



Fideicomiso Irrevocable 1721 Banco Actinver, S. A.,
Institución de Banca Múltiple, Grupo Financiero
Actinver, División Fiduciaria

**Financial Statements as of December
31, 2019 and 2018 and for the years
then ended**

Contents	Page
Independent auditors' report on financial statements	2
Statements of financial position as of December 31, 2019 and 2018	5
Statements of comprehensive income for the years ended December 31, 2019 and 2018	6
Statements of changes in equity for the years ended December 31, 2019 and 2018	7
Statements of cash flows for the years ended December 31, 2019 and 2018	8
Notes to financial statements as of December 31, 2019 and 2018, and for the years then ended	9 - 46

Independent auditors' report

To the Technical Committee and Trustors

Fideicomiso Irrevocable 1721

*Banco Actinver, S. A. Institución de Banca Múltiple, Grupo Financiero Actinver,
División Fiduciaria.*

(Thousands of Mexican pesos)

Opinion

We have audited the financial statements of 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 of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fideicomiso Irrevocable 1721 Banco Actinver, S. A., Institución de Banca Múltiple, Grupo Financiero Actinver, División Fiduciaria as of December 31, 2019 and 2018, and its results 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.



Valuation of Investment Properties (\$44,611,642)

See Note 12.

The key audit matter	How the matter was addressed in our audit
<p>As of December 31, 2019, investment properties represent 99% 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 of 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"> • We obtained an understanding of the investment properties and the Trust’s Plans and we assessed design, implementation and operating effectiveness of the controls relating to the valuation process, which includes the involvement of external appraisers. • 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. • 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. • We evaluated the reasonableness of the projected cash flows and, through the participation of our specialists, the valuation methodology, the discount and capitalization rates used, taking into consideration, comparability and market factors applicable to the investment properties. • 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 the valuations.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Trust’s 2019 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 made 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 communicate the matter to those charged with governance.

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 scepticism 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.

A handwritten signature in black ink, appearing to read 'AVO', is written over a circular stamp. The stamp contains the KPMG logo and some illegible text.

Alberto Vazquez Ortiz
Mexico City
February 12, 2020.

Statements of financial position

As of December 31, 2019 and 2018

in thousands Mexican Pesos	Note	December 31, 2019	December 31, 2018
Assets			
Current assets:			
Cash		\$ 182,792	\$ 339,276
Trade receivables, net	8	56,870	66,167
Other receivables and value added tax	9	10,301	171,082
Prepaid expenses	10	3,295	2,160
Assets held for sale	11	-	1,230,502
		253,258	1,809,187
Non-current assets:			
Investment properties	12	44,611,642	45,727,051
Other investment properties	13	10,778	-
Hedge instruments	19	-	77,201
Exchange rate options	19	7,338	-
Other assets		43,386	47,713
		44,673,144	45,851,965
Total assets		\$ 44,926,402	\$ 47,661,152
Liabilities and equity			
Current liabilities:			
Trade payables		\$ 69,159	\$ 121,559
Value added tax payable		356	-
Due to affiliates	18	49,161	52,476
Current portion of long term debt	14	29,298	23,726
Liabilities related to assets held for sale		-	6,815
		147,974	204,576
Non-current liabilities:			
Long term debt	14	14,522,030	16,464,638
Security deposits		280,342	292,761
Hedge instruments	19	61,683	-
		14,864,055	16,757,399
Total liabilities		15,012,029	16,961,975
Equity:			
CBFI holders' capital	15	14,124,954	13,952,327
Other equity accounts and retained earnings		15,789,419	16,746,850
Total equity		29,914,373	30,699,177
Total liabilities and equity		\$ 44,926,402	\$ 47,661,152

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

Statements of comprehensive income

For the years ended December 31, 2019 and 2018

in thousands Mexican Pesos, except per CBFi amounts	Note	For the year ended December 31,	
		2019	2018
Revenues:			
Lease rental income		\$ 3,383,106	\$ 3,279,632
Rental recoveries		371,620	335,639
Other property income		70,039	58,212
		3,824,765	3,673,483
Costs and expenses:			
Operating expenses:			
Operating and maintenance		241,922	203,211
Utilities		45,808	55,833
Property management fees	18	114,491	109,224
Real estate taxes		72,514	67,058
Non-recoverable operating		48,862	38,548
		523,597	473,874
Gross profit	3u	3,301,168	3,199,609
Gain on valuation of investment properties	12	(275,835)	(1,074,444)
Asset management fees	18	338,503	328,175
Incentive fee	18	172,627	205,364
Professional fees		34,034	52,125
Finance costs		730,576	699,747
Net loss (gain) on early extinguishment of debt		18,638	(4,027)
Unused credit facility fee		35,494	29,566
Unrealized loss on exchange rate hedge instruments	19	13,274	6,159
Realized loss on exchange rate hedge instruments	19	1,450	9,100
Net exchange gain		(15,424)	(37,502)
Tax non recoverables		77,777	-
Other general and administrative expenses		10,861	13,143
		1,141,975	227,406
Net income		2,159,193	2,972,203
Other comprehensive loss:			
<i>Items that are not reclassified subsequently to profit or loss:</i>			
Translation loss from functional currency to reporting currency		1,453,670	142,158
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Unrealized loss on interest rate swaps	19	136,202	9,271
		1,589,872	151,429
Total comprehensive income for the period		\$ 569,321	\$ 2,820,774
Earnings per CBFi	7	\$ 3.34	\$ 4.63

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

Statements of changes in equity

For the years ended December 31, 2019 and 2018

in thousands Mexican Pesos	Note	CBFi holders' capital	Other equity accounts	Retained earnings	Total
Balance as of January 1, 2018		\$ 13,746,963	\$ 9,373,971	\$ 6,013,148	\$ 29,134,082
Dividends	15	-	-	(1,461,043)	(1,461,043)
CBFIs issued		205,364	-	-	205,364
Comprehensive (loss) income:					
Translation loss from functional currency to reporting currency		-	(142,158)	-	(142,158)
Unrealized loss on interest rate swaps		-	(9,271)	-	(9,271)
Net income		-	-	2,972,203	2,972,203
Total comprehensive (loss) income		-	(151,429)	2,972,203	2,820,774
Balance as of December 31, 2018		\$ 13,952,327	\$ 9,222,542	\$ 7,524,308	\$ 30,699,177
Dividends	15	-	-	(1,526,752)	(1,526,752)
CBFIs issued		172,627	-	-	172,627
Comprehensive (loss) income:					
Translation loss from functional currency to reporting currency		-	(1,453,670)	-	(1,453,670)
Unrealized loss on interest rate swaps		-	(136,202)	-	(136,202)
Net income		-	-	2,159,193	2,159,193
Total comprehensive (loss) income		-	(1,589,872)	2,159,193	569,321
Balance as of December 31, 2019		\$ 14,124,954	\$ 7,632,670	\$ 8,156,749	\$ 29,914,373

