

F U N O

ANNUAL &
SUSTAINABILITY
REPORT
2016



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REPORT
2016**

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INFORMATION



PHOTO:
CORPORATIVO FUNO SAMARA

1. LETTER FROM THE CEO

Dear investors,

Once again I am very pleased to share with you the excellent performance that showed the very best property portfolio that could exist in Mexico, during a year that was full of changes and challenges, which we managed to sort successfully. We have been growing for 24 quarters in a row, with margins over 80% and consolidated occupancies around 95%. Since we started reporting the same-store-rents metric, we have always shown consistent growth above inflation. This performance is a result of the unparalleled quality of our property portfolio, operated by the best team of professionals in the country.

The real estate business is a long-term one; our investment, management and financing decisions are focused to maximize the value of the portfolio over time. For example, during 2016 we issued nominal, long-term, fixed-rate bonds because we consider that it is optimal to fund a cyclical business such as ours. This limited, in the very short-term, the growth of our Company's funds from operations during the year; nonetheless, we financed assets with real returns by using fixed-rate, long-term bonds with attractive, nominal rates.

As of the closing of 2016, our existing portfolio was totally funded, including our properties under development, which have not yet contributed revenues and that will start generating income during the following quarters. In other words, la Company has already paid all the required investment for its current asset base, which implies that cash flows from developments will be reflected directly at FUNO's funds from operations in the near future.

Today, five years after our initial public offering, I would like to remind you of FUNO's philosophy and business model, which are founded on a long-term, total return, and that are achieved mainly by the appreciation of our property portfolio over time, and by generating stable cash flows during the business cycle. This is accomplished by having the best locations in the country, the highest-quality assets with competitive rents, with excellent, long-lasting relationships with tenants, and by having available space to solve their expansion needs, all financed under a prudent leverage strategy.

Economic and demographic growth in Mexico generate scarcity of locations and irreplaceable assets, which boosts the value of FUNO's properties.

During 2016, FUNO turned 5 years. These have been 5 years of challenges and satisfactions, in which we have achieved very important objectives and where we have been the first in everything for our sector. Since our debut in public equity markets we have changed the face of the real estate industry in Mexico and we have become a benchmark. Prior to FUNO, the real estate market was not represented in the stock market and financing options for the sector were limited and inefficient. Today there is a publicly-traded real estate sector with several and efficient financing options. Today, local pension funds and retail investors can access commercial real estate through FIBRAs, something that was not possible 5 years ago.

During these first 5 years we executed our growth strategy in order to meet our tenants' real estate needs through acquisitions, developments, and conversions, increasing our gross leasable area more than 14x; from around 500,000 sqm to more than 7.4 million sqm at the end of 2016. We have raised more than 120 billion Pesos from financial markets, through 4 equity offerings and 6 bond issuances. We have invested this capital in a profitable and efficient manner, generating long-term value. We were able to achieve this given our unique and innovative business model and our 100% real estate-driven

strategy. In addition to the equity offerings, we were the first FIBRA to issue public debt, both in Mexico and overseas, the first FIBRA to secure a dual-currency line of credit, and the first FIBRA to create, together with local pension funds, an external development vehicle to finance large-scale, mixed use projects. We want to keep being the first in everything related to the evolution of our asset class and to the development of the Mexican real estate market.

In 2016 we achieved yet another important milestone by developing and implementing our environmental, social and sustainability strategy. It was 100% internally developed, which positions FUNO as one of the very few real estate companies in the world that do not use third parties to implement these strategies. This, together with our initiative to join the United Nations Global Compact and adopt its 10 principles speaks highly about FUNO and its commitment to its people, the community and the planet.

Also, during 2016 we formalized our investment with HELIOS, our external development vehicle. Through this co-investment, FUNO will develop the new Mitikah project, which we believe is the most important in Latin America given its scale and the impact it will have in the southern district of Mexico City. HELIOS is fruit of FUNO's constant innovation and its management team's capabilities of creating value and profitability over the long-term, and of the appetite of local investors to invest in the real estate sector. Thanks to HELIOS, FUNO will be able to maximize the value of a large-scale, mixed-use project without diluting significantly FUNO's cash flows and with an active participation on the development and stabilization stages. All of the above represent an enormous value creation potential, which has been FUNO's commitment since its creation in 2011.

Within these first 5 years we have achieved our profitability and growth targets by generating sustainable value over time. We believe that Mexico will continue to be an important destination for foreign investment, which will indeed present us with excellent opportunities. We are optimistic of continue to invest in our country and to keep being the leader in our sector. Without a doubt, 2017 will be an even more challenging year, but I am convinced that FUNO will be able to overcome challenges once again.

Our main objective is the same and our commitments are still outstanding. We want to generate the most sustainable value over time through the appreciation of our properties, while we operate our portfolio in an efficient and profitable manner.

These first 5 years and only the beginning of our great story. There is still a lot to do, and even more value to create and capture. For us is very important to keep focused in the objectives and commitments on which FUNO is founded. The best is yet to come. Many thanks for your trust.

Sincerely,

ANDRÉ EL-MANN
CEO, FUNO

PHOTO:
TORRE REFORMA LATINO



2. FINANCIAL & OPERATING SUMMARY

Financial Indicators	2016	2015	2014	Δ% '15 vs '16
Property revenue	11,914.4	9,723.2	7,114.1	22.5%
Total revenue	13,252.8	10,724.9	7,822.0	23.6%
Net operating income (NOI)	10,667.1	8,645.6	6,404.7	23.4%
NOI margin	80.5%	80.6%	81.9%	-0.1%
Funds from operations (FFO)	6,411.3	5,763.2	3,983.0	11.2%
FFO margin	53.8%	59.3%	56.0%	-5.5%
Distribution per CBFI	1.9831	1.9957	1.8246	-0.6%

Assets				
Cash and equivalents	7,510.2	8,296.5	20,029.3	-9.5%
Other assets	11,673.2	13,715.8	24,047.2	-14.9%
Investment properties	177,918.2	155,463.8	117,806.3	14.4%
Total assets	192,027.0	171,301.2	144,142.9	12.1%

Liabilities and Equity				
Short-term debt	633.9	10,123.6	1,791.9	-93.7%
Long-term debt	64,722.2	44,209.4	34,128.7	46.4%
Other liabilities	4,124.9	12,769.1	4,304.8	-67.7%
Total liabilities	69,383.6	57,942.8	39,067.5	19.7%
Total equity	120,805.2	113,358.4	105,075.5	6.6%

Operational Indicators				
CBFIs outstanding (mm)	3,249.3	3,197.6	2,878.4	1.6%
Gross leasable area (sqm)	7,369,935	7,079,274	5,951,241	4.1%
Gross leasable rea under development ¹ (sqm)	793,073	957,536	1,162,249	-17.2%
Occupancy	94.4%	95.0%	95.3%	-0.6%
Industrial	96.5%	96.9%	97.5%	-0.4%
Retail	93.6%	93.2%	94.8%	0.4%
Offices	88.2%	92.9%	90.9%	-4.7%

Figures in million pesos except per CBFI data and GLA
1- Includes Mitikah



PHOTO :
TORRE DIANA

3. MISSION, VISION & VALUES

MISSION

To create sustainable value in our properties through leasing, operating, acquiring and developing real estate in key locations with high economic dynamism and favorable growth prospects in Mexico, always aiming to match our business model with our tenants' growth strategies, mainly in the retail, industrial and office segments.

VISION

The focus to achieve our Mission is to fulfill our main objectives as follows:

- Be the first option to satisfy our tenants' real estate needs;
- Maintain geographic and segment diversification in markets with favorable growth prospects;
- Continue to be the leading real estate lessor, operator and developer in Mexico;
- Contribute positively to the development of Mexico and of the communities where we operate real estate;
- Grow our property portfolio through profitable acquisitions and developments, under favorable financing conditions and aimed at the creation of sustainable value for our investors;
- Maintain our commitment to social and environmental responsibility; and
- Always seek a sustainability focus.

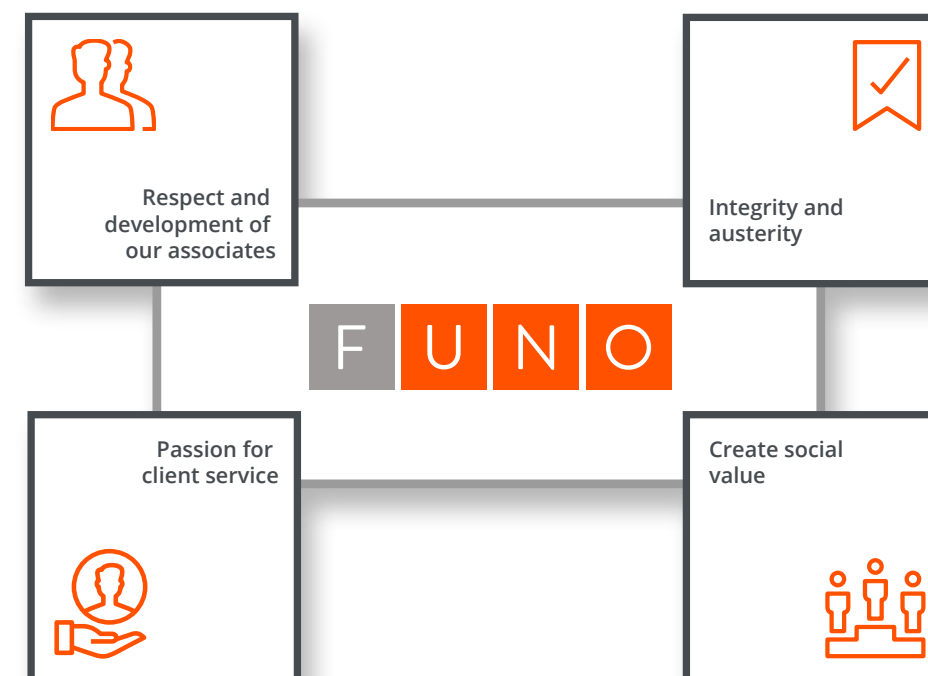
VALUES

Respect and development of FUNO's members - We support respect and development of all our members so that we can access better opportunities, enhancing economic, personal, professional and social growth.

Integrity and austerity - We act in an honest and responsible way, in connection with high ethics principles, always reflecting respect in our behavior towards our members, clients and investors.

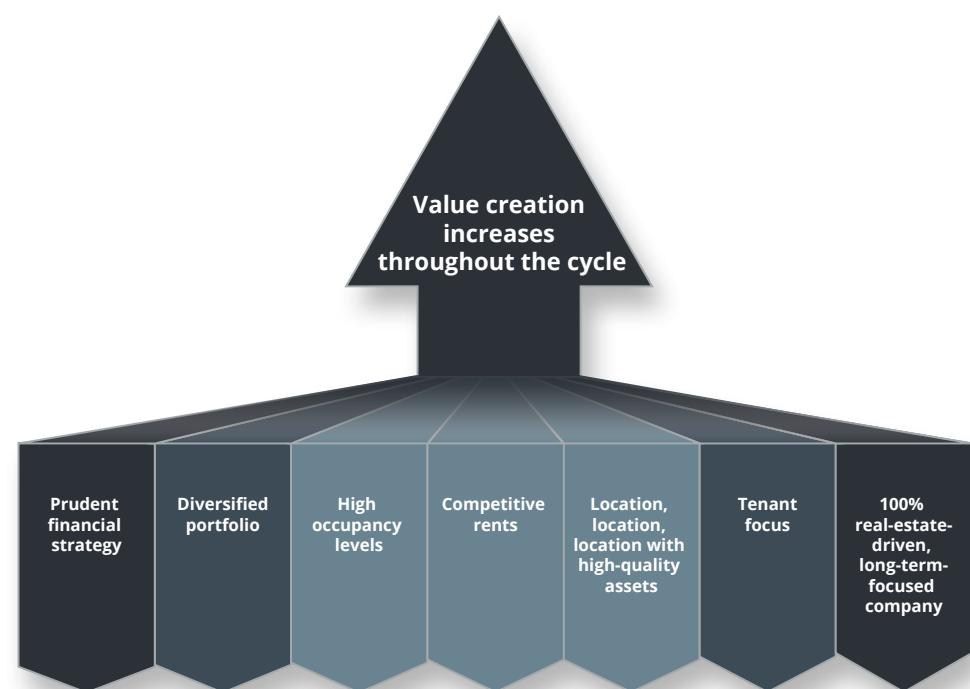
Passion for customer service - We are focused on identifying and fulfilling the needs of our tenants, always seeking their preference, through high-quality, flexible, and innovative solutions with competitive prices.

Social value creation - We seek to positively reshape Mexico by contributing to the development of the communities where we operate real estate, through creating economic, social and environmental value. In FUNO our target is to build, transform, and modify projects with the highest-quality standards in the world. With this we contribute to the growth and development of Mexico through sources of wealth and employment. FUNO grows with Mexico and its people.



4. STRATEGY & BUSINESS MODEL

FUNO's business model is designed to create sustainable value over time.



FUNO's goal is to generate the most value through time

100% real-estate-driven Company with long-term focus

FUNO was founded by a group of real estate businessmen with more than 40 years of experience in the sector. Through more than 4 decades, the group of founders has gone over all the major economic and financial crises of the country, which has given them all the market insight over which they designed the company.

FUNO is 100% real-estate-driven with a long-term focus. The basis of the real estate business is the appreciation of the property value over time, preserving the capital and generating profitable cash flows.

Focus on the tenants

FUNO is totally and especially committed to its tenants. Long-lasting business relationships are key to FUNO's growth strategy because the Company has become the real estate solution for many of them in the different segments it operates. Our tenants' growth means FUNO's growth.

Location, location, location with high-quality assets

The key component of our business is the location. FUNO aims to have the absolute best locations in the country with high-quality assets. A good location is essential for FUNO's strategy and for all of our tenants in the three segments: retail, industrial, and offices.

A good location guarantees that the asset is profitable over time, being the most important value generator for us.

Industrial – We have the best locations in the most important logistics corridors of Mexico, with broad access to major roads and highways that connect virtually all the country. Additionally, we have excellent locations in the most dynamic light manufacturing export markets. A good location ensures that our industrial tenants have the access they need and that they can move their products efficiently. The quality and specifications of our industrial facilities meet the highest world standards required by all our clients and facilitate the improvements they might need.



PHOTO:
PATIO REVOLUCIÓN

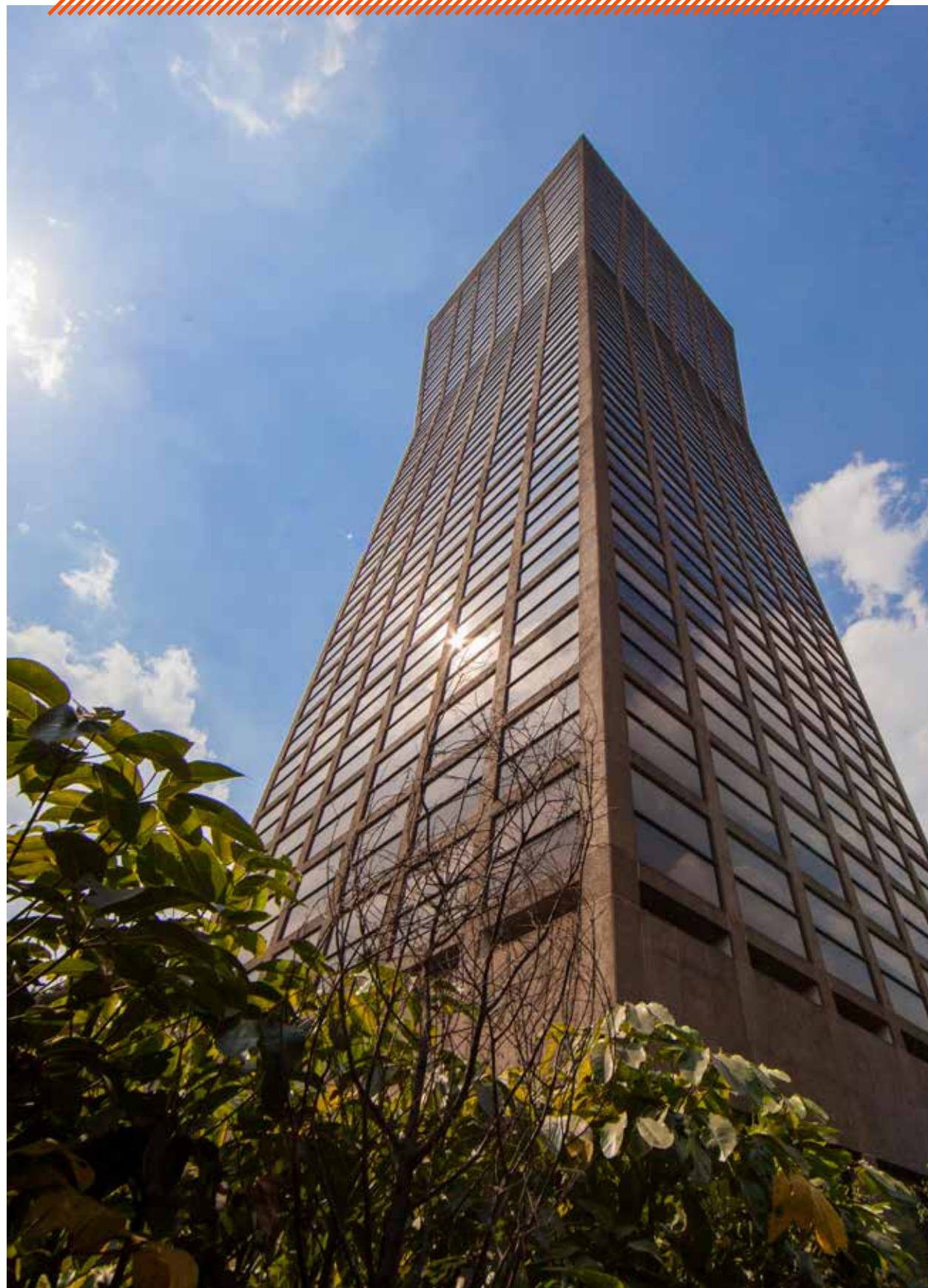


PHOTO:
TORRE MEXICANA

Retail – FUNO covers all the retail spectrum with the best locations with high consumption and economic dynamism. It is very important to have footprint in urban areas of the most important cities of Mexico. Our properties have become successful social and consumption centers, with many varied entertainment options that go in line with current trends. In many cases, our shopping centers have changed the face of many cities by being the main consumption, entertainment and meeting points.

