swap contracts with the Bank of Nova Scotia and HSBC Bank USA, whereby FIBRAPL pays a fixed rate of interest of 1.0635% and 1.0660%, respectively, and receives a variable rate based on one month LIBOR. The swaps hedge the exposure to the variable interest rate payments on the variable rate unsecured loan, the Citibank loan. See note 13.

The interest rate swaps meet the criteria of hedge accounting and are designated as a cash flow hedging instrument. Accordingly, the fair value of the swaps as of December 31, 2017, of \$84.3 million Mexican pesos has been recognized in other comprehensive income as unrealized gain on interest rate swaps.

Below is a summary of the terms and fair value of the interest rate swap agreements. The loans and interest rate swaps have the same critical terms.

Counterparty	Effective date	Maturity date	Notional amount*	Fair Value as of December 31	
				2017	2016
Bank of Nova Scotia	June 23, 2016	July 23, 2019	100	\$ 25,209	\$ 17,101
HSBC Bank USA	June 23, 2016	July 23, 2019	150	37,632	25,391
Bank of Nova Scotia	October 18, 2017	October 18, 2020	75	10,723	-
HSBC Bank USA	October 18, 2017	October 18, 2020	75	10,755	-
				<b>\$ 84,319</b>	<b>\$ 42,492</b>

\* (amount in million U.S. dollars)

In order to determine fair value, FIBRAPL calculates both current and potential future exposure, reflecting the bilateral credit risk present in many derivatives. The approach incorporates all of the relevant factors that can impact fair value calculations, including interest rate and foreign exchange forward curves and the market expectations of volatility around these curves, credit enhancements between counterparties (including collateral posting, mandatory cash settlements, and mutual puts), the term structure of credit spreads and the conditional cumulative probability of default for both counterparties.

#### *Exchange rate forwards*

FIBRAPL's exchange rate forwards do not qualify for hedge accounting. Therefore, the change in fair value related to the contracts is recognized in the results of operations for the year within unrealized (gain) loss on exchange rate forwards.

On February 7, 2017, FIBRAPL entered into foreign currency rate forwards with HSBC Bank USA, National Association to fix a forward rate over its quarterly Mexican peso transactions.

As of December 31, 2017, FIBRAPL settled this contract and obtained a realized loss on exchange rate forward.

## 20. Subsequent events

On February 7, 2018, FIBRAPL paid \$7.0 million U.S. dollars (approximately \$131.0 million Mexican pesos) in U.S. dollars borrowings under its Credit Facility with Citibank N.A.

## 21. Financial statements approval

On February 16, 2018, the issuance of these financial statements was authorized by Jorge Roberto Girault Facha, CFO of the Manager.

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