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

Statements of cash flows

For the years ended December 31, 2019 and 2018

in thousands Mexican Pesos	For the year ended December 31,	
	2019	2018
Operating activities:		
Net income	\$ 2,159,193	\$ 2,972,203
<i>Adjustments for:</i>		
Gain on valuation of investment properties	(275,835)	(1,074,444)
Incentive fee	172,627	205,364
Allowance for uncollectible trade receivables	17,430	12,120
Finance costs	730,576	699,747
Net loss (gain) on early extinguishment of debt	18,638	(4,027)
Realized loss on exchange rate hedge instruments	1,450	8,995
Unrealized loss on exchange rate hedge instruments	13,274	6,264
Hedging Instruments	(13,080)	(15,255)
Net unrealized exchange gain	(2,088)	(34,996)
Rent leveling	(33,498)	(61,273)
Tax non recoverables	77,777	-
<i>Change in:</i>		
Trade receivables	(8,133)	(34,067)
Value added tax and other receivables	83,004	(97,529)
Prepaid expenses	(1,135)	(560)
Other assets	4,327	(2,473)
Trade payables	(67,792)	8,684
Value added tax payable	356	-
Due to affiliates	(3,315)	(46,419)
Security deposits	(19,234)	7,736
Net cash flow provided by operating activities	2,854,542	2,550,070
Investing activities:		
Funds for acquisition of investment properties	(87,593)	(1,615,000)
Funds from disposition of investment properties	1,363,020	-
Cost related with disposition of investment properties	(15,310)	-
Capital expenditures on investment properties	(479,742)	(458,269)
Net cash flow provided by (used in) investing activities	780,375	(2,073,269)
Financing activities:		
Dividends paid	(1,526,752)	(1,461,042)
Long term debt borrowings	1,736,006	4,295,993
Long term debt payments	(3,097,965)	(2,675,521)
Interest paid	(712,810)	(662,329)
Cash used for early extinguishment of debt	-	(12,212)
Net cash flow used in financing activities	(3,601,521)	(515,111)
Net increase (decrease) in cash	33,396	(38,310)
Effect of foreign currency exchange rate changes on cash	(189,880)	6,222
Cash at beginning of the period	339,276	371,364
Cash at the end of the period	\$ 182,792	\$ 339,276
Non-cash transactions:		
Credit facility borrowings in exchange for term loan paydown	\$ 4,484,364	\$ 2,584,233
CBFIs issued	172,627	205,364
Total non-cash transactions	\$ 4,656,991	\$ 2,789,597

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

Notes to financial statements

As of December 31, 2019 and 2018 and for the years then ended

In thousands of Mexican Pesos, except per CBFi

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). As of August 13, 2018 FIBRAPL moved its address to Paseo de los Tamarindos No. 90, Torre 2, Piso 22, Bosques de las Lomas, Cuajimalpa de Morelos, C. P. 05120. 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:

Trustor: Prologis Property México, S. A. de C. V.

First beneficiaries: Certificate holders

Trustee: Banco Actinver, S.A., Institución de Banca Múltiple, Grupo Financiero Actinver, División Fiduciaria

Common representative: Monex Casa de Bolsa, S. A. de C. V., Monex Grupo Financiero

Manager: 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 mechanisms 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. Long term debt transactions:

in millions	Date	Denomination	Interest rate ^(*)		Mexican pesos	U. S. dollars
Borrowings:						
Citibank, NA Credit facility (Unsecured)	October 29, 2019	U. S. dollars	LIBOR +250bps	\$	190.5	\$ 10.0
Citibank, NA Credit facility (Unsecured)	July 29, 2019	U. S. dollars	LIBOR +250bps		190.7	10.0
Citibank, NA Credit facility (Unsecured)	April 29, 2019	U. S. dollars	LIBOR +250bps		246.2	13.0
Citibank, NA Credit facility (Unsecured)	March 14, 2019	U. S. dollars	LIBOR +250bps		135.3	7.0
Citibank, NA Credit facility (Unsecured)	February 6, 2019	U. S. dollars	LIBOR +250bps		305.3	16.0
Citibank (Unsecured) #4	February 6, 2019	U. S. dollars	LIBOR +235bps		5,533.9	290.0
Total borrowings				\$	6,601.9	\$ 346.0

* LIBOR (London Interbank Offered Rate)

in millions	Date	Denomination	Interest rate ^(*)		Mexican pesos	U. S. dollars
Payments:						
Citibank, NA Credit facility (Unsecured)	November 29, 2019	U. S. dollars	LIBOR +250bps	\$	196.1	\$ 10.0
Citibank, NA Credit facility (Unsecured)	August 15, 2019	U. S. dollars	LIBOR +250bps		195.7	10.0
Citibank, NA Credit facility (Unsecured)	May 29, 2019	U. S. dollars	LIBOR +250bps		57.5	3.0
Citibank, NA Credit facility (Unsecured)	May 8, 2019	U. S. dollars	LIBOR +250bps		190.5	10.0
Citibank, NA Credit facility (Unsecured)	April 10, 2019	U. S. dollars	LIBOR +250bps		132.5	7.0
Citibank, NA Credit facility (Unsecured)	March 28, 2019	U. S. dollars	LIBOR +250bps		869.4	45.0
Citibank, NA Credit facility (Unsecured)	March 28, 2019	U. S. dollars	LIBOR +250bps		251.2	13.0
Citibank, NA Credit facility (Unsecured)	March 6, 2019	U. S. dollars	LIBOR +250bps		57.8	3.0
Citibank, NA Credit facility (Unsecured)	February 28, 2019	U. S. dollars	LIBOR +250bps		249.9	13.0
Citibank, NA Credit facility (Unsecured)	February 25, 2019	U. S. dollars	LIBOR +250bps		134.0	7.0
Citibank, NA Credit facility (Unsecured)	February 11, 2019	U. S. dollars	LIBOR +250bps		38.2	2.0
Citibank, NA Credit facility (Unsecured)	February 6, 2019	U. S. dollars	LIBOR +250bps		667.9	35.0
Citibank (Unsecured) #1	February 6, 2019	U. S. dollars	LIBOR +245bps		4,866.0	255.0
Citibank, NA Credit facility (Unsecured)	January 23, 2019	U. S. dollars	LIBOR +250bps		57.4	3.0
Total payments				\$	7,964.1	\$ 416.0