Offices – We have the best locations in the most important corporate corridors in Mexico City, Monterrey, Guadalajara and Cancun. The quality and technological specifications of our assets, that meet the highest world standards, is the natural real estate solution for local enterprises, and international, multinational and global corporations. The variety of formats of our office buildings represents a very attractive offer for a wide array of industries and sectors of the economy.

Competitive rents

A very important pillar of FUNO's strategy is to ALWAYS have competitive rents. Our main target is to have rent prices under the average of the markets where we operate our real estate. We understand that rent prices are a key component for our tenants' operations, which is why we maintain competitive prices.

High occupancy levels

For FUNO is essential to have high occupancies on its properties. This strategic component is achieved by having the best locations, high-quality assets and competitive rents. This combination ensures that the properties are occupied during all the stages of the business cycle and that they remain occupied even in the negative part. Occupancy contributes to maintain consistent cash flows.

Diversified portfolio

Diversification is another key strategic component for FUNO. Our property portfolio is diversified by segments, geography, tenants, business sectors, and has a healthy balance of currencies (MXN and USD). Diversification contributes to offset those risks associated to the cyclical nature of the business, and to generate growth opportunities by having presence in different markets with diverse economic dynamics.

Prudent financial strategy

FUNO has a solid balance sheet designed to sustain growth over time. Debt is a strategic component for our business model. FUNO has a strict policy of prudent leverage. The Company's historical leverage profile has been on relatively low levels. We seek to have a leverage of around 35% of total assets. FUNO has been able to enter the public debt markets under attractive conditions, through a healthy balance of rates, currencies and terms, which translates in higher value for our investors. We have always aimed to increase the average term of our debt and to fix the rate whenever possible and convenient, with the purpose of mitigating financial risks and maximizing the potential for sustainable value creation.

5. VALUE CREATION CAPABILITY

In FUNO, we create value by investing capital in an efficient manner. We have a 100% real estate focus, which translates in an unparalleled competitive advantage. When investing, we pay special attention to a series of features that ensure the creation of value over the long-term. We analyze the locations within the markets and regions we plan to invest, we study the asset and the potential that the leases have, the quality of the tenants and the flexibility that the group of variables could have, together with future potential and options for reconversion or improvement of the property.

The knowledge and experience of FUNO's management, with more than 40 years in the sector, are the muscle that enables us to extract the maximum amount of real estate value over time. We have gathered the best property portfolio that could exist in Mexico, whose value is immense.

In FUNO we know how to operate, acquire, and develop real estate in Mexico and we are the best in doing so. We know that cities and the population grow naturally, and that this generates demand for goods and services in the whole economy. This phenomenon leads to scarcity of good-located real estate with specific features, which translates in a greater implied value.

Real Estate Value



PHOTO:
TORRE JUÁREZ 101

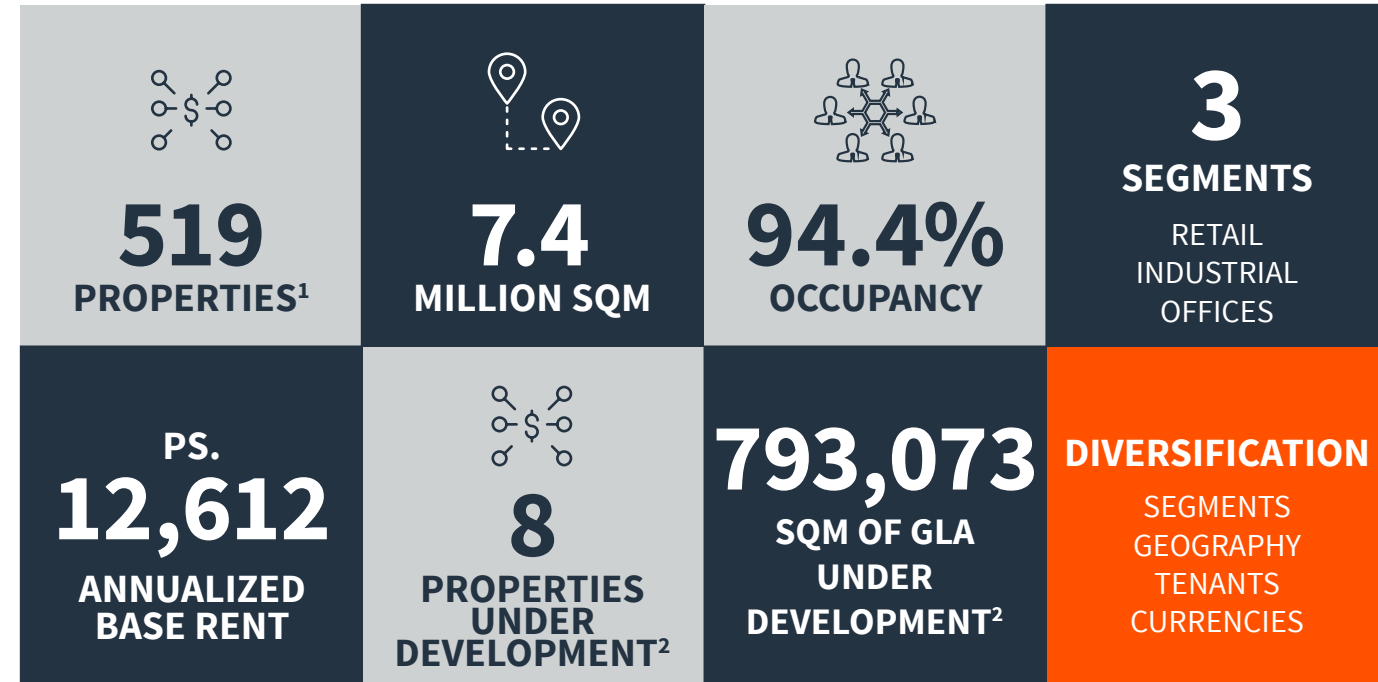


6. OUR PORTFOLIO

We consider ourselves to have the very best property portfolio in Mexico; it is the largest, the most diversified, and has the best locations of the country. We have managed to consolidate a profitable group of properties with great potential of value creation in time. Our successful business model has allowed us to maintain high occupancy levels and stable operating margins.

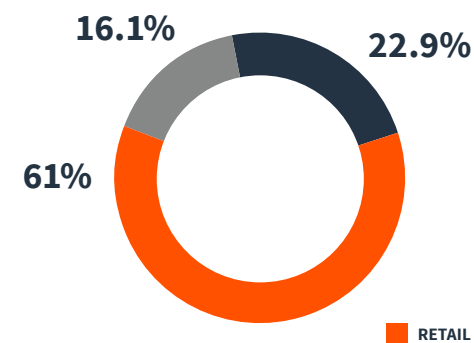
FUNO ended 2016 with a portfolio of 497 properties (519 operations) which totaled a gross leasable area of 7,369,935 sqm. During de year, more 290,661 sqm of further gross leasable area were added to the portfolio, and 7 properties that were under development started operating.

PROPERTY PORTFOLIO

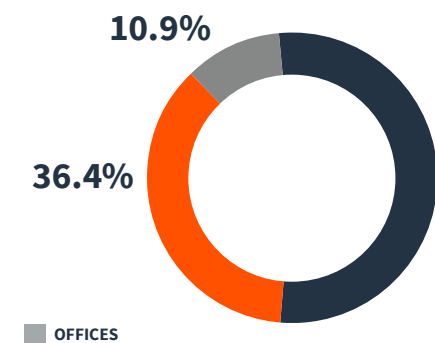


1. FUNO's portfolio is of 488 properties, but there are 509 operations given that some properties operate more than one segment
2. Includes Mitikah

SEGMENT REVENUE BREAKDOWN

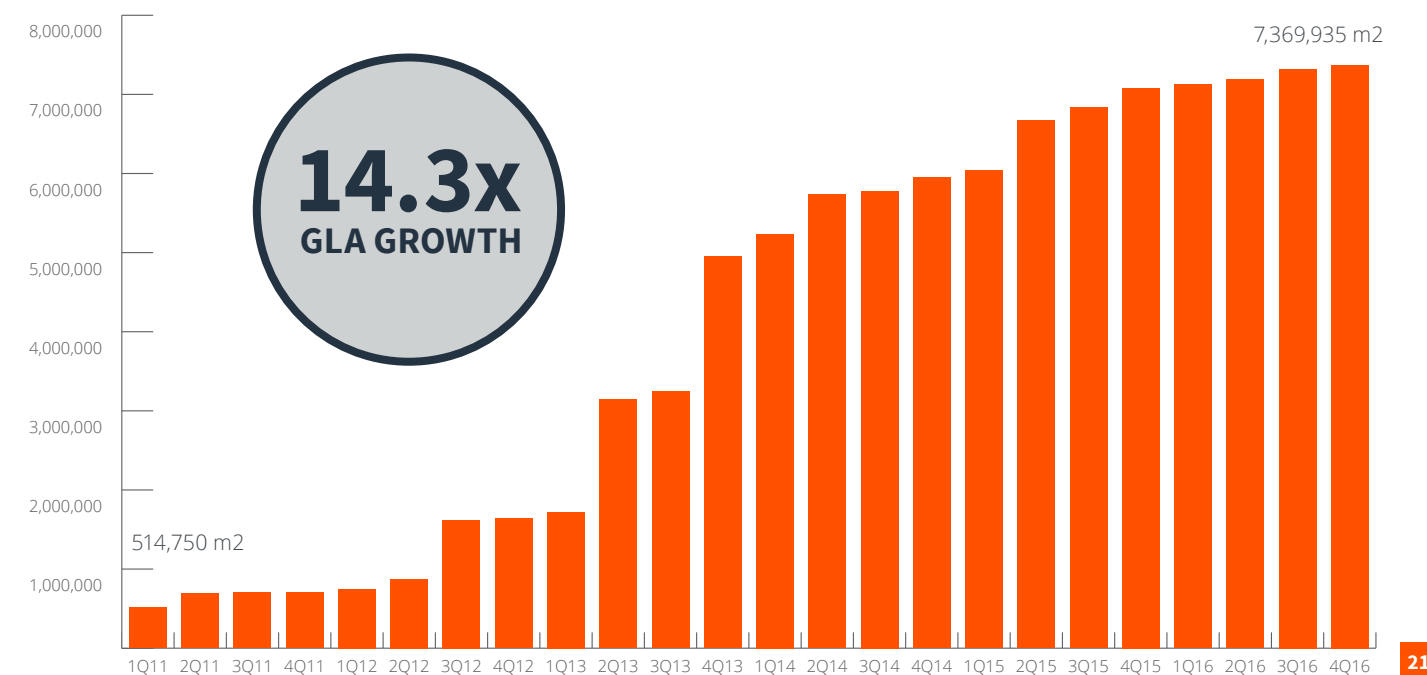


SEGMENT GLA BREAKDOWN



“LOCATION, LOCATION, LOCATION”

GLA EVOLUTION



7. THE FIRST FIVE YEARS

BACKGROUND

FUNO is created under the philosophy of growth by generating sustainable, long-term value. This is to capture the appreciation of the real assets in each and every segment over time. Historically, real estate investments have been synonym of safety. Millions of individuals and families in Latin America have sought to invest a portion of their net worth on real estate, aiming to preserve their capital. Capital not only is maintained with real estate assets, but it increases over time as well, while generating consistent cash flows. This is the logic on which FUNO was created.

FUNO was created by an initiative of Grupo-E, one of the largest and most important real estate groups in Mexico, and is based on the REIT (Real Estate Investment Trust) model in the United States, and adapted to the reality and needs of the Mexican real estate market. Grupo-E has its origins in 1975 when they started developing income-generating commercial real estate. At that time, high-quality industrial and retail real estate was very scarce, and what was available lacked the technical specifications needed for the right evolution of several sectors of the economy. It was in 1994 when Grupo-E's growth boosted, when it entered the large-format shopping center and modern office building markets, whose demand would be increasing given the recent execution of the North America Free Trade Agreement (NAFTA). For 40 years, Grupo-E has known how to take advantage of every growth opportunity that was presented in Mexico, always under a strict, prudent financial policy and a diversification strategy, and with a similar model to that of American REITS, but 100% privately.

Financing options available for the real estate sector were not the best. In a large portion, deals were financed by equity rounds of family and friends, and was complemented with bank loans, which was not efficient and expensive. The need to have an efficient vehicle through which the Group could have more diverse financing options was imperative.

FUNO was born on March 18, 2011 with a portfolio of 13 properties, and approximately 500,000 sqm of gross leasable area. An initial public offering was conducted, and \$3,615 million Pesos were raised, with which 3 more properties were acquired.

GROWTH

Since inception, FUNO has had an explosive growth and has managed to open other financing windows that were inexistent in Mexico, providing for the first time in Mexico, the option to invest in publicly-traded real estate.

During its first 5 years of life, FUNO has increased its gross leasable area more than 14x. Has conducted acquisitions of large portfolios and iconic properties in the best locations in Mexico and has invested more than \$120 billion Pesos raised from both equity and debt markets.

FUNO is the pioneer in Mexico, and was born specifically with zero debt, which has translated in a strong balance sheet, capable of sustain growth and maintain profitability.

FUNO has grown through acquisitions, property contributions from the sponsor group, developments and conversions. FUNO has managed to gather the best and largest real estate portfolio in Mexico due to its diversification, scale, quality, key locations and geographic, tenant and segment diversification. In a nutshell, FUNO's portfolio is unique.

In terms of assets, FUNO started operating with assets for \$4,396 million Pesos, and at end of 2016, its asset base was worth more than \$178 billion Pesos; a growth of 40.5x. On the other hand, on the second quarter of 2011 (its first complete quarter of operations), FUNO reported revenues for \$118 million Pesos, and ended the fourth quarter of 2016 with rental revenues of \$3,153 million Pesos, an increase of 26.8x.

This growth has been possible by applying FUNO's successful business model that has been executed on a disciplined and strategic manner.

CHALLENGES

Communicate – Our main challenge has been and will continue to be to communicate what FUNO is. It is important that markets have a clear vision of the Company. FUNO is a real estate company that adopted the FIBRA legal and fiscal status. Our business is not reduced to simply operate real estate, charge and collect rents and distribute them among investors; our target goes beyond what a traditional REIT figure is. FUNO is like a turbo-charged REIT due to the enormous growth potential through developments, conversions and the relatively low rent prices compared to other countries, and because of the very low commercial real estate penetration in Mexico.

The Mexican real estate market is very particular and is under developed compared to other countries. The challenge has been to communicate and transmit to the market that FUNO's business model is not comparable to that of more developed countries. Our business focuses on creating sustainable, long-term value, and implies and requires growth for our clients.

Grow profitably – To grow has always posed a challenge to any enterprise, but to grow profitably is even more challenging. FUNO has grown profitably through a disciplined business model, backed by the expertise of the group of founders and the management team, whose 100% real estate focus ensures profitability.

Integrate real estate portfolios – To integrate several real estate portfolios into FUNO's operating platform has been a complex challenge. We have an operating team supported by state-of-the-art systems that guarantee that portfolios are integrated in an efficient and timely manner, minimizing times and avoiding administrative hurdles. Currently we have a great integrating capability in order to manage large portfolios with which synergies are created and significant economies of scale are achieved, which translates in a very efficient operation.

Seek financing sources – One of the main challenges of every business is financing. In the case of FUNO, sourcing adequate and varied financing options have been a great challenge because it was the pioneer in the Mexican market. FUNO is a frequent issuer and has broad access to capital markets. This is achieved by compliance of commitments and delivering good results, which implies an even larger challenge. We have been capable of building a capital structure with efficient financing and a conservative strategy.