* LIBOR (London Interbank Offered Rate)

ii. Acquisition and dispositions of investment properties:

in millions, except lease area	Date	Market	Lease area square feet		Mexican pesos	U. S. dollars
Acquisitions:						
Santa Maria I	December 20, 2019	Mexico	41,779	\$	96.3	\$ 5.1
Total acquisitions					\$ 96.3	\$ 5.1
Dispositions:						
Ramon Rivera Lara Industrial Center #1	April 10, 2019	Juarez	125,216	\$	117.6	\$ 6.2
Ramon Rivera Lara Industrial Center #2	April 10, 2019	Juarez	66,706		72.8	3.8
El Salto Distribution Center #1	March 22, 2019	Guadalajara	355,209		408.7	21.6
El Salto Distribution Center #2	March 22, 2019	Guadalajara	67,812		71.9	3.8
Corregidora Distribution Center	March 22, 2019	Guadalajara	95,949		87.0	4.6
Saltillo Industrial Center #1	March 22, 2019	Monterrey	71,868		73.7	3.9
Monterrey Center #4	March 22, 2019	Monterrey	120,000		142.3	7.5
Monterrey Center #5	March 22, 2019	Monterrey	127,500		129.5	6.9
Monterrey Airport Industrial Center #1	March 22, 2019	Monterrey	96,309		124.1	6.6
San Carlos Center #1	March 22, 2019	Juarez	139,673		155.1	8.2
					1,382.7	73.1
Tenant improvements reimbursed to the buyer					(20.8)	(1.1)
Total disposition after tenant improvement reimbursement					\$ 1,361.9	\$ 72.0

iii. Distributions:

in millions, except per CBFi	Date	Mexican pesos	U. S. dollars	Mexican pesos per CBFi	U. S. dollars per CBFi
Distributions:					
Dividends	October 17, 2019	\$ 384.8	\$ 20.0	0.5969	0.0310
Dividends	July 19, 2019	380.0	20.0	0.5895	0.0310
Dividends	April 22, 2019	377.4	20.0	0.5854	0.0310
Dividends	March 22, 2019	359.5	18.7	0.5964	0.0310
Dividends	March 13, 2019	25.0	1.3	0.5964	0.0310
Total distributions		\$ 1,526.7	\$ 80.0		

iv. CBFIs:

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 5, 2018 to June 4, 2019, FIBRAPL generated an Incentive Fee of \$172.6 million Mexican Pesos (\$8.7 million U.S. dollars), based on the performance of the CBFIs. As part of the Ordinary Holders Meeting on July 2, 2019, the Manager was approved to receive the Incentive Fee through issuance of 4,511,692 CBFIs. The CBFIs issued to the Manager are subject to a six-month lock-up period as established under the Management Agreement. See note 15.

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).
- 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. All the financial information herein in Mexican Pesos have been rounded up to the nearest thousand.

- c. **Critical accounting judgments and estimates** – The preparation of the financial statements requires the use of certain critical accounting estimates and requires 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 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. **Fair value of 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 approach capitalization approach, utilizing comparable recent market transactions at arm’s length terms. In Mexico, Discounted Cash Flow (“DCF”) models are the primary basis of assessment of value; and this is the methodology FIBRAPL has 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 Gross Profit, reversionary rents, leasing periods, purchasers' costs, etc.

ii. Fair value of financial liabilities

The fair value of interest-bearing debt, mainly long term 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. 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, 2019 and 2018 by FIBRAPL were accounted for as acquisitions of assets and not as business combinations.

- d. Basis of measurement** – The financial statements were prepared on a historical cost basis, except for derivative financial instruments and the investment properties, which were recognized at fair value.
- e. Going concern basis of accounting** – FIBRAPL financial statements as of December 31, 2019 and 2018 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 14. 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. 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.

- **New currently effective requirements:** This table lists the recent changes to IFRS standards that are to be adopted in annual periods beginning on January 1, 2019.

Effective date		New currently effective requirements
		New standards or amendments
January 1, 2019	IFRS 16 leases	
	IFRIC 23 Uncertainty over Income Tax Treatments	
	Prepayment Features with Negative Compensation	
	Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	

As of December 31, 2019, new currently effective requirements do not have any significant impact on the financial statements of FIBRAPL.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

a. Foreign currency

i.- 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 Pesos. For presentation purposes of these financial statements, the results and financial position are reported in thousands of 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 ("OCI") and accumulated in equity.

b. Revenue from Contracts with Customers

IFRS 15 established principles to account for the nature, amount, timing and uncertainty of the income and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and has the ability to direct the use and obtain the benefits of the good or service. The standard replaced IAS 18 *Revenue* and IAS 11 *Construction Contracts and Related Interpretations*.

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 3h.

Rental recoveries includes mainly revenue from recoveries of property tax, utilities, insurance, and common areas maintenance in accordance with the lease agreements; other property income includes mainly late fees.

c. Finance costs

The FIBRAPL finance costs include:

- Interest income;
- Interest expense;

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

d. Income tax 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 CBFH holders on an annual basis. If the net taxable income during any fiscal year is greater than the distributions made to CBFH 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 in Mexico. VAT is triggered on a cash flow basis upon the performance of specific activities carried out within Mexico, and is charged at a rate of 16% throughout the country, except for in the north border zone where it is charged at a rate of 8% beginning in 2019.

For the year ended December 31, 2019, FIBRAPL reported a net taxable income of \$2,444.0 million Mexican Pesos, that will be fully distributed to the CBFH holders according to current Mexican Tax Law.

On December 27, 2018, FIBRAPL executed a purchase and sale agreement, subject to suspensory conditions, of an industrial portfolio of eight properties at \$1,230.5 million Mexican Pesos. The taxable income from the disposition was \$491.4 million Mexican Pesos and was accrued in FIBRAPL's operating taxable income distribution.

e. Other receivables and value added tax

For the year ended December 31, 2019 and 2018, receivable balances are mainly VAT paid in connection with the purchase of investment properties which will be reimbursed to FIBRAPL. FIBRAPL submits withholding taxes to the Mexican taxing authorities as a result of interest paid to foreign creditors, Withholding tax payments are recognized as an expense unless they are expected to be reimbursed to FIBRAPL by the foreign creditor.

f. Prepaid expenses

Prepaid expenses are recognized at historical cost and subsequently amortized against profit or loss during the period of benefits or services are obtained. As of December 31, 2019 and 2018, prepaid expenses are comprised primarily of prepaid insurance, real estate tax and other prepaid expenses attributable to the investment properties.

g. Assets held for sale

Investment property is classified as held for sale if FIBRAPL will recover the carrying amount principally through a sale transaction rather than through continuing use, the asset is available for immediate sale in its present condition subject only to terms that are usual or customary for sales of such assets, and the sale is considered highly probable to occur within the next twelve months. Assets held for sale are generally measured at the lower of their carrying value or fair value less costs to sell.

h. Investment properties and other 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 includes 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.

Rental income from investment properties is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income over the term of the lease.

Once classified as held-for-sale, assets are no longer valued as investment properties.

For presentation purposes and better understanding, FIBRAPL has presented in the Statements of financial position, separately in *"Other investment properties"* other than industrial.

i. Disposition of investment properties

FIBRAPL has opted to disclose the gain or loss on the disposition of an investment property in the gain or loss on valuation of investment properties in the statements of comprehensive income, instead of disclosing separately.

j. 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.

k. 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.

l. 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, as information reported to senior management is focused on the location of the respective properties, comprising of six reportable segments aggregated by geographic market have been identified disclosed in note 6.

m. Financial instruments

i. Recognition and initial measurement

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.

ii. Classification and subsequent measurement

Finance assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI- debt investment; FVOCI- equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless FIBRAPL changes its business model for managing financial assets, in which case all affected financial assets are reclassified to the new category at the time the change in the business model has occurred.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified as measured at fair value through income:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. (Only Payment of the Principal and Interest, or SPPI for its initials).

All financial assets not classified as measured at amortized cost or fair value through OCI as described above are measured at fair value through income. This includes all derivative financial assets (see Note 19). On initial recognition, FIBRAPL may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through OCI as at fair value through income if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

FIBRAPL makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to FIBRAPL's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with FIBRAPL's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through income.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), FIBRAPL considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, FIBRAPL considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit FIBRAPL's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets	Subsequent measurement and gains and losses
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gain and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities- Classification, subsequent measurement and gains and losses.

Financial liabilities are classified as measurement at mortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition, Financial liabilities at FVTPL are measured at fair value and net gain and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured amortized cost using the effective interest method, interest expense and foreign exchange gain and losses in profit or loss, any gains or losses on derecognition is also recognized in profit or loss.

iii. Derecognition

Financial assets

FIBRAPL derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which FIBRAPL neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

FIBRAPL derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. FIBRAPL also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in income.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, FIBRAPL currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Financial instruments and hedge accounting

FIBRAPL holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in income.

FIBRAPL designates certain derivatives swaps as hedging instruments to hedge its interest rate exposure which qualify for cash flow 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 of the period. See note 19.

n. Cash flow

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

o. Provisions

Provision for legal claims 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 reasonably 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.

p. 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.

q. 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.

r. Statement of comprehensive income

FIBRAPL presents ordinary costs and expenses on a combined function and nature basis, which makes it possible to reflect the profit levels, thus reporting more complete information.

The statement of comprehensive income of FIBRAPL presents its comprehensive results and OCI in one single financial statement, which groups OCI 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 years ended December 31, 2019 and 2018, FIBRAPL presented as OCI the translation effects from functional currency to reporting currency and unrealized gain on interest rate swaps.

Additionally, gross profit is calculated by subtracting operating costs and expenses from operating revenue, considering that this item contributes to a better understanding of the FIBRAPL economic and financial performance.

s. Earnings per CBFi

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

t. Contributed equity

The CBFis 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 CBFi.

u. Gross profit

Gross profit is the result generated from the continuing principal revenue-producing activities of FIBRAPL as well as other income and expenses related to operating activities. Gross profit excludes valuation of investment properties, asset management fees, incentive fees, finance costs, unused credit facility fees and net exchanges results.

v. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which

FIBRAPL has access at that date. The fair value of a liability reflects its non-performance risk.

A number of FIBRAPL accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities see note 2.c.i. and 2.c.ii.

When one is available, FIBRAPL measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then FIBRAPL uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, the FIBRAPL measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If FIBRAPL determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced either by a quoted price in an active market for an identical asset or liability or based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, FIBRAPL has not early adopted the following new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on FIBRAPL's financial statements.

Effective date	New standards or amendments
January 1, 2020	Amendments to References to Conceptual Framework in IFRS Standards
	Definition of a Business (Amendments to IAS and IAS 8)
	Definition of Material (Amendments to IAS 1 and IAS 8)
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

5. Rental revenues

Most of FIBRAPL's lease agreements associated with the investment properties contain a lease term in a range of three to ten years. Generally, these leases are based on minimal rental payments 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, 2019 exchange rate in Mexican Pesos, are as follows:

in thousands Mexican Pesos	Amount
Rental revenues:	
2020	\$ 3,088,904
2021	2,709,935
2022	2,200,486
2023	1,717,241
2024	1,249,195
Thereafter	2,831,546
	\$ 13,797,307

6. Segment reporting

Operating segment information is presented based on how management analyzes the business, which includes information aggregated by market. The results for these operating segments are presented for the years ended December 31, 2019 and 2018, while assets and liabilities are included as of December 31, 2019 and 2018. 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, 2019						
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Total
Revenues:							
Lease rental income	\$ 1,258,069	\$ 536,797	\$ 414,613	\$ 398,086	\$ 478,770	\$ 296,771	\$ 3,383,106
Rental recoveries	139,733	42,371	46,718	46,986	46,497	49,315	371,620
Other property income	33,217	29,681	4,121	419	2,549	52	70,039
	1,431,019	608,849	465,452	445,491	527,816	346,138	3,824,765
Costs and expenses:							
Property operating expenses	221,167	72,510	51,521	58,230	59,315	60,854	523,597
Gross Profit	\$ 1,209,852	\$ 536,339	\$ 413,931	\$ 387,261	\$ 468,501	\$ 285,284	\$ 3,301,168

in thousands Mexican Pesos	For the year ended December 31, 2018						
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Total
Revenues:							
Lease rental income	\$ 1,239,761	\$ 506,930	\$ 375,054	\$ 387,277	\$ 453,480	\$ 317,130	\$ 3,279,632
Rental recoveries	126,862	33,913	43,217	44,288	38,468	48,891	335,639
Other property income	15,149	35,006	2,620	1,637	3,696	104	58,212
	1,381,772	575,849	420,891	433,202	495,644	366,125	3,673,483
Costs and expenses:							
Property operating expenses	201,231	60,266	49,251	47,347	55,416	60,363	473,874
Gross Profit	\$ 1,180,541	\$ 515,583	\$ 371,640	\$ 385,855	\$ 440,228	\$ 305,762	\$ 3,199,609

in thousands Mexican Pesos	As of December 31, 2019						
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Total
Investment properties:							
Land	\$ 3,618,893	\$ 1,395,740	\$ 1,108,507	\$ 986,101	\$ 1,037,064	\$ 691,930	\$ 8,838,235
Buildings	14,475,573	5,582,961	4,434,027	3,944,408	4,148,255	2,767,718	35,352,942
	18,094,466	6,978,701	5,542,534	4,930,509	5,185,319	3,459,648	44,191,177
Rent leveling	126,726	60,817	70,960	77,364	44,306	40,292	420,465
Investment properties	\$ 18,221,192	\$ 7,039,518	\$ 5,613,494	\$ 5,007,873	\$ 5,229,625	\$ 3,499,940	\$ 44,611,642
Other investment properties	\$ 10,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,778
Long term debt	\$ 1,363,829	\$ 746,367	\$ 1,266,918	\$ -	\$ -	\$ -	\$ 11,174,214

in thousands Mexican Pesos	As of December 31, 2018						
	Mexico City	Guadalajara	Monterrey	Tijuana	Reynosa	Juarez	Total
Investment properties:							
Land	\$ 3,719,447	\$ 1,437,932	\$ 1,116,282	\$ 992,039	\$ 1,055,230	\$ 743,581	\$ 9,064,511
Buildings	14,877,782	5,751,731	4,465,131	3,968,156	4,220,922	2,974,324	36,258,046
	18,597,229	7,189,663	5,581,413	4,960,195	5,276,152	3,717,905	45,322,557
Rent leveling	153,202	45,932	55,510	62,066	41,450	46,334	404,494
Investment properties	\$ 18,750,431	\$ 7,235,595	\$ 5,636,923	\$ 5,022,261	\$ 5,317,602	\$ 3,764,239	\$ 45,727,051
Assets held for sale	\$ -	\$ 643,753	\$ 444,239	\$ -	\$ -	\$ 142,510	\$ 1,230,502
Long term debt	\$ 1,717,257	\$ 977,274	\$ 1,445,534	\$ -	\$ -	\$ 113,384	\$ 12,234,915