Constant innovation – This is, perhaps, the greatest challenge. FUNO has always distinguished by being innovative and become a benchmark. In order to be the leader, it is necessary to engage in a constant innovation process both inside and outside of the Company. We innovate in how we build and develop real estate, with the most modern techniques, we manage the content of our shopping centers in line with consumption trends, we fit our office buildings with the highest technical, environmental and sustainable global standards, and we are always looking to grow and finance the company in the most efficient manner. We are constantly analyzing conversions and redevelopments, and trying to take advantage of

space in all our properties, which has allowed us to improve traffic, increase leasable areas and maximize profitability. All this represents a constant challenge.

Develop and implement a new operating platform – Five years ago we were transformed into a publicly-traded company, which represented a great challenge in terms of operation, administration and compliance. In FUNO we developed and implemented an operating platform capable of sustaining growth on an efficient manner. The platform is integrated by a series of processes, manuals, strategies and state-of-the-art systems. This platform can be updated and modernized timely and efficiently, facilitating growth management.

MAIN MILESTONES

- Mexico adopts the REIT model.
- FUNO is created and conducts its IPO simultaneously under a complex global economic scenario, becoming the first publicly traded real estate firm in Mexico.
- The entrance of FUNO to the financial markets provides a new asset class for both institutional and individual investors, and opens new financing windows for the sector.
- FUNO announces its first third-party acquisition: the Azul portfolio.

- FUNO conducts its second follow-on equity offering.
- FUNO makes its debut on local debt markets, issuing a 10-year bond, becoming the first FIBRA on issuing public debt, and opening yet another unsecured financing window.
- Acquisition of the Apolo, G30, Vermont, Colorado, Parque Empresarial Cancun portfolios, and Universidad Autonoma de Guadalajara portfolios.
- The Apolo acquisition represents the largest and most important real estate transaction in Mexico: 23 billion Pesos.

- FUNO enters international debt markets and becomes the first FIBRA in the world to issue a 30-year bond in its debut.
- FUNO conducts its third follow-on equity offering.
- Apolo's operating platform and a state-of-the-art Oracle system are successfully implemented.
- Acquisition of Samara, California, Hilton Centro Historico, La Viga, Galerias Guadalajara and Peninsula Vallarta.

- FUNO conducts two bond issuances: one in Mexico and one in the U.S.
- Acquisition of Torre Cuarzo, Puerta de Hierro, El Salto, and Midtown Jalisco.
- FUNO implements its sustainability and environmental strategy 100% internally.
- FUNO agrees to acquire the Turbo, Frimx and Apollo II portfolios.
- FUNO formalizes its co-investment with HELIOS to develop the new Mitikah project in the south of Mexico City.



- FUNO conducts its first follow-on equity offering.
- Acquisition of the Morado, Verde, Blanco, Gris and Rojo portfolios, as well as Torre Mayor.
- FUNO broadens its Investor base, attracting capital mainly from American and European investors.

- FUNO creates HELIOS, the first real estate development vehicle of its kind in Mexico designed to execute large-scale, mixed-use projects with longer maturity periods.
- Acquisition of Kansas, Indiana, Florida, Utah, Oregon, Buffalo and Alaska portfolios.
- FUNO is the first FIBRA to obtain an unsecured, committed, dual-currency revolving credit line.

8. MANAGEMENT TEAM

Without a doubt, the most important operative component of FUNO is its management team. FUNO has grown significantly during the past 5 years, always maintaining high occupancy levels and excellent operating and financial metrics; something specially complex given the size and scale of FUNO.

André El-Mann

Chief Executive Officer

Mr. El-Mann is FUNO's Chief Executive Officer and member of the Technical Committee. He has more than 35 years of experience in the real estate sector. He is co-founder of E-Group, one of the largest and most important real estate groups in Mexico. Has extensive expertise in operating all the real estate segments, in raising capital to fund large-scale projects, and in acquiring real estate projects and properties. He is currently member of the board of each of the companies that integrate E-Group. Mr. El-Mann has been member of the Metropolitan Council of BBVA Bancomer, is member of the board of directors of The TechnoWise Group, and is independent member of the board of Grupo Financiero Actinver.

Isidoro Attie

Executive Vice President, Strategy and Finance

Mr. Attié is member of our Technical Committee and Executive VP of Strategy and Finance. He is a renowned businessman with broad experience of more than 30 years in the retail rector and more than 20 years in real estate. Mr. Attié was CFO and CEO of Grupo Melody, a women's apparel retail business founded by his father in the 60s and that was sold to a private equity firm in 2007. Since Mr. Attié joined E-Group, he has been actively involved in the development and acquisition of real estate projects in Mexico. Since then, Mr. Attié has been key to the growth and success of the E-Group, and played a significant role during the process and promotion of FUNO's initial public offering in March, 2011.

Gonzalo Robina

Deputy Chief Executive Officer

Gonzalo Robina is FUNO's Deputy Chief Executive Officer. He has more than 35 years of experience in real estate. Currently serves as the first Chairman of the AMEFI (Mexican Real Estate FIBRAs Association). Formerly, he was President of Fenix Capital Group, a Deutsche Bank subsidiary with more than 7,000 properties and 14,000 real assets under management. Was Chief Commercial Officer of GICSA and founder of MexFund, a real estate fund created in 2007, where he served as Chairman and CEO, and that was later acquired by FUNO in 2011. In the social arena, Gonzalo was founder of the Missionary Family movement and was its director for 15 years. Gonzalo has a Bachelors' Degree in Business Administration by Universidad Iberoamericana and earned his Masters' Degree in Finance from Instituto Tecnológico Autónomo de México (ITAM).

Gerardo Vargas

Vice President of Finance

Gerardo is FUNO's Vice President of Finance. He has a lengthy and successful career of more than 35 years in banking and finance. He has held key positions in several government agencies such as PEMEX, Banco de Mexico and FOBAPROA. Was Chief Financial Officer of GRUMA. Also, he served in high-profile positions in financial institutions such as Banamex, Serfin, Santander and BBVA. In Serfin he was deputy CEO of Treasury and Wealth Management, and CEO of Operadora de Bolsa Serfin. Then was deputy CEO of Corporate and Investment Banking of Santander and CEO of Markets and Promotion of BBVA for Mexico and LatAm. After that he was global CEO of Investment Banking for BBVA in Madrid. Prior joining FUNO, Gerardo was CEO of Products and Treasury of Grupo Monex. Gerardo holds a Bachelors' Degree in Economics from Instituto Tecnológico Autónomo de México (ITAM) and earned his Masters' Degree in Economics by the University of Chicago.

Ignacio Tortoriello

Vice President of Administration & IT

Ignacio is FUNO's Vice President of Administration & IT. He has more than 35 years of experience and has held key roles in structuring strategies and controls, and in creating efficient and committed teams, and has been consultant focused in business processes and information technologies. Has successfully implemented complex processes and administrative platforms in several corporations and has advised many others in corporate planning and administrative issues. He held key positions in companies such as CEMEX and Comex, and has advised others such as Chocolates Turin, Honeywell Automotive Mexico, Almex and SuKarne. Has been member of the board of Chocolates Turin, Opcion Proa, and Cables y Plasticos. Ignacio holds a Bachelors' Degree in Economics by Instituto Tecnológico Autónomo de México (ITAM), and earned his MBA from Instituto Panamericano de Alta Dirección de Empresas (IPADE), and has several training courses in supply chain, logistics and planning at IPADE and GeorgiaTech, among others.

Javier Elizalde

Vice President of Treasury

Javier is FUNO's Vice President of Treasury. Has more than 15 years of experience in corporate banking. Formerly was Director of Corporate Banking of BBVA Bancomer since 2002, and held several key positions within Bancomer's corporate division, where he actively participated in the funding structures of more than 100 real estate projects. Javier is in charge of FUNO's treasury since inception and was also FUNO's Chief Financial Officer until 2014. Javier holds a BA in Business Administration from Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM) in Mexico City.

Jorge Pigeon

Vice President of Capital Markets & Investor Relations

Jorge is FUNO's Vice President of Capital Markets & Investor Relations. Has 25 years of experience in investment banking and capital markets. Has worked for James Capel, Violy, Byorum & Partners, and BBVA Securities in New York. Was also director of equity capital markets with BBVA Bancomer. Previous to joining FUNO was Executive Director, Head of Equity Capital Markets with Santander, where he was in charge of FUNO's initial public offering and two of its follow-on offerings. Jorge has participated in several equity, debt and M&A deals in the United States, Mexico, Latin America and Europe, totaling more than 25 billion U.S. Dollars of aggregated transactions value. Jorge holds a BS in Civil Engineering from Universidad Iberoamericana and has several courses focused to corporate finance, valuation and investment banking.

Alfonso Arceo

Vice President of Operations

Alfonso is FUNO's Vice President of Operations. Has more than 20 years of experience in operations management and business development, and has held several top management positions. Prior to joining FUNO, Alfonso was VP of Operations with Mexico Retail Properties, where he developed and implemented a series of manuals and processes to achieve institutional management in more than 50 shopping centers. Formerly was Director of New Businesses with Blockbuster Mexico, where he developed the first "Blockbuster Cinema" concept in the world. Was also CEO of Multimax, the fourth largest chain of movie theaters at that moment. Alfonso initiated his professional career in corporate banking with BBVA Bancomer. Alfonso holds a BA of Business Administration from Universidad Anahuac in Mexico City and earned his MBA from Instituto de Empresa in Madrid.

Alejandro Chico

Vice President of Legal

Alejandro is FUNO's Legal Vice President. Has more than 20 years of experience and with a solid legal practice in domestic and international law firms as lawyer specialized on financial, banking and capital markets law. His practice has been focused on both equity and debt transactions in local and foreign markets. He has also advised clients on restructures, highly-complex real estate operations, and mergers and acquisitions. Alejandro was actively involved in the structuring and implementation of FUNO's initial public offering. Prior to joining FUNO, Alejandro was Partner of the law firm Jones Day in Mexico City. He has international experience in law firms such as Cleary, Gottlieb, Steen & Hamilton and Lathan & Walkins. He holds a law degree from Universidad Anahuac and earned his Master of Laws degree from University of Miami.

PHOTO:
CORPORATIVO SANTA FE



9. RESULTS FOR 2016

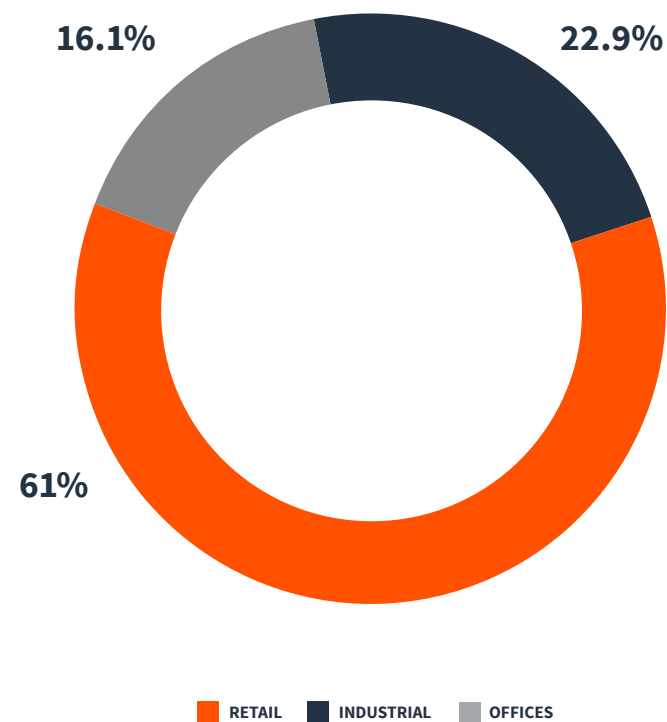
REVENUES

In 2016 property revenue reached \$11,914 million Pesos, \$2,191 million Pesos more than 2015, which represents an increase of 22.5%. This increase is mainly due to the acquisitions executed during 2015 that contributed full revenue for 2016, including the Kansas, Indiana, Florida, Oregon, and Alaska portfolios, and CuautiPark II. Additionally, the increase was supported by El Salto industrial park and Hospital Puerta de Hierro, which also contributed revenues during 2016.

During 2016, 7 properties that were under development started operating: Patio Revolución, Torre Reforma Latino, San Martín Obispo I and II industrial parks, La Purísima, and Gustavo Baz I. These properties also contributed to the revenue line during the year.

In operating terms, FUNO's same-store-rents increased 9.0% and several leases were renewed with increased above inflation, which was directly reflected on the Company's annual revenues.

PROPERTY REVENUE



RETAIL INDUSTRIAL OFFICES

Net Operating Income (NOI)

FUNO's net operating income increased \$2,021 million Pesos, totaling \$10,667 million pesos, a 23.4% increase compared to 2015, and showing a margin of 80.5%. NOI margin was virtually unchanged, which implies that the growth in revenues is in line with NOI, consistent with FUNO's long-term strategy.

Funds from Operations (FFO)

FUNO's FFO increased by \$648 million Pesos, reaching \$6,411 million Pesos, an increase of 11.2% compared to the previous year, and with a margin of 53.8% over rental revenue. The decrease in yearly FFO margin is explained mainly by the issuance of three bonds: one in December, 2015, other in April, 2016, and the last in June, 2016, which generated additional interest expense that affected directly FFO. In terms of FFO per CBF, the metric increased 4.7% compared to 2015.



PHOTO:
PATIO SANTA FE

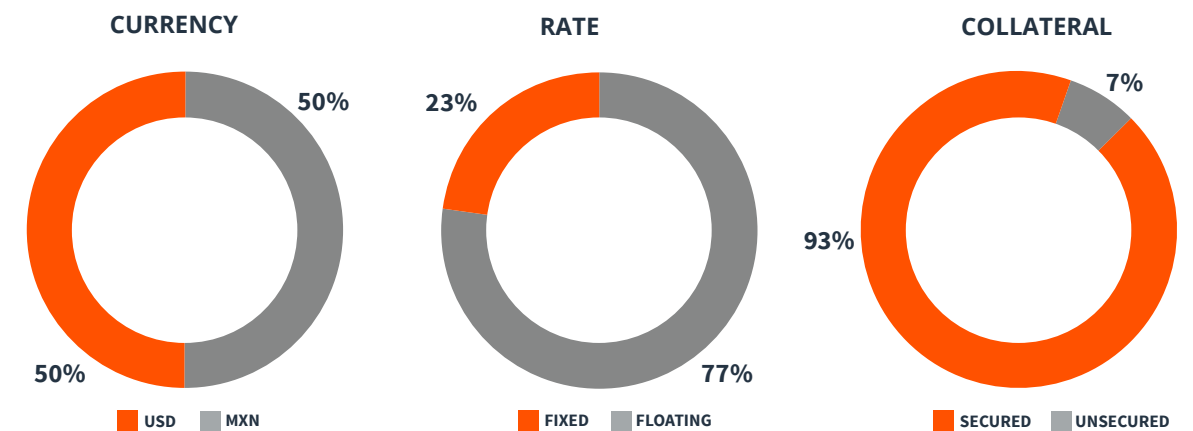


PHOTO:
TORRE CABALLITO

DEBT

FUNO's debt totaled \$65,356 million Pesos as of December 31, 2016. The increase in leverage levels is explained mainly by the issuance of two bonds: one in MXN and other in USD, in April and June of 2016, and for \$4,500 million Pesos and \$500 million Dollars, respectively. Additional there was an increase on the debt related to Samara from \$1,205 million Pesos to \$3,000 million Pesos, and the disposition of a credit line for \$410 million Pesos, and by the effect of the exchange rate that moved from 17.3398 to 20.6640 Pesos per Dollar at the end of 2016.

During the year, FUNO improved significantly its debt profile, ending the year with an average duration of 11.8 years, while liabilities being switched from bank loans to market, unsecured debt.



Additionally, during 2016, FUNO hedged a portion of its debt with 6 cross-currency swaps for \$300 million Dollars.

FUNO's debt has "Investment Grade" from rating agencies. On the local tranche, the Company's debt has a AAAMx rating from both Fitch Rating and HR Ratings, while the international tranche FUNO has BAA2 from Moody's and BBB from Fitch Ratings.

Interest Expense

FUNO's interest expense totaled \$3,826 million Pesos for 2016, an increase of 57% compared to 2015. This increase is mainly due to the issuance of two bonds: one in MXN and other in USD, in April and June of 2016, and for \$4,500 million Pesos and \$500 million Dollars, respectively. Additional there was an increase on the debt related to Samara from \$1,205 million Pesos to \$3,000 million Pesos, and the disposition of a credit line for \$410 million Pesos, and by the effect of the exchange rate that moved from 17.3398 to 20.6640 Pesos per Dollar at the end of 2016.

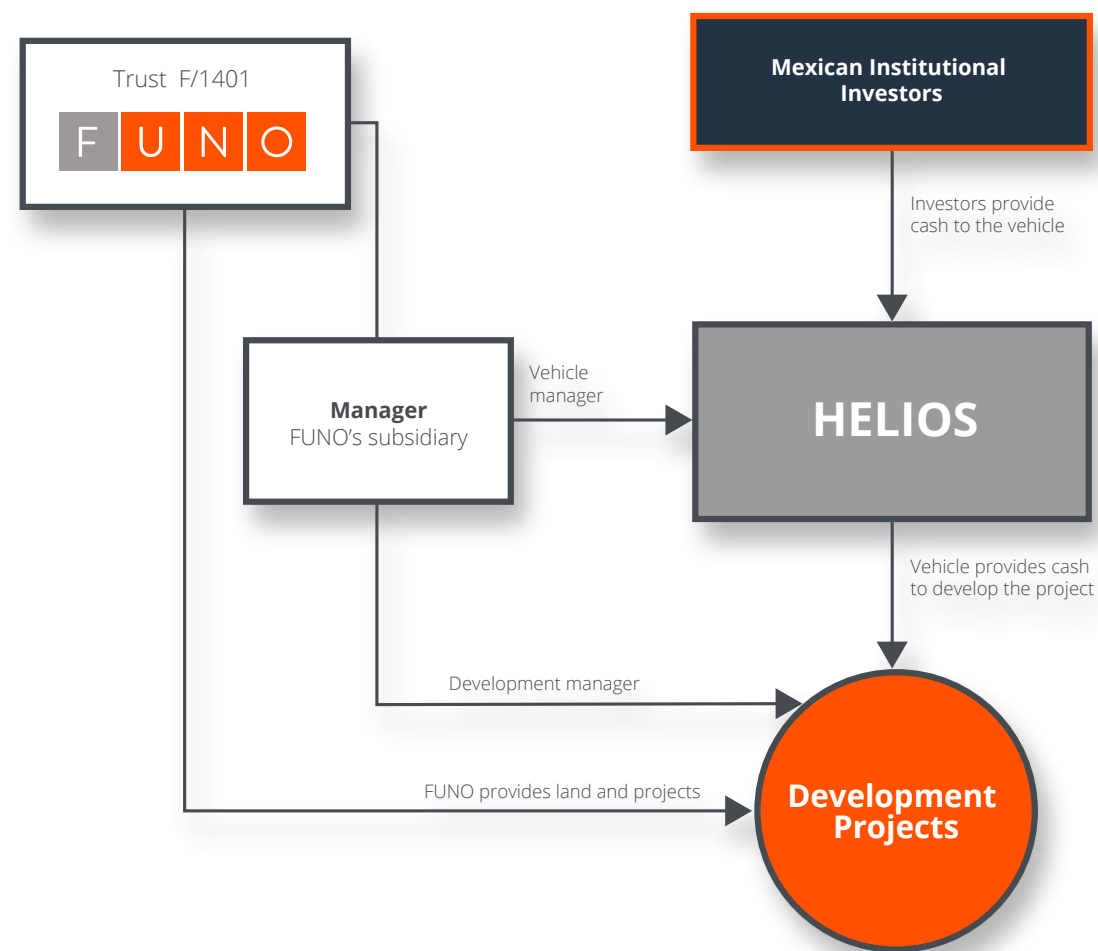
Distributions

	2011	2012	2013	2014	2015	2016
1Q	0.0343	0.1960	0.3700	0.4366	0.4921	0.5020
2Q	0.3022	0.3000	0.4100	0.4014	0.4934	0.4801
3Q	0.3779	0.4045	0.4504	0.4976	0.5005	0.4894
4Q	0.3689	0.4216	0.4800	0.4890	0.5097	0.5116
TOTAL	1.0833	1.3221	1.7104	1.8246	1.9957	1.9831

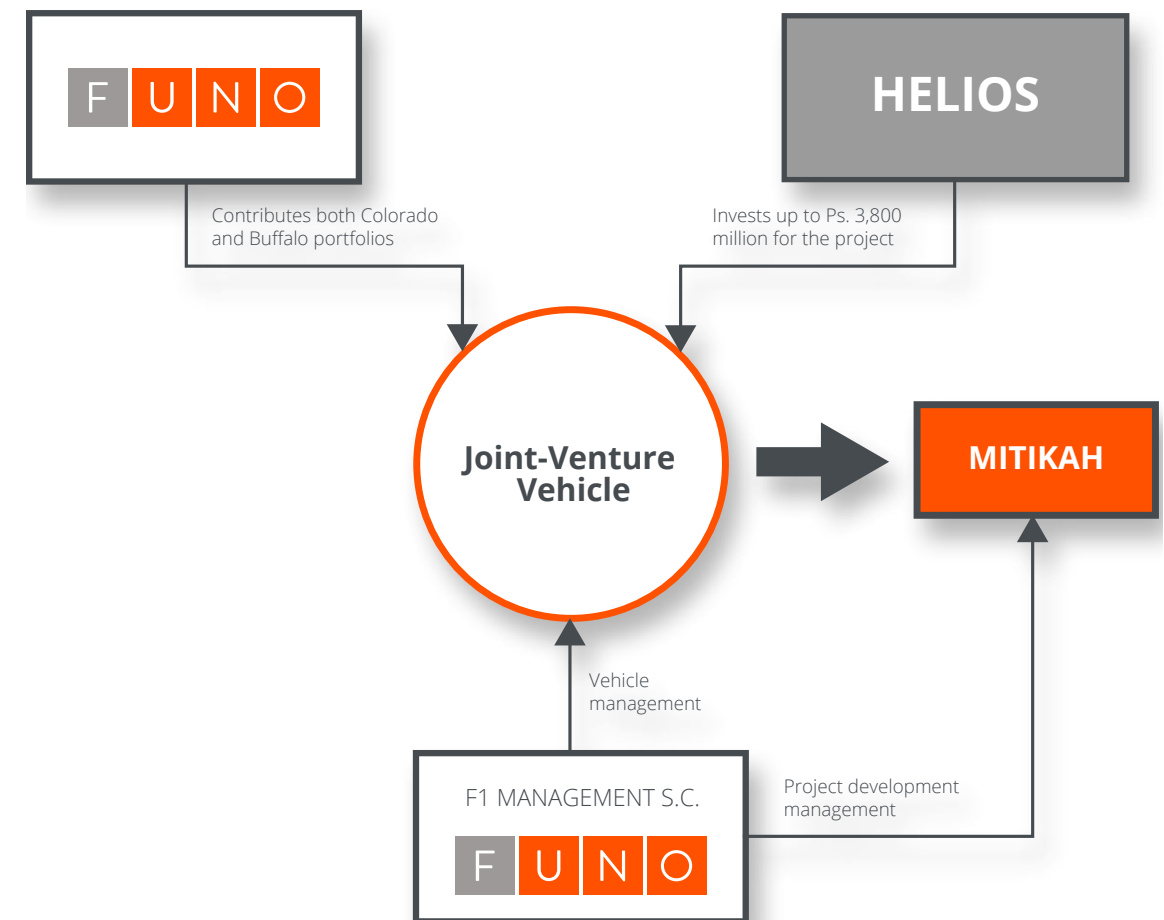
HELIOS

HELIOS is proof of FUNO's business model value creating capability and the talent and innovation of its management team. HELIOS is designed as a vehicle that facilitates the development of large, mixed-use real estate projects with lengthy maturity periods without injecting additional cash from FUNO, thus avoiding dilution for current investors and ensuring the creation of value on the projects.

HELIOS combines FUNO's projects and expertise with resources provided by Mexican institutional investors, which guarantees that the value generated by these investments is captured and stays in Mexico. HELIOS contributes to the evolution of both real estate and financial markets through a unique business model whose main goal is to meet the latest real estate needs that current trends demand in Mexico.



During 2016 FUNO formalized the joint-venture with HELIOS. A co-investment vehicle was created on which FUNO contributes two properties: the Buffalo (Mitikah) and Colorado (Centro Bancomer), whereas HELIOS provides the cash needed to fund the development of the new Mitikah project.



Issuer / Ticker	Trust F/2353 / F1CC15
Trust	Banco INVEX, S.A., Institución de Banca Múltiple, INVEX Grupo Financiero
Manager	F1 Administración, S.C.
Securities type	Certificados Bursátiles Fiduciarios Inmobiliarios
Offering Structure	Local public offering under capital calls mechanism
Amount	Ps. 6,000 mm
Offering date	26-Jun-15
Expiration	10 years
Common Representative	Monex

What is Mitikah?

The first project developed by the FUNO + HELIOS co-investment is the Mitikah complex. Mitikah will change the face of the southern part of Mexico City. The project includes a high-end fashion mall, super-modern corporate towers, and the tallest condo tower in Mexico, with modern design and architecture within a functional environment. The location of the project has broad access to public transportation and high consumption dynamics, which makes it the most important real estate project in Mexico and LatAm

Mitikah in figures:

- 130,000 sqm of high-end retail space with entertainment options and renowned brands
- 07,000 sqm of Class A+ office space in 4 towers
- More tan 15,000 parking spaces
- 64-story residential tower designed by world renowned Cesar Pelli

How is value created with HELIOS & FUNO?

FUNO contributes two properties to the joint-venture: Centro Bancomer and the plot where the Mitikah project is being built, and that were acquired by FUNO in 2013 and 2015 respectively. The acquisition price for both properties was \$4,452 million Pesos at the moment, whereas the value at which both properties were contributed to the co-investment totals \$6,000 million Pesos. Centro Bancomer was rented since its acquisition until the tenant, BBVA Bancomer, moved to its newly developed corporate headquarters at the beginning of 2016, generating a net operating income of approximately \$697 million pesos since it was acquired by FUNO. This translates in a net value creation of \$2,173 million Pesos, just for the value appreciation of both properties. This represents a 60% return, in line with FUNO's strategy of creating sustainable, long-term value.

	Total Amount
Centro Bancomer (Colorado) acquisition price	1,636
+ Mitikah (Buffalo) acquisition price	2,816
= FUNO's original investment	4,452

- Net operating income generatd	697
= FUNO's net investment	3,755

Contribution value of both properties to HELIOS	6,000
Total value created to date	2,173

Figures in million pesos

Mitikah will have a preliminary gross leasable area in excess of 420,000 sqm in all its segments and it is estimated that the complex, once fully stabilized, will generate more than \$2.2 billion Pesos of anual net operating income.

The estimated investment for the project totals \$19.4 billion Pesos that includes the contribution of properties by FUNO, the construction cost and the capitalized interest expenses.

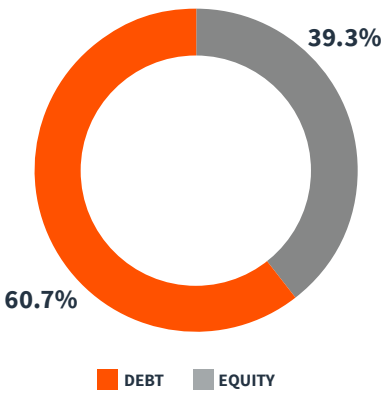
Segment	GLA¹ (sqm)	Estimated Stabilized Net Operating Income²	Concept	Investment³
Offices	207,463	1,224	Properties contributed by FUNO	6,000
Fashion Mall	129,912	983	Estimated construction cost	12,886
Residential	83,739	NA	Interest expense	486
Total	421,114	2,207	Total estimated investment	19,372

1. GLA and area for sale of residential component
2. Net operating income estimated for 2025
3. Assumes that all generated cash flows are used to amortize debt
Figures in million pesos

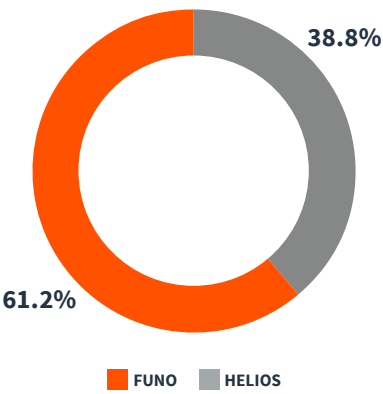
Finally, the project will have four main financing sources. The first is the contribution of properties by FUNO, the second the committed cash from HELIOS, the third is the leverage for approximately one third of the value of total investment, and the last one is the cash flow re-investment from the sale of de apartments and the key money received for the shopping center, totaling \$19.8 billion Pesos.

Financing Sources	Total Amount
Properties contributed by FUNO	6,000
Cash committed by HELIOS	3,800
Leverage¹	6,342
Reinvested cash flows	3,641
Total Mitikah investment	19,783

CAPITAL STRUCTURE



PRELIMINARY OWNERSHIP STRUCTURE²



1. Assumes that all generated cash flows are used to amortize debt and cash flows genetrated during construction stage are reinvested
2. Does not include capitalized fees. FUNO's estimated ownership is 63.6%

Value Creation for FUNO

In summary, the FUNO + HELIOS co-investment represents an unprecedented value creation for FUNO investors. The Company's total net investment is \$3,755 million Pesos by contributing two properties. At the end of the co-investment, it is estimated that FUNO will end up owning approximately 63.6% for its property contribution and all the fees charged for management, development, marketing and the promote during the life of the development.

FUNO + HELIOS estimate that the project will be fully stabilized by 2025 and that will generate approximately \$2.2 billion Pesos of annual net operating income. It is estimated that the ending value of the project, applying an exit cap rate of 8.0%, will be of \$27.6 billion Pesos. This implies that FUNO's share will be worth approximately \$17.6 billion Pesos.

	Total Amount
Expected value of Mitikah by 2025 ¹	27,588
FUNO's ownership @ 63.6%	17,550
+ Cash flows captured by FUNO	4,083
+ Promote	2,663
- Project debt by 2025	0
- FUNO's net investment	3,755
= Net value creation	20,541

1. Assumes a conservative cap rate of 8.0%
Figures in million pesos

Mitikah represents a net value creation of \$2.3 billion Pesos per year for an initial net investment of \$3,755 million Pesos. This is how FUNO creates sustainable, long-term value in real estate.

PHOTO :
HOTEL HILTON CENTRO HISTÓRICO





2016

SUSTAINABILITY
REPORT

CONTENT INDEX

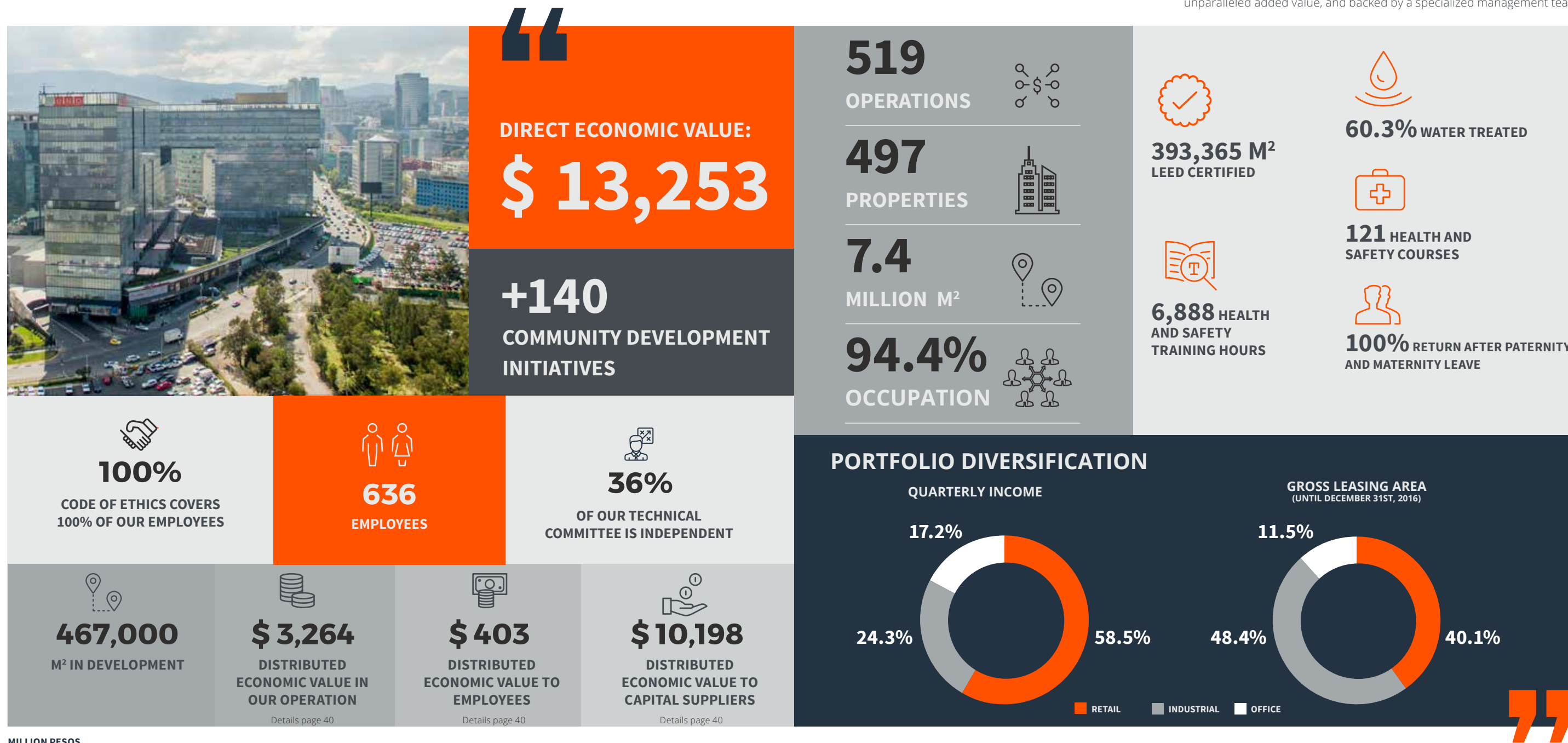
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SCAN FOR MORE INFORMATION

2. FUNO AT A GLANCE

FUNO is the first and largest REIT (Real Estate Investment Trust or FIBRA for its Spanish acronym) in Mexico. We have a business model focused on creating sustainable value and growth through acquisitions and developments, anchored by an efficient operation and financed by a solid and prudent capital structure. We execute our strategy supported by a highly-experienced group of founders, whose commitment to FUNO and 30+ years of experience in real estate is an unparalleled added value, and backed by a specialized management team.