7. Earnings per CBFi

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

in thousands Mexican Pesos, except per CBFi	December 31, 2019	December 31, 2018
Basic and diluted earnings per CBFi (pesos)	\$ 3.34	\$ 4.63
Net income	2,159,193	2,972,203
Weighted average number of CBFis ('000)	647,282	642,222

As of December 31, 2019, FIBRAPL had 649,185,514 CBFis which includes 4,511,692 issued to the Manager on December 11, 2019. See note 15.

8. Trade receivables

As of December 31, 2019 and 2018, trade receivables of FIBRAPL were as follows:

in thousands Mexican Pesos	December 31, 2019	December 31, 2018
Trade receivables, net	\$ 80,614	\$ 95,466
Allowance for uncollectible trade receivables	(23,744)	(29,299)
	\$ 56,870	\$ 66,167

9. Other receivables and value added tax

As of December 31, 2019 and 2018, other receivables and value added tax were as follows:

in thousands Mexican Pesos	December 31, 2019	December 31, 2018
Value added tax	\$ -	\$ 124,632
Other receivables	10,301	46,450
	\$ 10,301	\$ 171,082

FIBRAPL submits withholding taxes to the Mexican tax authorities as a result of interest paid to foreign creditors. Withholding tax 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.

During the year, FIBRAPL recognized an expense of \$77.7 million Mexican Pesos related to non-recoverable taxes. Approximately half was VAT, not related with acquisition of properties and the remainder was withholding tax related to interest payments to foreign creditor. Both charges are non-recurring.

10. Prepaid expenses

As of December 31, 2019 and 2018, prepaid expenses of FIBRAPL were as follows:

in thousands Mexican Pesos	December 31, 2019	December 31, 2018
Real estate tax	\$ -	\$ 7
Insurance	601	1,274
Other prepaid expenses	2,694	879
	\$ 3,295	\$ 2,160

11. Assets held for sale

On December 27, 2018, FIBRAPL signed a purchase and sale agreement under suspensory conditions of an industrial portfolio of eight properties located in Guadalajara, Monterrey and Juarez markets with a leasable area of 1.07 million square feet and a fair value of \$1,230.5 million, which were sold on March 22, 2019 in an amount of \$1,171.5 million.

12. Investment properties

FIBRAPL obtained a valuation from independent appraisers in order to determine the fair value of its investment properties which resulted in a gain of \$275,835 and \$1,074,444 for the years ended December 31, 2019 and 2018, respectively.

a) As of December 31, 2019 and 2018, investment properties were as follows:

Market	Fair value as of December 31, 2019	# of properties	Lease area in thousands of square feet
Mexico City	\$ 18,221,192	54	13,530
Guadalajara	7,039,518	25	5,889
Monterrey	5,613,494	22	4,419
Tijuana	5,007,873	33	4,214
Reynosa	5,229,625	30	4,712
Juarez	3,499,940	28	3,234
Total	\$ 44,611,642	192	35,998

Market	Fair value as of December 31, 2018	# of properties	Lease area in thousands of square feet
Mexico City	\$ 18,750,431	53	13,494
Guadalajara	7,235,595	25	5,837
Monterrey	5,636,923	22	4,315
Tijuana	5,022,261	33	4,214
Reynosa	5,317,602	30	4,712
Juarez	3,764,239	30	3,426
Total	\$ 45,727,051	193	35,998

The table above includes an Intermodal facility in the Mexico City market with a leasable area of 1,092 square feet and a fair value of \$309,512.

As of December 31, 2019, the fair value of investment properties includes excess land in the Monterrey market of \$111,915.

As of December 31, 2019, 20 of the properties from FIBRAPL are encumbered by certain bank loans as described in note 14.

As of December 31, 2019, and 2018, the balance of investment properties included rent leveling assets of \$420,465 and \$404,494, respectively.

Disclosed below is the valuation technique used to measure the fair value of investment properties, along with the significant unobservable inputs used.

i) Valuation technique

The valuation model considers the present value of net cash flows to be generated by the property, taking into account the expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.

ii) Significant unobservable inputs

	2019	2018
Occupancy rate	97.6%	97.4%
Risk adjusted discount rates	from 8.0% to 11.3% Weighted average 8.9%	Del 7.0% al 10.0% Promedio ponderado 7.6%
Risk adjusted capitalization rates	from 6.8% to 9.8% Weighted average 7.5%	Del 6.8% al 9.8% Promedio ponderado 7.7%

iii) Interrelationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- a. - Expected market rental income per market were higher (lower);
- b. - Vacancy periods were shorter (longer);
- c. - The occupancy rate was higher (lower);
- d. - Rent-free periods were shorter (longer); or
- e. - The risk adjusted discount rate were lower (higher)

- b) The reconciliation of investment properties for the years ended December 31, 2019 and 2018 are as follows:

in thousands Mexican Pesos	For the year ended December 31,	
	2019	2018
Beginning balance	\$ 45,727,051	\$ 43,932,382
Assets held for sale realized	1,230,502	-
Translation effect from functional currency	(1,836,253)	(191,131)
Acquisition of investment properties	71,222	1,568,565
Acquisition costs	10,592	46,435
Disposition of investment properties	(1,363,020)	-
Capital expenditures, leasing commissions and tenant improvements	479,742	458,269
Rent leveling	15,971	68,589
Gain on valuation of investment properties	275,835	1,074,444
Assets held for sale	-	(1,230,502)
Ending balance of investment properties	\$ 44,611,642	\$ 45,727,051

- c) During the years ended December 31, 2019 and 2018, capital expenditures, leasing commissions and tenant improvements of FIBRAPL were as follows:

in thousands Mexican Pesos	For the year ended December 31,			
	2019		2018	
Capital expenditures	\$	201,113	\$	183,069
Leasing commissions		142,092		114,063
Tenant improvements		136,537		161,137
	\$	479,742	\$	458,269

13. Other investment properties

On December 20, 2019, FIBRAPL acquired an industrial property located in the Mexico City market with a leasable area of 41,779 square feet, which includes 5,673 office square feet. The property has a fair value of \$10,778.

14. Long term debt

As of December 31, 2019 and 2018, 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	December 31, 2019		December 31, 2018		
					thousands U. S. Dollars	thousands Mexican Pesos	thousands U. S. Dollars	thousands Mexican Pesos	
Citibank (Unsecured) #1	b.	USD	December 18, 2020	LIBOR+ 245bps	-	\$ -	255,000	\$ 5,012,433	
Citibank NA Credit facility (Unsecured)	c.	USD	July 18, 2022	LIBOR + 250bps	-	-	105,000	2,063,943	
Citibank (Unsecured) #2	d.	USD	July 18, 2022	LIBOR + 245bps	150,000	2,830,905	150,000	2,948,490	
Citibank (Unsecured) #3	e.	USD	March 15, 2023	LIBOR+ 245bps	225,000	4,246,358	225,000	4,422,735	
Citibank (Unsecured) #4	f.	USD	February 6, 2024	LIBOR+ 235bps	290,000	5,473,083	-	-	
Prudential Insurance Company and Metropolitan Life Insurance Co. (The Pru-Met Loan) 1st. Section (Secured)	a.	USD	February 1, 2026	4.67%	53,500	1,009,689	53,500	1,051,628	
Prudential Insurance Company and Metropolitan Life Insurance Co. (The Pru-Met Loan) 2nd. Section (Secured)	a.	USD	February 1, 2026	4.67%	53,500	1,009,689	53,500	1,051,628	
					Total	772,000	14,569,724	842,000	16,550,857
Long term debt interest accrued					1,552	29,298	1,207	23,726	
Deferred financing cost					(2,527)	(47,694)	(4,387)	(86,219)	
					Total debt	771,025	14,551,328	838,820	16,488,364
Less: Current portion of long term debt					1,552	29,298	1,207	23,726	
Total long term debt					769,473	\$ 14,522,030	837,613	\$ 16,464,638	

During the years ended December 31, 2019 and 2018, FIBRAPL paid interest on long term debt of \$712,810 and \$662,329 respectively, and principal of \$3,097,965 and \$2,675,521, respectively.

Cash transactions in long term debt

in thousands Mexican Pesos	Beginning balance	Long term debt borrowings	(Long term debt payments)	(Interest paid)	Cash transactions			Non Cash transactions	
					Total cash transactions	Amortizations	Revaluation and others	December 31, 2019	
Principal	\$ 16,550,857	\$ 1,736,006	\$ (3,097,965)	\$ -	\$ 15,188,898	\$ -	\$ (619,174)	\$	14,569,724
Long term debt interest	23,726	-	-	(712,810)	(689,084)	693,391	24,991		29,298
Deferred financing cost	(86,219)	-	-	-	(86,219)	37,185	1,340		(47,694)
Total debt	\$ 16,488,364	\$ 1,736,006	\$ (3,097,965)	\$ (712,810)	\$ 14,413,595	\$ 730,576	\$ (592,843)	\$	14,551,328

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

- a. This loan is secured by 20 properties; such properties and their cash flows are subject to a Mexican law guarantee security trust for the benefit of the lenders.
- b. Unsecured senior term loan facility was scheduled to mature on December 18, 2019 however FIBRAPL may extend the maturity until December 18, 2020.1 Pricing was LIBOR plus 245 basis points and could have been adjusted depending on the loan to value or credit rating of FIBRAPL. As of December 31, 2019, FIBRAPL has no outstanding balance. As the loan was paid off with borrowings from the loan described in paragraph f.
- c. On July 18, 2017, FIBRAPL renegotiated its credit facility with Citibank N.A. As of December 31, 2019, FIBRAPL has an unsecured \$325.0 million U.S. dollar revolving credit facility (the "Credit Facility") with Citibank N.A. as the administrative agent; \$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) Balanced Interbank Interest Rate (TIIE by its initials in Spanish) plus 220 basis points denominated in Mexican peso, subject to loan to value grid, and a 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, 2019, FIBRAPL has no outstanding balance.

- d. On July 18, 2017, FIBRAPL borrowed \$150.0 million U.S. dollars (\$2,830.9 million Mexican Pesos) on a new unsecured term loan with Citibank ("Citibank (Unsecured) #2"), 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 will be extended at the borrower's option and with approval of the lender's Risk Committee. The borrowings were used to pay down the existing facility.
- e. On March 15, 2018, FIBRAPL borrowed \$225.0 million U.S. dollars (\$4,246.4 million Mexican Pesos) on a new unsecured term loan with Citibank ("Citibank (Unsecured) #3"), which matures on March 15, 2022, and carries an interest rate of LIBOR plus 245 basis points. The terms of the note contain one year extension options which may be extended at the borrower's option and with approval of the lender's Risk Committee. The borrowings were used to pay down the existing facility.

- f. On February 6, 2019, FIBRAPL borrowed \$290.0 million U.S. dollars (\$5,473.1 million Mexican Pesos) on a new senior unsecured term loan with Citibank (“Citibank (Unsecured) #4”), which matures on February 6, 2024, and carries an interest rate of LIBOR plus 235 basis points. The terms of the note contain a one-year extension option which may be extended at the borrower’s option and with approval of the lenders’ Risk Committee. The borrowings were used to repay the unsecured term loan Citibank, N.A. (“Citibank (Unsecured) #1”), in the amount of \$255.0 million U.S. dollars (\$4,866.0 million Mexican Pesos) with Citibank N.A. as the administrative agent. FIBRAPL recognized a loss due to the extinguishment of debt by \$0.8 million U.S. dollars (\$15.7 million Mexican Pesos). The borrowings were used to pay down \$35.0 million U.S. dollars (\$667.9 million Mexican Pesos) of the Credit Facility with Citibank N.A.

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, 2019, FIBRAPL was in compliance with all its covenants.

15. Equity

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.

On November 16, 2018, FIBRAPL recorded 5,811,051 CBFIs issued based on the annual incentive fee approved in the ordinary holders meeting on July 5, 2018.

On December 11 2019, FIBRAPL recorded 4,511,692 CBFIs issued based on the annual incentive fee approved in the ordinary holders meeting on July 2, 2019.

As of December 31, 2019 and 2018, total CBFIs outstanding were 649,185,514, and 644,673,822 respectively.

Total CBFI holder's capital is as follows:

in thousands Mexican Pesos	December 31, 2019	December 31, 2018
Trust certificates	\$ 17,694,163	\$ 17,521,536
Issuance cost	(508,949)	(508,949)
Distributions	(3,060,260)	(3,060,260)
	\$ 14,124,954	\$ 13,952,327

16. 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. FIBRAPL rules establish a 4-year minimum hold period for real 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 Net Operating Loss (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 as of December 31, 2019 and 2018, 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
December 31, 2019				
Trade payables	\$ 69,159	\$ -	\$ -	\$ 69,159
Due to affiliates	49,161	-	-	49,161
Principal of long term debt	29,298	12,502,652	2,019,378	14,551,328
Interest	622,931	1,667,913	7,323	2,298,167
Hedge Instrument	2,764	58,919		61,683
December 31, 2018				
Trade payables	\$ 121,559	\$ -	\$ -	\$ 121,559
Due to affiliates	52,476	-	-	52,476
Principal of long term debt	23,726	14,337,656	2,103,256	16,464,638
Liabilities related with assets held for sale	6,815	-	-	6,815
Interest	415,971	915,658	100,642	1,432,271

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 the 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 FIBRAPL 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	\$ (1,524,873)	(3.45%)
0.25% decrease	\$ 1,663,108	3.76%

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 entered into hedging instruments to protect against fluctuations in interest rates.