MILLION PESOS

3. OUR PATH TOWARDS SUSTAINABILITY

3.1 ORGANIZATIONAL PROFILE

FUNO is the first and largest REIT (Real Estate Investment Trust or FIBRA for its Spanish acronym) in Mexico. We operate the largest, diversified portfolio of commercial real estate in three main segments: retail, industrial and offices. We consider that we have the best portfolio in Mexico given its size, key locations, asset quality and diversification.

We have a business model focused on creating sustainable value and growth through acquisitions and developments, anchored by an efficient operation and financed by a solid and prudent capital structure. We execute our strategy supported by a highly-experienced group of founders, whose commitment to FUNO and 40+ years of experience in real estate is an unparalleled added value, and backed by a specialized management team. We have several sources of growth and diverse sources of financing, which converts us in the best real estate solution for all our clients and the best investment option in the Mexican real estate sector.

FUNO is a vehicle that fosters the investment in commercial real estate, whose main value proposition comes from the appreciation of the properties over time, and secondly from constant cash distributions.

FUNO is also active member of the Mexican Association of REITS (Asociación Mexicana de Fibras Inmobiliarias) and the National Association of Real Estate Investment Trusts (NAREIR).

REPORT BOUNDARIES

Period: Our sustainability report is published on an annual basis and considers information on economic, social and environmental performance, generated from January 1st to December 31st 2016. For financial information, we refer the reader to that published on the annual report or the quarterly reports. If you wish to receive detail information on FUNO's performance or our 2015 sustainability report, please refer to our web site: www.funo.mx

Methodology: For the second year in a row we use the parameter of the United Nations, Sustainable Development Goals as well as the methodology from the Global Reporting Initiative G4, complemented with GRESB requirements. All data in this report, is stated in Mexican Pesos (MXN) and in the metrical system, unless otherwise stated.

Scope: Financial and governance results presented in this report, consider all our operations. While Social, environmental, health, safety and human resources data only consider 96 properties internally managed. In subsequent years, we will add externally managed properties.

Contact: For any inquiry regarding this report or FUNO's sustainability performance, please contact us at: investor@fibrauno.mx or through our web site.

Being our first sustainability report, there are still some elements to be defined, such as actions, corporate policies and relevant objectives for each materiality aspect. Hence our current Report does not include "Disclosures on Management Approach".

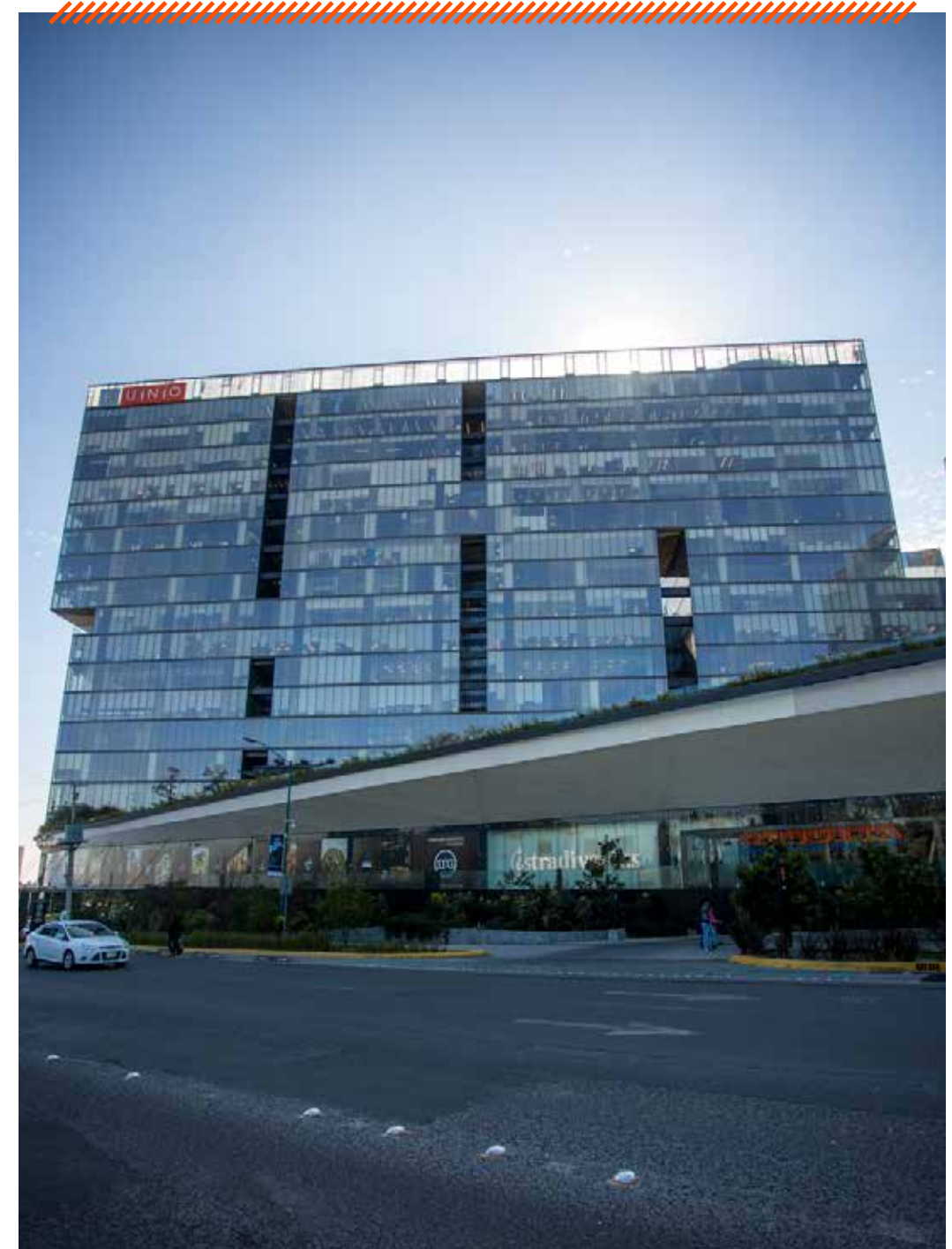


PHOTO:
FUNO HEADQUARTERS

FUNO'S FOOTPRINT IN 2016



GROSS LEASING AREA BY GEOGRAPHIC DISTRIBUTION

39.2 %

ESTADO DE MEXICO

16.2 %

MEXICO CITY

11.0 %

JALISCO

7.8 %

NUEVO LEON

4.5 %

TAMAULIPAS

3.6 %

QUINTANA ROO

17.7 %

OTROS

3.2 ABOUT US

Mission

To create sustainable value in our properties through leasing, operating, acquiring and developing real estate in key locations with high economic dynamism and favorable growth prospects in Mexico, always aiming to match our business model with our tenants' growth strategies, mainly in the retail, industrial and office segments.

Vision

The focus to achieve our Mission is to fulfill our main objectives as follows:

- a) Be the first option to satisfy our tenants' real estate needs;
- b) Maintain geographic and segment diversification in markets with favorable growth prospects;
- c) Continue to be the leading real estate lessor, operator and developer in Mexico;
- d) Contribute positively to Mexico's development and of the communities where we operate;
- e) Grow our property portfolio through profitable acquisitions and developments, under favorable financing conditions and aimed at the creation of sustainable value for our investors;
- f) Maintain our commitment to social and environmental responsibility; and always seek a sustainable approach.

Values

- a) Respect and professional growth for our employees: We support respect and development of all our members so that we can access better opportunities, enhancing economic, personal, professional and social growth.
- b) Integrity and austerity: we act in an honest and responsible way, in connection with high ethics principles, always reflecting respect in our behavior towards our members, clients and investors.
- c) Passion for customer service: We are focused on identifying and fulfilling the needs of our tenants, always seeking their preference, through high-quality, flexible, and innovative solutions with competitive prices.
- d) Social value creation: We seek to positively reshape Mexico by contributing to the development of the communities where we operate real estate, through creating economic, social and environmental value. In FUNO our target is to build, transform, and modify projects with the highest-quality standards in the world. With this we contribute to the growth and development of Mexico through sources of wealth and employment. FUNO grows with Mexico and its people.

CODE OF ETHICS OBJECTIVES

- a) To strengthen the respect of values, objectives and rules that FUNO has determined;
- b) To ensure high-quality and competitive service and commitment towards our tenants, investors, suppliers, authorities and members;
- c) To respect our environment, natural resources and competitors.

GENERAL ETHIC RULES

- a) In FUNO we observe our people's dignity and respect their personality, character, diversity and privacy.
- b) No one will be discriminated against gender, age, marital status, religion, race, political preference, socioeconomic condition or disability.
- c) Everybody at FUNO have the moral obligation to treat and be treated with respect, cordiality, justice and fairness.
- d) Sexual harassment will not be tolerated and must be reported.
- e) It is prohibited to deal with dishonest people who pretend to potentially harm FUNO or its members.
- f) We do not make any remarks (whether on social media or within our families) about the activities carried on within FUNO that could potentially disqualify it or those who work for it.
- g) We comply with all money-laundering guidelines and regulations that apply to FUNO under Mexican law.
- h) We do not disclose any confidential information relative to processes, methodologies, strategies, planning, projects (market or other).
- i) All of FUNO's members must:
 - Comply with all rules and guidelines;
 - Comply with policies and internal control procedures; and
 - Always behave diligently, honestly and loyally.
- j) FUNO members shall not use neither FUNO's good name nor its resources to obtain a personal benefit.
- k) Those FUNO members who engage in political or religious activities shall do so personally and shall not use FUNO's resources for such activities.
- l) Members who have been designated to use FUNO's assets are required to use them adequately and to take good care of them.
- m) We understand the value and importance of information and we ensure the appropriate use and safeguard of delicate information, according to all applicable regulations. We understand that in case of loss or misuse due to negligence, these will have direct impact on the organization.
- n) When members are granted with bonuses, gratifications or other economic recognitions that later are regarded as inappropriate, those members shall reimburse FUNO the total amount to those erroneous gratifications.
- o) FUNO shall not allow forced or involuntary labor in its employees nor in its suppliers.

- p) FUNO suppliers shall not hire children or under age.
- q) Extra hours shall be done on a voluntary basis and shall not exceed legal maximum hours. Extra hours should not be a common practice and shall always be compensated in accordance with applicable regulation.



PHOTO:
PATIO UNIVERSIDAD

3.3 MATERIALITY AND STRATEGY

FUNO has always strived to keep strong relationships with communities, to efficiently use our resources and upkeep best practices in our Governance bodies, including risk management and operational efficiency. Sustainability at FUNO has grown and strengthen hand by hand with FUNO’s growth.

What is sustainability at FUNO?	Create sustainable social value, providing real estate services with positive impact on communities, always respecting human rights.
How do we identify relevant sustainability issues at FUNO?	Materiality assessment 2016.
What is the reference background for materiality at FUNO?	Our materiality reference background, reflects relevant issues, raised by stakeholders.
What are the action guidelines?	Action guidelines are material issues, which will be the focus of our sustainability strategy 2016-2020.

Materiality reference background

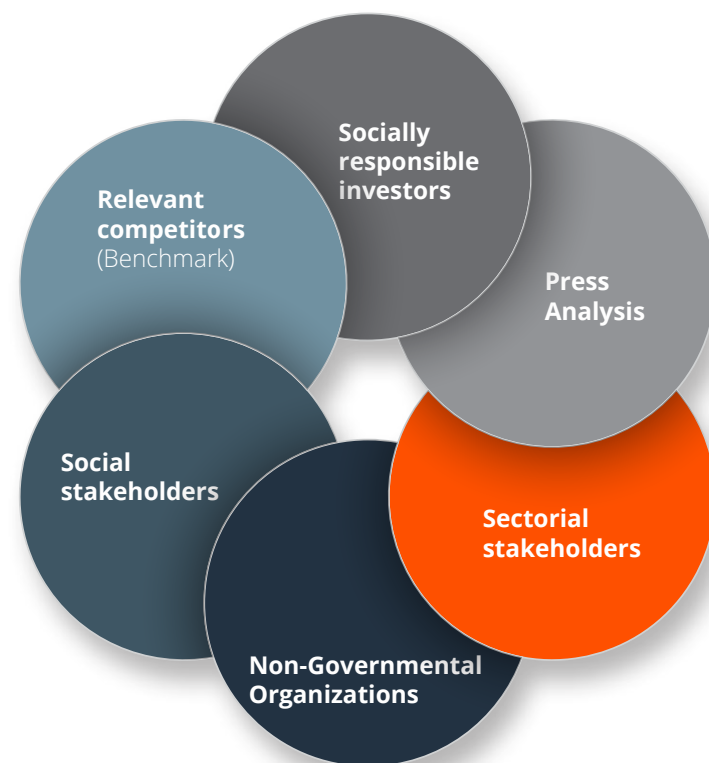
FUNO operates real estate across the country, this poses significant impact on local economies, supply chains, surrounding communities as well as on resource availability. These also imply changes on stakeholders, including employees, clients, suppliers, guests, and all those who directly or indirectly get associated to our operations. Therefore, it was imperative to kick start our sustainability approach with a materiality study, and identify priority issues for our stakeholders, for our market and for FUNO.

Our materiality assessment was conducted by an independent consultant, who implemented a proven methodology, allowing to identify priority issues to our stakeholders and allowed us to prioritize those issues which require immediate action. As a result, we came up with a materiality chart including risk level and maturity for each issue. We considered three aspects:

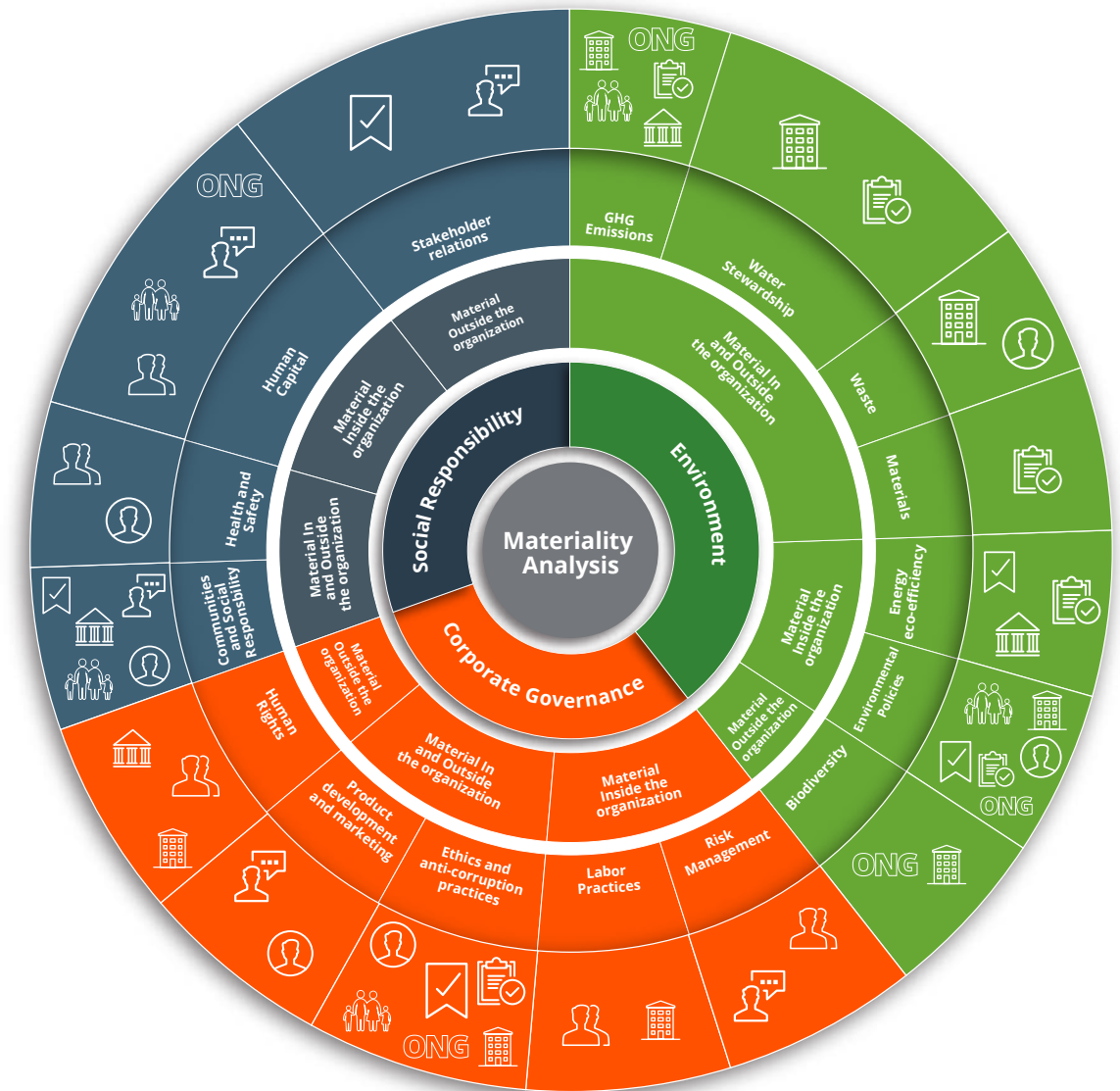
- Maturity: understood as level of knowledge, processes and transparency within the organization.
- Priority: understood as the level of attention given by stakeholders to each issue.
- Risk: valued, based on level of attention, given by sustainability analysts.