As of December 31, 2019, all variable rate debt that FIBRAPL had was held with the Citibank unsecured loan and the borrowing from the Credit Facility.

Credit Sensitivity Analysis with Variable Interest Rate Not Hedged

For the portion of \$50.0 million U.S. dollars from the Citibank Unsecured #4 loan and the Credit Facility U.S. dollars that are not hedged by the swap instruments, as of December 31, 2019, a variation of +/- 0.50% in interest rates would increase or decrease the annual interest expense as follows:

Variation %	Income Statement Effect
0.50% increase	\$ 4,718
0.50% decrease	\$ (4,718)

Credit Sensitivity Analysis with Variable Interest Rate Hedged

For the portion of the \$615.0 million U.S. dollars from the Citibank unsecured term loan #2, #3 and #4 that are hedged by the swaps instruments, as of December 31, 2019, a variation of +/- 0.50% on interest rate would increase or decrease the annual interest expense as follows:

Variation %	Income Statement Effect
0.50% increase	\$ (251)
0.50% decrease	\$ 251

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 67.1% and 68.6% of revenues under FIBRAPL lease agreements, and 100% of debt financings as of December 31, 2019 and 2018 and for the years then ended, respectively, are denominated in U.S. dollars.

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

in thousands Mexican Pesos	2019	2018
Assets		
Cash	\$ 104,830	\$ 213,963
Trade receivables	36,877	51,323
Other receivables and value added tax	-	124,632
Prepaid expenses	259	668
	141,966	390,586
Liabilities		
Trade payables	51,926	96,302
Value added tax payable	356	-
Due to affiliates	-	52,476
Security deposits	50,862	45,213
	103,144	193,991
Net statement of financial position exposure	\$ 38,822	\$ 196,595

The U.S. dollar to Mexican peso exchange rate as of December 31, 2019 and 2018, as well as the average exchange rates of the respective years, are as follows:

exchange rate	As of December 31,	
	2019	2018
U.S. dollar vs. Mexican Peso	18.8727	19.6566
Average for the years ended December 31, 2019 and 2018	19.2597	19.2378

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 management 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 67.1% of lease agreements and 100% of debt in 2019 and does not require an additional analysis.

Credit Risk

Credit risk is the risk of financial loss that FIBRAPL faces if a customer or counterparty in a financial instrument does not comply with its contractual obligations, and mainly consists from accounts receivable and FIBRAPL investment instruments.

The carrying value of the financial assets and contract assets represent the maximum exposure to credit risk.

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, 2019 and 2018, all of the leases in the portfolio had an annual rent increase. In addition, most of the leases are triple A 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, 2019 and 2018, the portfolio was 97.6% and 97.4% leased, respectively.

17. 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	Carrying amount				As of December 31, 2019			
	Designated at fair value	Cash and receivables	Other financial liabilities	Total	Fair value			
					Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Investment properties	\$ 44,611,642	\$ -	\$ -	\$ 44,611,642	\$ -	\$ -	\$ 44,611,642	\$ 44,611,642
Other real investment properties	10,778	-	-	10,778	-	-	10,778	10,778
Interest rate swaps (*)	7,338	-	-	7,338	-	7,338	-	7,338
	\$ 44,629,758	\$ -	\$ -	\$ 44,629,758	\$ -	\$ 7,338	\$ 44,622,420	\$ 44,629,758
Financial assets not measured at fair value								
Cash	\$ -	\$ 182,792	\$ -	\$ 182,792	\$ -	\$ -	\$ -	\$ -
Trade receivables	-	56,870	-	56,870	-	-	-	-
	\$ -	\$ 239,662	\$ -	\$ 239,662	\$ -	\$ -	\$ -	\$ -
Financial liabilities not measured at fair value								
Trade payables	\$ -	\$ -	\$ 69,159	\$ 69,159	\$ -	\$ -	\$ -	\$ -
Due to affiliates	-	-	49,161	49,161	-	-	-	-
Long term debt	-	-	14,551,328	14,551,328	-	14,632,144	-	14,632,144
	\$ -	\$ -	\$ 14,669,648	\$ 14,669,648	\$ -	\$ 14,632,144	\$ -	\$ 14,632,144
Financial liabilities measured at fair value								
Hedge instruments	\$ -	\$ -	\$ 61,683	\$ 61,683	\$ -	\$ 61,683	\$ -	\$ 61,683
	\$ -	\$ -	\$ 61,683	\$ 61,683	\$ -	\$ 61,683	\$ -	\$ 61,683

(*) FIBRAPL holds an income approach based on the valuation of discounted future cash flows, as well as the estimation of the present value using discount rates and interest rate curves LIBOR \$1M SMP for the estimation of the variable component of these flows and risk free interest curves in USD to discount them.

in thousands Mexican Pesos	Carrying amount				As of December 31, 2018			
	Designated at fair value	Cash and receivables	Other financial liabilities	Total	Fair value			
					Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Investment properties	\$ 46,957,553	\$ -	\$ -	\$ 46,957,553	\$ -	\$ -	\$ 46,957,553	\$ 46,957,553
Interest rate swaps (*)	77,201	-	-	77,201	-	77,201	-	77,201
	\$ 47,034,754	\$ -	\$ -	\$ 47,034,754	\$ -	\$ 77,201	\$ 46,957,553	\$ 47,034,754
Financial assets not measured at fair value								
Cash	\$ -	\$ 339,276	\$ -	\$ 339,276	\$ -	\$ -	\$ -	\$ -
Trade receivables	-	66,167	-	66,167	-	-	-	-
	\$ -	\$ 405,443	\$ -	\$ 405,443	\$ -	\$ -	\$ -	\$ -
Financial liabilities not measured at fair value								
Trade payables	\$ -	\$ -	\$ 121,559	\$ 121,559	\$ -	\$ -	\$ -	\$ -
Due to affiliates	-	-	52,476	52,476	-	-	-	-
Long term debt	-	-	16,488,364	16,488,364	-	16,502,776	-	16,502,776
	\$ -	\$ -	\$ 16,662,399	\$ 16,662,399	\$ -	\$ 16,502,776	\$ -	\$ 16,502,776

(*) FIBRAPL holds an income approach based on the valuation of discounted future cash flows, as well as the estimation of the present value using discount rates and interest rate curves LIBOR \$1M SMP for the estimation of the variable component of these flows and risk free interest curves in USD to discount them.