We understand level of attention as a correlation between a material issue and possible damage to FUNO's reputation and operations.

The materiality assessment covers all of our operations, including office, retail and industrial. We also linked material issues with best recognized international practices, their risk and relevance to each of the following stakeholder groups:



To this we have added the result of in-house interviews conducted to employees, CBFi analysts and sustainability evaluators. Our study identified 26 relevant issues for our stakeholders from which we prioritized:



Our prioritization process, defined 6 key action guidelines, in all three aspects (environment, social and corporate governance):



These does not mean we will put on hold all other issues, but rather we will put extra effort on this six, while simultaneously working on the others.

In 2016, FUNO allocated important resources into creating its sustainability vision, we created the sustainability department, we became signatories of the UN Global Compact in order to launch our commitment with good international practices on environment, human rights, labor and anti-corruption practices.




Our sustainability manager reports directly to the Investor Relations Vice President, to ensure transparency and accurate communication of our non-financial results; the manager is also heavily supported by the Vice President of Administration and it closely collaborates with the Vice President of operations when it comes to implementing strategies within the organization.

For the drafting and data gathering of the present report, additional information was required from the Vice Presidents of Treasury, Finance and Legal, who are ultimately the holders of relevant sustainability data. In 2017, we will try to define strategic and priority initiatives, to support our strategy and the value creation we aim to achieve in order to become sustainability leaders in Real Estate in Mexico.

3.4 STAKEHOLDERS

At FUNO, we understand the relevance of keeping respectful relationships and co-responsibility towards our stakeholders, it is inextricably linked with the success of our business. As a result, we are determined to create social value through our estates and generate win-win opportunities for all.

Since the beginning, we have forged strong commercial and business relationships with all our stakeholders. In almost 6 years, we have implemented different communication mechanisms for each of them.

STAKEHOLDER	DESCRIPTION	LEVEL OF ENAGEMENT	MEANS OF COMMUNICATION	ISSUES RAISED
 CBFI Holders	Institutional investor Private Investor	Organizational	1. Investor Relations office 2. FUNO day 3. Conferences 4. Meetings with analyst, banks, evaluator and others 5. One-on-one meetings 6. Quarterly surveys 7. Annual report 8. Press releases	• Financial Results • Business continuity and stability • Transparency
 Tenants	• National, regional and local • Industrial and Office: • Multinational • SME • Government • Retail • Multinational • National Chains • SME	Organizational Portfolio Local	1. Through our RUPs 2. Asset Manager 3. Collections department 4. Tenant coordination department 5. Social Media 6. One-on-one meetings 7. e-mail	• Quality and efficient service • Strong commercial relationships • Easiness on processes and paperwork
 Employees		Organizational Local	1. Open door policy 2. Organizational environment surveys 3. Integration days 4. Human Resources department 5. Whistle-blowing mechanism 6. Manager annual meeting 7. e-mails	• Reciprocity • Motivation and sense of belonging • Inter and intra-department collaboration

STAKEHOLDER	DESCRIPTION	LEVEL OF ENAGEMENT	MEANS OF COMMUNICATION	ISSUES RAISED
 Suppliers and Subcontractors	Real Estate managers Services <ul style="list-style-type: none">• Cleaning• Security• Others Utilities <ul style="list-style-type: none">• Water• Electricity• Gas• Waste collection Products Consultants	Organizational Local	1. Procurement department 2. Area contracting or needing the product or service 3. Legal 4. Supplier web-site 5. One-on-one meetings	<ul style="list-style-type: none">• On-time payments• Commercial relationship• Quality and distribution of services and products
 Banks		Organizational Portfolio	1. One-on-one meetings 2. Office of Investor Relations 3. Vice Presidents of Finance and Treasury	
 Government	SAT Bank of Mexico Bank and securities commission COFECE Others	Organizational Portfolio	1. Executive Directors 2. Legal Office 3. Asset managers	<ul style="list-style-type: none">• FUNO's contribution to local development• Social and cultural initiatives
 Guests	Workers and guests who visit our tenants in office or industrial assets Guests to our retail centers	Organizational Portfolio Local	1. Social media 2. Asset managers 3. on-site whistleblowing mechanisms 4. on site marketing	<ul style="list-style-type: none">• Safety• Visitor experience• Innovative services
 ONG Communities		Organizational Local	1. Social media 2. Website 3. Asset manager	<ul style="list-style-type: none">• Social engagement• Retail assets as integration and cultural sites

Commitments, progress and new goals

The world has undergone relevant challenges during this past year, such as Brexit, US election and other geopolitical, social and environmental challenges.

In terms of sustainability, at FUNO, we have identified two major challenges:

- Meteorological phenomena, which may affect our estates.
 - Changes in relevant regulations, regarding resources consumption, effluents, waste, emissions and others.
1. Performance, maturity and goals

2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
SUSTAINABILITY				
Strengthen and communicate our sustainability commitment	<ul style="list-style-type: none">• Institutionalize sustainability at FUNO	<div></div>	<ul style="list-style-type: none">• Creation of the sustainability department in May 2016• First trainings and sustainability talks to executive directors and managers	Focus on good sustainability practices to strengthen tenant and CBFi holder's confidence, as well as their profitability
Increase transparency in our sustainability results, as well as our compliance	<ul style="list-style-type: none">• Measure and monitor our environmental, social, ethics, risks, human rights, human resources and supplier relation results	<div></div>	<ul style="list-style-type: none">• First materiality assessment• Define our sustainability strategy• Became signatories of the United Nations Global Compact in June 2016• Report under GRI guidelines• Report to the DJSI and CDP• Developed our Corporate Governance site on the website	Increase information availability
Adhere to best international practices on sustainability	<ul style="list-style-type: none">• Reporting and being transparent on our sustainability results under renowned guidelines	<div></div>		Strengthen our partnership with the Global Compact and collaborate to increase awareness within FUNO
Conceptualize sustainability in FUNO	<ul style="list-style-type: none">• Offering our stakeholders transparent and up to date information through our website	<div></div>		
Strengthen our sustainability culture	<ul style="list-style-type: none">• Signing the Global Compact	<div></div>		

- Done
- In Progress

2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
CORPORATE GOVERNANCE				
<ul style="list-style-type: none">Identify the main sustainability organizational risks.Strengthen ethical practices at all organizational levels.Safeguard and respect Human Rights within FUNO and in our interactions with other stakeholders.Reject all discriminatory practices.Maintain and continue working to upkeep, public spaces free of bribery and corruption.	Internal assessment and gathering of existing sustainability information.	■	<ul style="list-style-type: none">We endeavored on our first sustainability analysis; and with this report, we will obtain a panorama on sustainability at FUNO based on GRI and GRESB guidelines.	Reinforce employee training on Human Rights, Ethics and Anti-corruption practices.
	Interviews with some Stakeholders in order to know their expectations (employees, clients, CBFi holders, advisors, suppliers, etc.)	■	<ul style="list-style-type: none">First organizational environment survey with employees.Continued our feedback mechanisms with CBFi Holders, banks and analysts through Grayline.	Increase communication on available tools to apply and comply with the Code of Ethics.
	Materiality assessment. Identify priority issues, maturity and risks.	■	<ul style="list-style-type: none">1st materiality assessment led by KPMG; identified our strengths and risks in different sustainability issues.	Upkeep current feedback mechanisms with employees and investors. Improve and create new feedback mechanisms with suppliers and tenants.
	Develop and publish FUNO's Code of Ethics. Making it applicable to all our employees.	■	<ul style="list-style-type: none">Published our Code of Ethics. Launched a whistleblowing mechanism, operated by a third independent party.	Collaborate with the Global Compact on implementation practices for Principle No. 10, on anti-corruption.
	Training our employees on ethics, anticorruption practices and Human Rights.	■		Include our supply chain, into our anti-corruption and ethics initiatives.

2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
ENVIRONMENT				
<ul style="list-style-type: none">Increase our operational efficiency in energy and water consumption.Comply with all applicable regulations.Prevent and mitigate environmental risks in our operations.Making a positive social contribution, creating shared value with the communities we work at.	Collaborating with several government agencies at all levels, and complying with all legal and regulatory standards.	■	<ul style="list-style-type: none">Continue developing state of the art properties; and currently all our own developments are certified or pre-certified LEED; or they include eco-efficient technologies while integrating communities around them.	Continue strengthening our partnerships with stakeholders to improve environmental performance.
	Encouraging the implementation of innovative technological solutions, that will enhance our environmental performance and reduce consumption and waste.	■	<ul style="list-style-type: none">Create partnerships with civil society, NGOs, governments and others; to expand our environmental efforts on particular issues such as reforestation or recycling.	Add our headquarters to reforestation initiatives.
	Endorsing environmentally friendly actions to further the wellbeing of the communities we work with.	■	<ul style="list-style-type: none">We measured our emissions for the first time, including energy consumption, business travels, and refrigerants for all our internally managed properties.	Monthly monitor our energy, water and refrigerant consumption.
	Safeguarding and wherever possible enhancing the natural surroundings of our properties.	■	<ul style="list-style-type: none">Measured for the first time our consumption and water discharge; as well as those water bodies affected by these.	Identify our locations and their impact on areas with high biodiversity value.
	Using safe materials and promoting the use of recycled and certified supplies.	■	<ul style="list-style-type: none">We began a lighting renovation program; aiming at replacing old technologies with new efficient ones.	Use eco-friendly materials; encouraging the use of recycled or certified products.
	Endorsing environmentally friendly actions to further the wellbeing of the communities we work with.	■	<ul style="list-style-type: none">Active participation with environmental awareness campaigns throughout our retail properties across the country.	Homogenize our measurements across portfolios, to compare and replicate good practices.



2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
HEALTH AND SAFETY				
<ul style="list-style-type: none">• Provide safe, healthy and hygienic spaces for our employees.• Foster an organizational culture, in which safety, health and wellbeing are pillars to our operations.• Maintain social spaces free of violence and discriminatory practices.	• Keeping all protection and emergency response equipment in the best possible conditions, to be used in case of emergencies.	<div><div></div></div>	<ul style="list-style-type: none">• We began measurement and disclosure of our H&S performance.• All our properties have multidisciplinary safety teams; with employee and employer representatives.	Continue providing safe and healthy work places to our employees.
	Creating alliances with safety professionals to guarantee the best quality services.	<div><div></div></div>	<ul style="list-style-type: none">• Continued our safety drills, as well as relevant training for these issues.	Foster an organizational culture where health and safety are the basis of our activities.
	Complying with applicable regulations.	<div><div></div></div>	<ul style="list-style-type: none">• Communication campaign for our safety manual on all retail properties.	Provide violence and discrimination free properties.
	Providing all necessary information, education, training, instruction and supervision, so that all FUNO employees, can accomplish their activities in a safely manner.	<div><div></div></div>	<ul style="list-style-type: none">• Continued our audits on all properties for safety procedures assessment and safety equipment adjustments.	
	Implementing and verifying that all emergency and response protocols are applied and followed with precise techniques on our properties.	<div><div></div></div>		
	Continuously pursuing improvement opportunities.	<div><div></div></div>		
	Implementing processes that allow us to identify and prevent risks.	<div><div></div></div>		

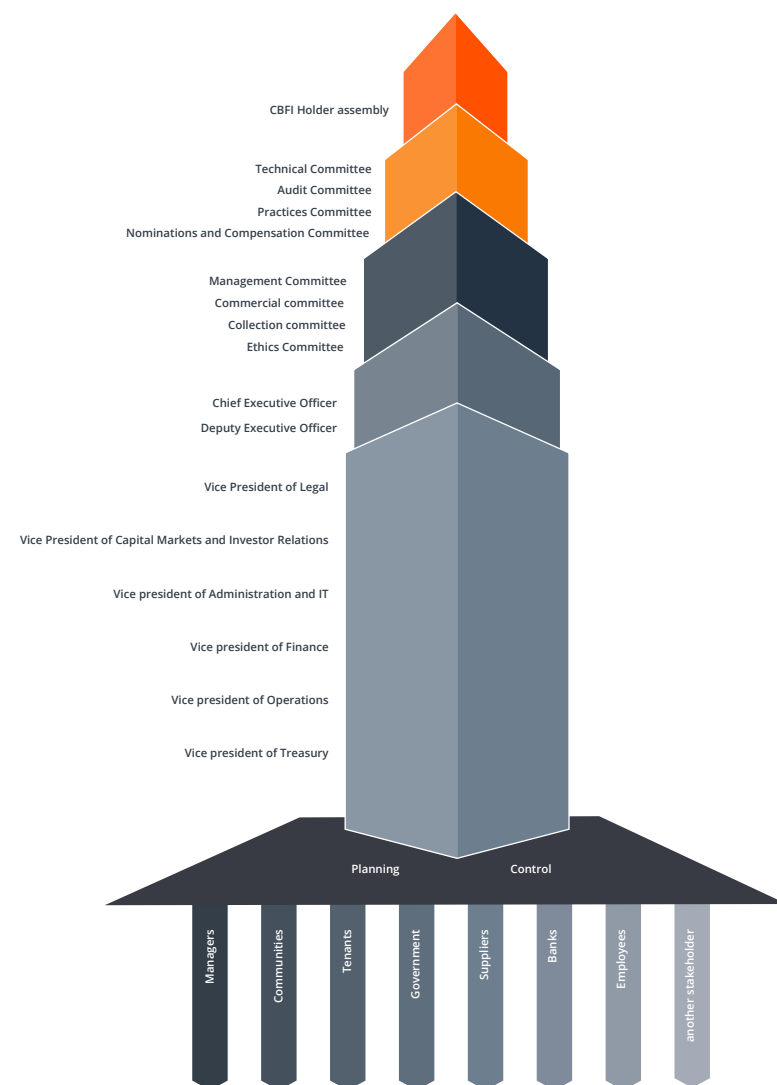


PHOTO:
SAMARA SHOPS

2016 COMMITMENTS	OUR STRATEGY	PROGRESS	INITIATIVES	2017 GOALS
SOCIAL RESPONSIBILITY				
<ul style="list-style-type: none">• Proactively foster activities in favor of the social, economic and cultural advance of the communities we work at.• Encourage a culture of respect, inclusion, peace and security.• Support social initiatives that promote infrastructure development and competitiveness in Mexico.• Create socially responsible investment in our developments, with properties that are environmental and socially friendly.• Invest in a responsible and positive way through our acquisitions; improving communities in the long run.	Creating employment opportunities, with decent work and equitable remuneration.	<div><div></div></div>	<ul style="list-style-type: none">• Defined our 5 management policies for Human Resources.• Implemented an organizational environment survey.	Establish our talent management system.
	Implementing strategies to reduce inequalities; using criteria such as personal merits and competencies, regardless of gender, age, race, ethnicity, etc.	<div><div></div></div>	<ul style="list-style-type: none">• Developed the foundation for training plan.• Human Resources process standardization.• All our own developments are certified or pre-certified LEED.	Training and effective use of employee skills and talents.
	Encourage our employees to advance in their careers, acquire new skills and give them trainings, so they can use their ideas and creativity in favor of FUNO and the communities we work with.	<div><div></div></div>		Implement a first-comer training, with on-site trainings, to provide new employees with better understanding of our business.
	Rejecting all types of forced and child labor.	<div><div></div></div>		Increase labor satisfaction amongst employees through an organizational environment strategy, including cross-team audits.
	Requesting whenever possible and economically viable, that our new developments maintain the highest social and environmental standards; such as LEED certifications or others that promote good sustainability practices.	<div><div></div></div>		Include anti-corruption clauses in contracts with suppliers.
		<div><div></div></div>		Upkeep high quality standards in our estates; and increase our LEED certified GLA.

4. CORPORATE GOVERNANCE

At FUNO we know that an adequate governance and administrative structure, favors transparency and performance, as well as communication within the organization. Hence our structure is robust and has been strengthen with an experienced and professional team.



Our CBF Holder assembly is the highest governance body in the organization, through resolutions, they dictate guidelines within their competence. Such guidelines dictate action to our Technical Committee, which in turn may take direct action or delegate to our CEO, our Deputy Executive officer or to the Vice Presidents, in order to comply CBF Holder assembly mandates.

When it comes to sustainability issues, the CEO and the Deputy Executive officer, rely and get counsel from the Vice Presidents; all of our vice presidencies are involved in either economic, environmental and social issues, in accordance with their responsibilities, experience and duties.

Vice Presidents commonly use the management committee meetings to raise and analyze relevant risks, impacts and opportunities regarding environmental, social and economic issues. If a topic, falls within the Technical Committee scope, it is escalated for its resolution, which in turn shall communicate it to the CBF Holder Assembly. During CBF Holder Assemblies and Technical Committee meetings, the CEO, the Deputy Executive Officer and involved Vice presidents, raise and present economic, environmental and social issues which may require discussion.

All other issues that under our trust, are not relevant to CBF Holder Assembly nor to the Technical Committee, get usually communicated to stakeholders, through our management committee (CEO, Deputy Executive Officer and Vice Presidents).

The CBF Holder assembly has delegated management and directive responsibilities to the Technical Committee; which is comprised by 11 members, 4 of which are independent.

The chairman of the Technical Committee and the Chief Executive Officer are two different persons, and it is imperative to mention that our Chairman is not part of the management team.

The Technical Committee is supported by three sub-committees at the highest level: Audit Committee, Practices Committee and Nomination and Compensation Committee; the first two are exclusively comprised by independent member of the Technical Committee, while the last one is 60% independent.

The Technical Committee is responsible for establishing and approving, FUNO's values, mission, strategy, policies and objectives.

4.1 GOVERNANCE DIVERSITY AND COMPOSITION

As we mentioned before, our CBF Holder General Assembly is the highest governance body and its composition is plural, since its comprised by women and men who trough the public market acquires FUNO's CBFs. The Assembly has total independence and it is represented by an independent financial institution, playing the role of common representative.

Our Technical Committee is 33% independent. Independence is guaranteed through legal dispositions and our Trust deeds which establishes, in case of relevant decisions, the need for the majority of our independent members to vote favorably.

All Technical Committee members have vast experience in economic, social, environmental, politics and cultural issues related to our market; all our members have over 40 years old.

In 2016, our Technical Committee members are:

Moisés El-Mann (Chairman)

Chairman of our Technical Committee. He has more than 40 years of experience in the real estate sector. Is founding partner of E-Group, one of the largest and most important real estate groups in Mexico. During his administration, led E-Group through each and every project in which the Group has participated, and that currently has a vertically integrated operating platform in the whole Mexican territory. Developed more than 170 real estate projects in key locations and has had an extensive collaboration in capital raising processes to fund projects both in Mexico and abroad. Performed essential roles in several charity and social projects. During more than 40 years, built a vast network of clients with whom he maintains long-lasting relationships that translate in being the best real estate solution for them.

André El-Mann (CEO)

FUNO's Chief Executive Officer and member of the Technical Committee. He has more than 30 years of experience in the real estate sector. Co-founder of E-Group, one of the largest and most important real estate groups in Mexico. Has extensive expertise in operating all the real estate segments, in raising capital to fund large-scale projects, and in acquiring real estate projects and properties. Currently member of the board of each of the companies that integrate E-Group. Has been member of the Metropolitan Council of BBVA Bancomer, is member of the board of directors of The TechnoWise Group, and is independent member of the board of Grupo Financiero Actinver.

Max El-Mann

Co-founder of E-Group and has almost 40 years of experience in the real estate sector. During his time with the group, he has focused his efforts in managing and operating industrial real estate, and on the acquisition of properties in all stages of the development process, and has led several large-scale projects in the industrial, retail, office and residential segments. Has also extensive experience in the retail sector, which has led him to play a relevant role in addressing the needs of clients in both the retail and industrial segments.

Jaime Kababie

Been partner of E-Group for more than 20 years. Has extensive experience in the real estate sector. Additionally, he is a remarkable businessman with more than 40 years of experience in the polyethylene processing and plastic packaging industries.

Abude Attié

He is a remarkable businessman and a distinguished philanthropist, with more than 50 years of experience in the retail, real estate, financial and energy sectors. Founded Grupo Melody, a company dedicated to women apparel retail in the 1960s, and that was sold to a private equity fund in 2007. Entered the real estate sector in the 1970s, participating in several projects in the industrial, retail, office and residential segments. During his career, he has promoted and created several businesses in different sectors and has been shareholder in companies such as SARE, CorpoFin, The TechnoWise Group, Insignia Life, Presencia en Medios, among other. Additionally, he has played an important role in several charity initiatives and projects.

Isidoro Attié

Member of our Technical Committee and Executive VP of Strategy and Finance. He is a renowned businessman with broad experience of more than 30 years in the retail sector and more than 20 years in real estate. Former CFO and CEO of Grupo Melody, a women's apparel retail business founded by his father in the 60s and that was sold to a private equity firm in 2007. Since he joined E-Group, he has been actively involved in the development and acquisition of real estate projects in Mexico. Since then, he has been key to the growth and success of the E-Group, and played a significant role during the process and promotion of FUNO's initial public offering in March, 2011.

Elias Sacal

Has been part of E-Group since its foundation. He has more than 40 years of experience in the real estate sector. He has been responsible for the development and operation of different projects, especially in the retail segment. Has played an important role in the development, marketing, operation and promotion of several retail projects. Has a deep knowledge and grasp of the retail real estate segment, and has built an extensive network of clients that have been a significant part of both E-Group and FUNO's growth and success.

Ignacio Trigueros (Independent Member)

Has a lengthy and renowned academic career and is a distinguished scholar. Director of the Economic Research and Analysis Center and a full-time Economics professor with the Instituto Tecnológico Autonomo de Mexico (ITAM). He is member of the board of Evercore Casa de Bolsa and is advisor to the Investment Committee of AFORE XXI. Prominent economist and researcher; he has served as advisor to many government agencies and has been granted with several awards. Holds a BS in Economics from Instituto Tecnológico Autonomo de Mexico (ITAM), and earned his Master's and PhD from University of Chicago.

Antonio Franck (Independent Member)

Over 40 years working in corporate law, finance and stock, he has been advisor to several companies in Mexico and abroad; during mergers and acquisitions as well as joint ventures. He has actively participated in the creation of banks and financial institutions in Mexico as has been legal advisor to the group of banks advising the Mexican government during their foreign debt restructure in 1982 and 1992. Currently he is partner at Jones Day in Mexico. Expert in corporate governance issues and has been member of the board for many companies including: Coppel, Bancoppel, Farmacias del Ahorro, Landsteiner, Globo Cambio, Grupo Aeroportuario del Pacífico, Mexicana de Cananea, Sears Roebuck de México and Grupo Financiero IXE. He is president of the legislative and analysis committee at Consejo Coordinador Empresarial and member to the Honor and Justice Comission of the Mexican law Barr. Additionally, he has been an exemplary academic at Escuela Libre de Derecho and Universidad Iberoamericana. Holds a Law degree from Universidad Iberoamericana and postgraduate studies in law by Houston and Harvard Universities.

Herminio Blanco (Independent Member)

Chairman and CEO of Soluciones Estrategicas, a corporate consulting firm specialized in international trade matters. He has extensive experience in the public sector and in international trade. He is also Chairman of the Board of IQOM Inteligencia Comercial, the only day-to-day trade-analysis service available in Mexico and Latin America. Former Minister of Trade and Industry during the Zedillo Administration and Chief Negotiator of the NAFTA during the Salinas Administration. He has held several key positions in committees and boards of companies such as CYDSA, Grupo Financiero Banorte, Bancomext, and Foreign Trade Bank of Latin America. He has academic experience in Rice University of Houston and in el Colegio de Mexico. Holds a BS in Economics from Instituto Tecnológico de Estudios Superiores de Monterrey and holds a PhD. in Economics from University of Chicago.

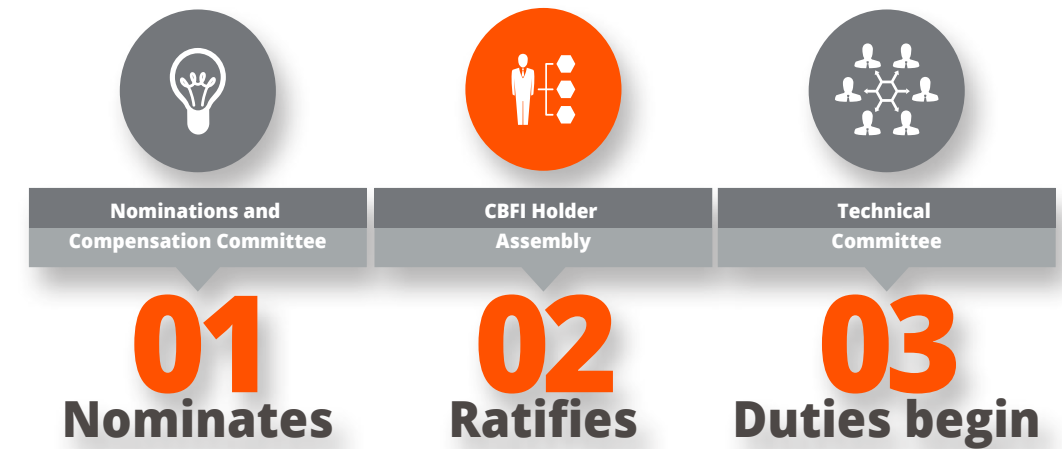
Ruben Goldberg (Independent Member)

Partner and managing director of Goldberg, Alerhand y Asociados, S.C., an investment banking firm and is Chairman of the Investment Committee of Galileo Total Return Fund. Has extensive experience in finance, and in corporate and investment banking. Previously he was Head of Corporate Banking with Bank of America Mexico, Country-Manager for Wells Fargo Bank in Mexico, and CEO of Investment Banking with HSBC. He was also President of N.M. Rothschild & Sons. (Mexico) and a director of the board of Grupo Collado. Holds a B.A. in Public Accounting from Universidad Nacional Autónoma de Mexico, and earned his M.B.A. from The Wharton School of University of Pennsylvania.



PHOTO:
PATIO SANTA FE

The Nomination process for new members of our Technical Committee is responsibility of the Nomination and Compensation Committee (60% independent); and ratification of new members is done by the CBFI Holders Assembly.



4.2 COMPENSATIONS

Only independent members of the Technical Committee receive emoluments, which are approved by the CBFI Holders Assembly. For the rest of the organization, we have set up a Compensation Plan which includes suggestions from the Technical Committee, external advisors and our CBFI Holders. In order to develop an adequate and appropriate compensation plan, we hired a third independent party expert in such matters; aiming at reflecting communication and feedback with our stakeholders.

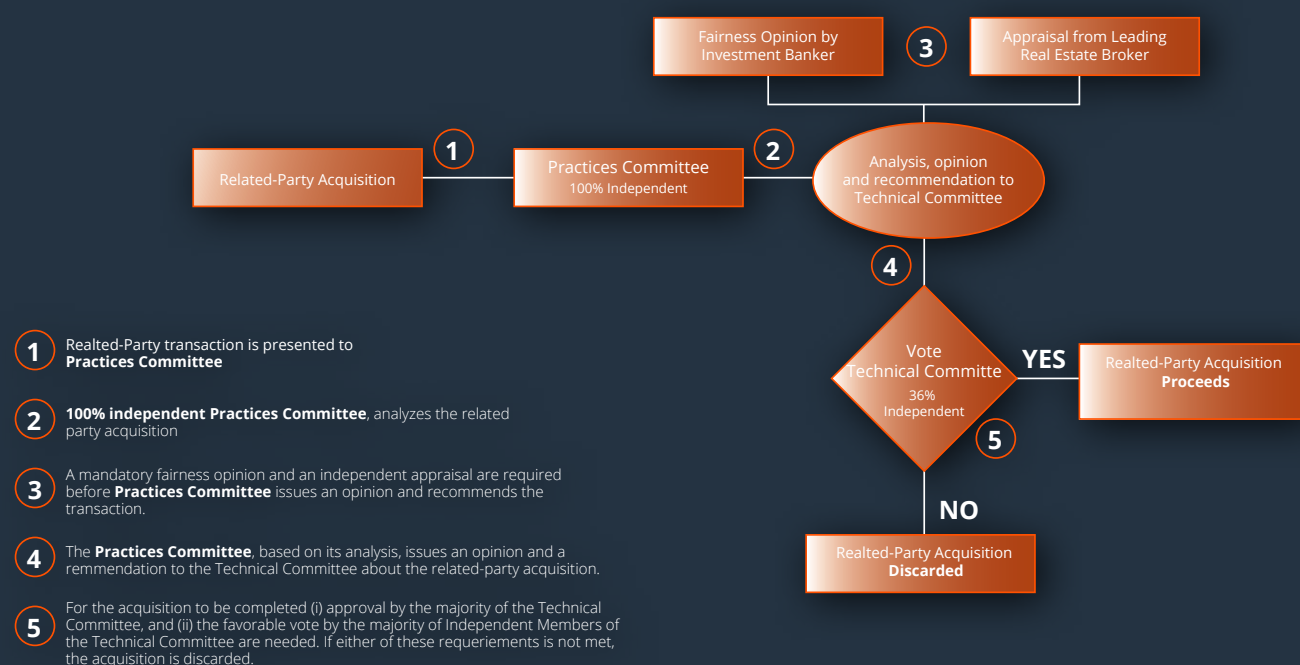
Our compensation plan has the following characteristics:

- Duration: 10 years.
- Governance: The Compensation and Nomination Committee was created in order to manage the Plan, the administration shall propose an annual compensation to the Compensation Committee, which in turn will analyze it and make appropriate recommendations; if accurate it shall recommend the Technical Committee to approve or reject the compensation. The Technical Committee will analyze the recommendations and instruct the administration to execute the compensation in accordance to the proposal. The administration will oversee the appropriate execution of the annual compensation.
- Size: limited to 162,950,664 CBFI's.
- It will allow to encourage and reward employee performance.
- Talent retention.
- Align CBFI Holders interests with that of employees.
- Parameters and goals are pre-established in a clear and practical way.

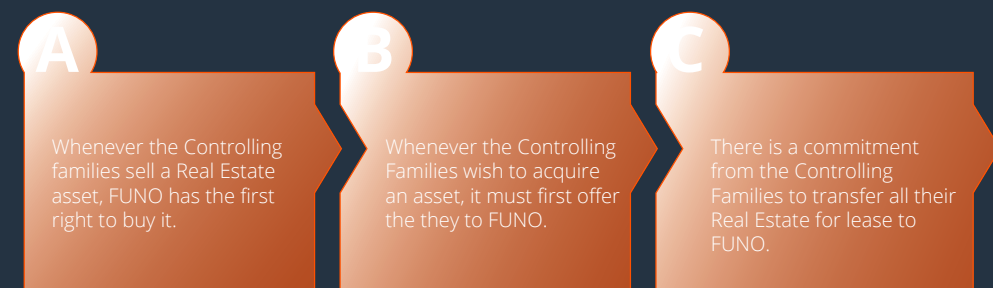
Conflict of interests in the CBFH Holders Assembly as well as in the Technical Committee are handled in accordance to legal regulations in the Mexican Securities Law and with The General Provisions Applicable to Securities Issuers and other Participants in the Securities Markets, as well as those dispositions established in our trust deeds. Whenever a conflict of interest arises, the person involved shall abstain from voting. It is also prohibited, for relevant families and related persons to the Trust administrator, to vote during several issues in the CBFH Holders assembly, according to our trust deeds.

Our process for conflict of interest resolution is the following:

RELATED-PARTY TRANSACTIONS



COMMITMENTS AND RELATED PARTY AGREEMENT



4.3 RISKS

Risks, impacts and opportunities related to economic, social and environmental issues, are handled by the Technical Committee during ordinary or extraordinary sessions if the amount of the operation requires their involvement, then the Technical committee authorizes or rejects operations, they listen to due diligence reports and take appropriate measures considering economic, social and environmental impacts. Whenever appropriate, stakeholders are also taken into consideration and consulted to ensure better decision making.

A Trusts Technical Committee is recognized in article 80 of the Credit Institutions Law, given the administrator of a Trust deed to follow the Technical Committees decision, without causing any responsibility from the fiduciary. Our Technical Committee meets quarterly, some of the risk related issues they review are:

1. Review the trusts financial results, as well as decide the best way to manage the trusts resources in accordance with its internal policies.
2. Define investment policies in accordance with eligibility criteria, including economic, financial, environmental and even social impacts.
3. Approve investments, acquisitions, alienations, sells and divestitures for up to 19.99% of the trusts patrimony, based on financial information previously disclosed.
4. Approve operational policies with people and related parties, such policies shall have been previously revised by the Practices Committee and specially when it involves a conflict of interest from one or more of the Trust members; always aiming at identifying required processes to mitigate such conflict of interest.
5. Define accountability policies, with previous opinion from the Audit Committee, to guarantee mitigation of risk and operation impacts; and to ensure compliance with legal regulations in terms of internal control and auditing.
6. Approve the acquisition of responsibility insurance for Technical Committee members and relevant directors to the administrator.
7. Fix leverage policies for the Trust.
8. Name and remove external auditors, based on the Audit Committee recommendation.
9. Identify and mitigate, jointly with the Practices and Audit Committees, whichever risks or impacts which may arise from economic, social and environmental matters.