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.

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:** 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, must be approved at the ordinary holders meeting 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 period. As of December 31, 2019 and 2018, FIBRAPL recorded an incentive fee expense in the amount of \$172.6 million Mexican Pesos (\$8.7 million U.S. dollars) and \$205.4 million Mexican Pesos (\$10.3 million U.S. dollars), respectively.
- 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. **Due to Affiliates**

As of December 31, 2019 and 2018, the outstanding balances due to related parties were as follows:

in thousands Mexican Pesos	December 31, 2019	December 31, 2018
Asset management fees	\$ -	\$ 34,062
Property management fees	9,363	9,551
Leasing Fee	39,798	8,863
	\$ 49,161	\$ 52,476

As of December 31, 2019 and 2018, asset management fees, property management fees and leasing fees are due to the Manager while capital expenditures reimbursements are due to affiliates of the Manager.

c. **Transactions with affiliates**

Transactions with affiliated companies for the years ended December 31, 2019 and 2018, were as follows:

in thousands Mexican Pesos	For the year ended December 31,	
	2019	2018
Acquisition of properties	\$ -	\$ 1,568,565
Dividends	\$ 714,894	\$ 677,507
Asset management fee	\$ 338,503	\$ 328,175
Property management fee	\$ 114,491	\$ 109,224
Leasing commissions	\$ 33,251	\$ 43,077
Development fee	\$ 6,980	\$ 5,499
Maintenance costs	\$ 9,521	\$ 5,414
Incentive Fee*	\$ 172,627	\$ 205,364

*The transaction was executed with the Manager and 4,511,692 (\$172.6 million Mexican Pesos) in CBFIs issued on December 11, 2019.

19. Hedging activities

As of December 31, 2019, FIBRAPL has a liability of \$61.7 million Mexican Pesos related to interest rate swap contracts and an asset of \$7.3 million Mexican Pesos related to currency option contracts.

Interest Rate Swaps

As of December 31, 2019, FIBRAPL has two interest rate swap contracts with Bank of Nova Scotia and HSBC Bank USA, whereby, FIBRAPL pays a fixed rate of interest of 1.7462% and receives a variable rate based on one month LIBOR. The swaps mature on August 6, 2021 and they hedge the exposure to \$240.0 million on the variable interest rate payments on the \$290.0 million U.S. dollar (each swap maintains a \$120.0 million U.S. dollar notional amount) variable rate unsecured term loan with Citibank (Citibank (Unsecured) #4). See note 14.

As of December 31, 2019, FIBRAPL has two interest rate swap contracts with Bank of Nova Scotia and HSBC Bank USA, whereby, FIBRAPL pays a fixed rate of interest of 2.486% and receives a variable rate based on one month LIBOR. The swaps mature on March 15, 2021 and they hedge the exposure to the variable interest rate payments on the \$225.0 million U.S. dollar (each swap maintains a \$112.5 million U.S. dollar notional amount) variable rate unsecured term loan with Citibank (Citibank (Unsecured) #3). See note 14.

As of December 31, 2019, FIBRAPL has two interest rate swap contracts with Bank of Nova Scotia and HSBC Bank 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 (Citibank (Unsecured) #2). See note 14.

The interest rate swaps meet the criteria for hedge accounting and therefore have been designated as cash flow hedging instruments. Accordingly, the fair value of the swaps as of December 31, 2019, of \$61.7 million Mexican Pesos the annual effect has been recognized in OCI as unrealized loss 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*	December 31,	
				2019	2018
Bank of Nova Scotia	April 16, 2018	March 15, 2021	112.5	\$ (22,953)	\$ (856)
HSBC Bank USA	April 16, 2018	March 15, 2021	112.5	(22,952)	(850)
Bank of Nova Scotia	October 18, 2017	October 18, 2020	75.0	(1,382)	19,320
HSBC Bank USA	October 18, 2017	October 18, 2020	75.0	(1,382)	19,315
Bank of Nova Scotia	June 23, 2016	August 6, 2021	120.0	(6,507)	16,126
HSBC Bank USA	June 23, 2016	August 6, 2021	120.0	(6,507)	24,146
				\$ (61,683)	\$ 77,201

* (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.

As of December 31, 2019 and 2018, FIBRAPL has unrealized loss on interest rate swaps of \$136,202 and \$9,271, respectively, presented in other equity accounts in statement of changes in equity.

Currency Option Contracts

On December 20, 2019, FIBRAPL entered into a foreign currency rate option with HSBC Bank USA, National Association of \$5.0 million U.S. dollars (\$100.0 million Mexican Pesos) to fix an option rate over its quarterly Mexican peso transactions.

Start date	End date	Settlement date	Forward rate	Fair Value	Notional amount in thousands of Mexican Pesos	Fair value as of December 31, 2019	
						Thousands of Mexican Pesos	Thousands of U.S. dollars
January 1, 2020	March 31, 2020	April 2, 2020	19.5000 USD-MXN	Level 2	\$ 100,000	\$ 136	\$ 7
April 1, 2020	June 30, 2020	July 2, 2020	19.5000 USD-MXN	Level 2	\$ 100,000	\$ 1,217	\$ 64
July 1, 2020	September 30, 2020	October 2, 2020	19.5000 USD-MXN	Level 2	\$ 100,000	\$ 2,385	\$ 126
October 1, 2020	December 31, 2020	January 5, 2021	19.5000 USD-MXN	Level 2	\$ 100,000	\$ 3,600	\$ 191
Total						\$ 7,338	\$ 388

FIBRAPL's exchange rate options 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 loss on exchange rate hedge instruments of \$13,274, and a realized loss on exchange rate hedge instruments of \$1,450.

As of December 31, 2019, the fair value of the currency rate options were \$7.3 million Mexican Pesos.

20. Commitments and contingencies

FIBRAPL had no significant commitments or contingencies other than those described in these notes as of December 31, 2019.

21. Subsequent Events

On February 10, 2020, FIBRAPL hosted an ordinary certificate holders' meeting to approve the additional issuance of 200 million CBFIs, to grant a preferential right to existing CBFI holders to subscribe to the additional CBFIs, and to increase the total amount of registered CBFIs by 200 million and up to \$8,300.0 million Mexican Pesos (\$441.4 million U.S. dollars).

On January 31, 2020, FIBRAPL distributed cash to its CBFI holders, which was considered a return of capital, in the amount of \$0.5828 Mexican Pesos per CBFI (approximately \$0.0310 U.S. dollars per CBFI), equivalent to \$378.3 million Mexican Pesos (\$20.1 million U.S. dollars).

On January 30, 2020, FIBRAPL obtained \$25.0 million U.S dollars (\$473.5 million Mexican Pesos) of the Credit Facility with Citibank N.A.

22. Financial statements approval

On February 12, 2020, the issuance of these financial statements was authorized by Jorge Roberto Girault Facha, Finance Vice President.

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