The Technical Committee has the capacity and ability to reach out to stakeholders and experts whenever they require it, for economic, environmental and social matters; to approve acquisitions, investments, mergers, etc. which may affect the trust or the community surrounding our operations. These also includes identifying and mitigating risks and impacts which may arise from the Trusts operations.

FUNO continuously performs risk assessments; currently our Audit Committee is in charge if regularly reviewing mitigation measures and evaluate risks. To typify breaches, unidentified risks or any other issue which may affect our operations, we have hired a third independent party who advises, verifies and examines such issues.

FUNO regularly publishes the different risks we are exposed to either at the estate level, the organizational level or market level; we do so, through our annual report, offering memorandums, our web page, presentations or interviews.

Amongst the major identified risks; are the following, please check our web site for details:

1. Reliance on our tenants: our operations may suffer if a significant number of tenants or any of our main clients, became incapable of fulfilling their financial obligations to us.
2. Economic trends in our sector or market.
3. Natural disasters, climate change and meteorological phenomena such as droughts, floods, hurricanes and earthquakes, may affect our assets.
4. Employee health and safety risks.
5. Financial Risks.
6. Economic and political conditions in Mexico.
7. Changes in applicable legislation and public policies.
8. Reliance on our executive team for success, we may not find a suitable replacement if their contracts expire or key elements leave the organization.

Organized crime in Mexican soil, is a major risk for any economic activity in the country. It is definitely one, FUNO takes into account.

Risk Mitigations

Some, but not all, of our strategies for risk mitigation are:

1. Our main risk mitigation strategy is diversification. FUNO has clients from all economic sectors, properties across the country and we offer retail, office, mixed use and industrial services. This has allowed us to maintain stability and continuity in our income.
2. Constant communication with tenants. At FUNO we continuously work to offer our tenants quality services and real estate. We have positioned ourselves amongst the best REITS in the world, due to our services and strong relationships with our tenants.
3. FUNO's supply processes are centralized, hence avoiding business decisions to be made at the local level. Additionally, all payments have several check points and approval levels, from the estate manager to Vice Presidents; guaranteeing a verifying process for each payment we make.
4. For leasing contracts as well as other income contracts (temporary leasing's, parking services, marketing, etc.) there is an internal committee which revises every single new contract and renovation; regardless of size, location or client importance. In this way, we try to avoid future risks with current tenants and we have been able to provide better services.
5. Our acquisition process for properties is subject to compliance with several requirements and regulations, including general assessments, audits, environmental assessments and verifications, traffic impact assessments and others. All of these are part of our control mechanisms to minimize risks during property acquisitions.
6. All our properties have been insured and we also require our tenants to insure their belongings and merchandise.
7. Our properties located in coastal or seismic areas, we have implemented safety procedures, emergency and response protocols to properly react in case of risk situations.
8. Additionally, those properties who have suffered damage from natural disasters, are redesigned, planned and remodeled to minimize damage recurrence.
9. Emergency disaster recovery plan, protecting our critical hardware and software; which will allow us to recover relevant information for continuity in our operations in case of natural or human emergencies.
10. Security and cultural measures have been adopted. We avoid cash handling in our properties to prevent corruption or other safety risks.

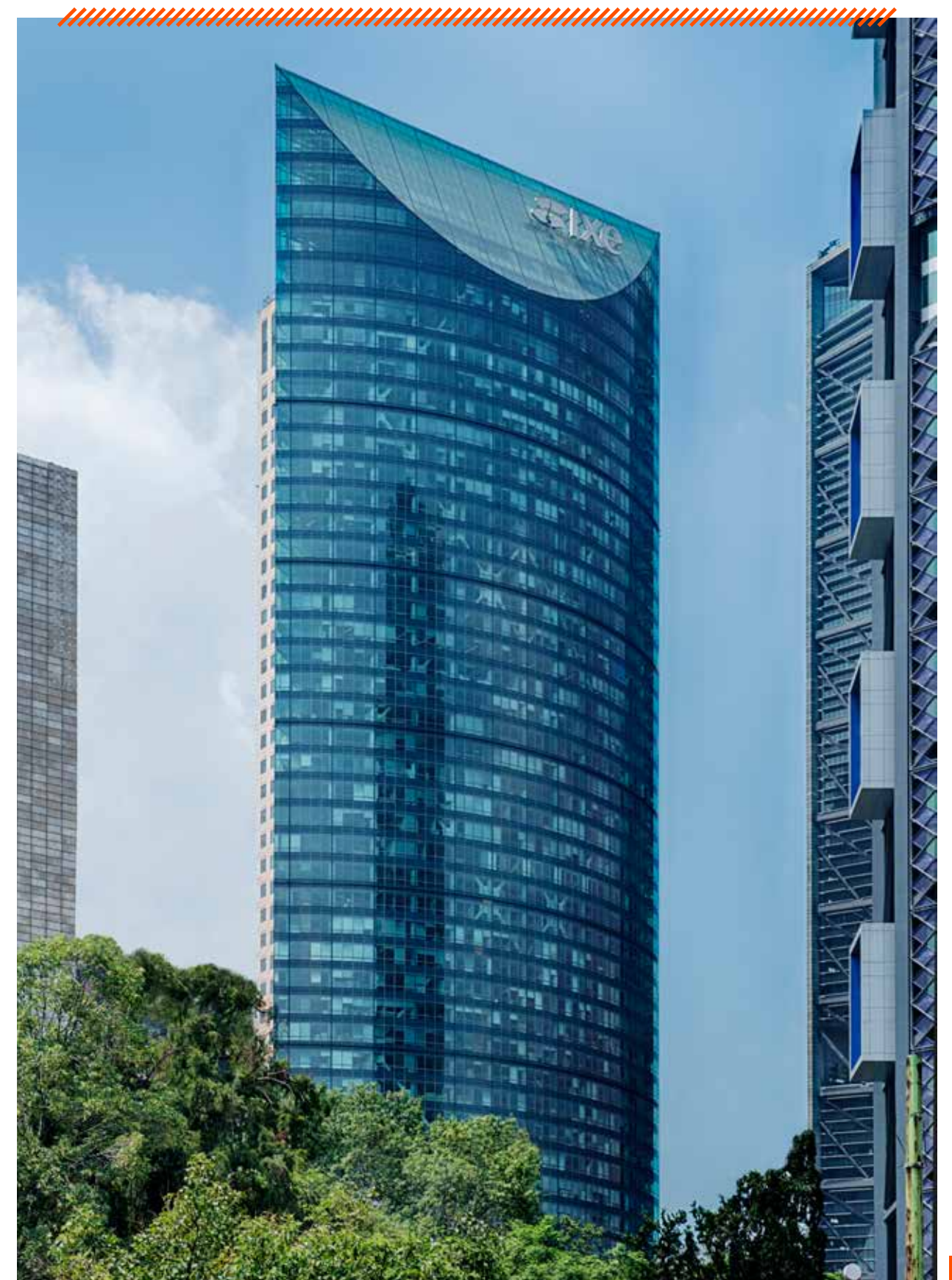


PHOTO:
TORRE MAYOR

- 11. Every year we perform a health circuit and medical checkups; which also generate a health risk map at the individual level and the organizational level. Each employee gets its personal risk map with suggestions to improve their health and reduce disease.
- 12. Our Human Capital is our most important asset. We strive to offer our employees a healthy and safe working environment.
- 13. We continuously monitor new law and regulations proposals, laws, policies and reforms which may affect our operations. Our culture is one of prevention and we usually try to adjust before it can affect us.
- 14. FUNO complies with applicable regulations and normativity in its operations, management and orientation.

In addition to the above, our organizational structure was designed to prevent and mitigate risks, with actions ranging from open door policies, to office design. These are all initiatives targeting immediate and effective communication, as well as team work in case of emergencies.

Risk management in our operations is performed in a matrixial way, on a one-by-one basis, based on property, location, sector and activity. To ensure a holistic approach to risk management, the tasks to identify, evaluate and mitigate risks are performed by multidisciplinary groups with people from different organizational levels and departments. These teams include experiences and knowledge (operational and technical) from key departments such as operations, maintenance, architecture and design, acquisitions, finance, law, marketing, tenant coordination, management, collection, human resources and experts who revise case by case.

Additionally, we empower our employees with different tools, to identify, communicate and react in case of risks or emergencies:

- Operating manuals: updated regularly, documenting key operational risks and processes as well as reaction and response mechanisms
- Whistleblowing mechanism, through which they can anonymously report potential risks or inappropriate behaviors
- Open door policy with all our executive team
- Monthly monitoring and audits through our operations department
- Estate management through exception

Our Technical Committee, alongside the Audit and Practices committees quarterly, or whenever required by the trust management, review risks or impacts in economic, environmental and social issues, either in FUNO's properties or as a result of our operations in the communities we have properties.

4.4 ETHICS

Our Code of Ethics applies to all our employees including members of the Technical Committee, executives of our subsidiaries and affiliates.

Our Code of Ethics is a live document, regularly revised and updated. It primarily covers:

- Human Rights
- Behavior towards tenants
- Behavior towards authorities
- Conflict of interests
- Handling confidential information
- Behavior towards suppliers and contractors
- Competitive practices
- Publicity and marketing
- Transparency
- Anti-corruption practices
- Environment
- Health and Safety

In 2016, 100% of our headquarters employees signed and were trained in the Code of Ethics. 49 property managers, general managers and accountants were also trained. Through training lineups, communication strategies and our whistleblowing mechanism, we foster an ethical behavior in our work place and strive to strengthen, inform and apply the Code of Ethics in our operations.

At least 2.5 training hours for 100% of our employees, on Code of Ethics and ethical behavior. These training included headquarters employees and all our assets manager; with the intention, they are responsible for training all subcontracted employees working in our properties.

In 2017, we will include an anti-corruption clause with all suppliers and subcontractors, as well as an additional clause, requiring them to know and observe and comply with our Code of Ethics.

As an additional mechanism, to ensure ethical behavior in our operations, in 2016 we implemented a whistleblowing mechanism. Operated by a third independent party, open to all employees to openly or confidentially inform any ethical breaches, corruption practices or other relevant issues. All calls, emails, faxes or letters gathered by the third party, are subsequently directed to our Ethics Committee, which follows through each communication and determines corrective actions.



In case a breach mentioning a member of the Ethical Committee is notified, the information and notification shall be directed to the CEO for its follow up and solution.

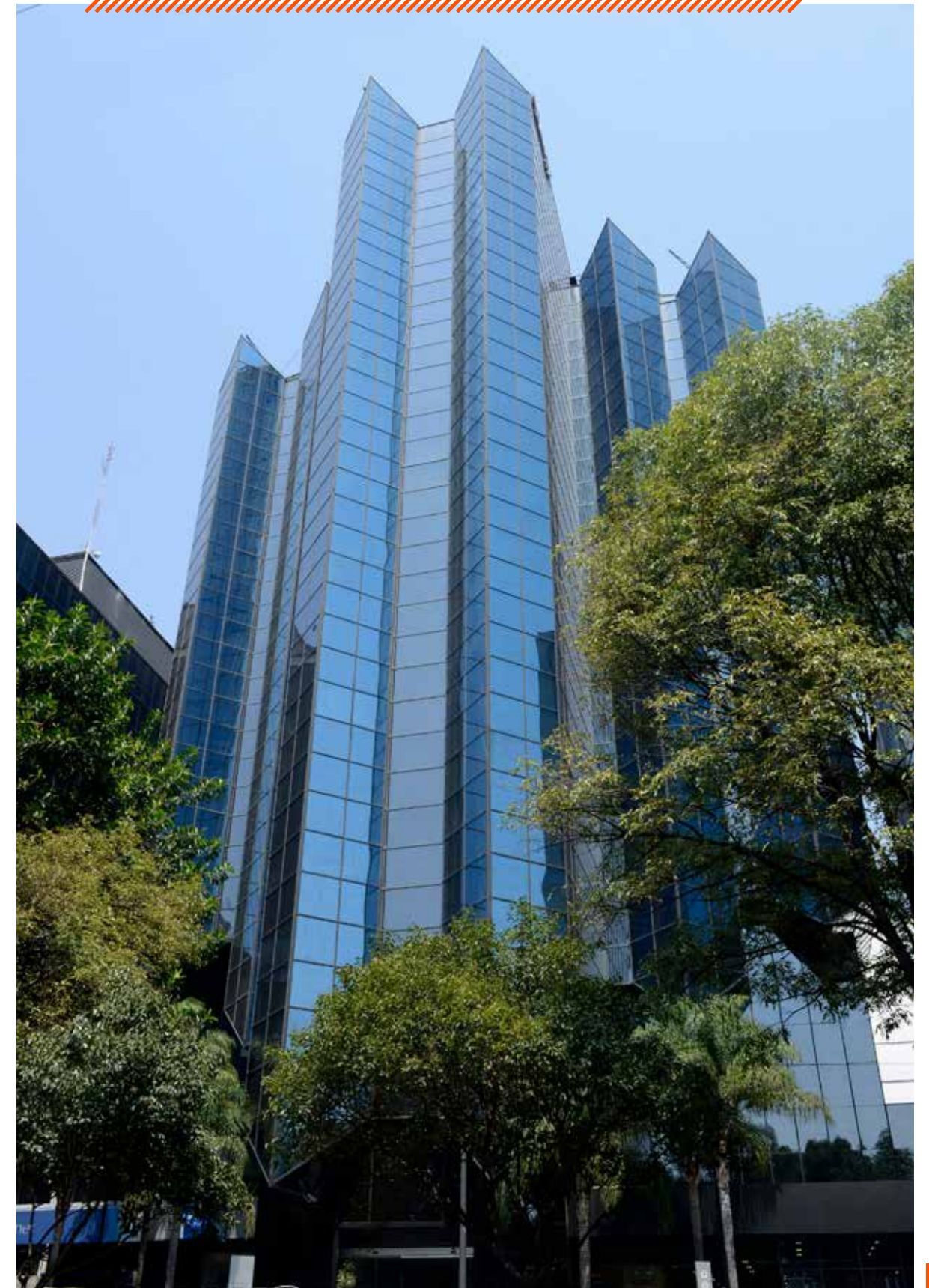
In 2016, we received the following notifications through our whistleblowing mechanism:

- 0 notifications on environmental issues
- 4 notifications on labor practices
- 0 notifications on Human Rights issues
- 0 notifications on discrimination
- 0 notifications on malpractices on indigenous rights
- 0 notifications on corruption
- 0 notification on social or community issues
- 0 notifications on privacy of information issues

Out of the 4 notifications for labor practices, two were resolved during the period.

FUNO has not been object to any legal action resulting from monopolistic practices, anti-competitive behavior, or breaches on health, safety, publicity, marketing or advertising.

PHOTO:
TORRE DIAMANTE



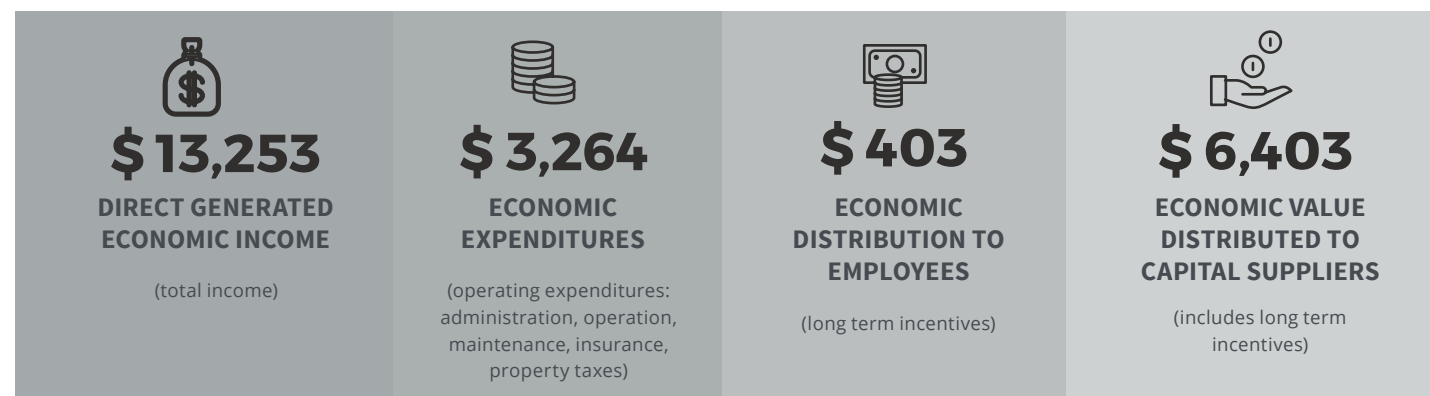
5. LEADERS IN MEXICO'S REAL ESTATE, WITH LONG TERM VISION

5.1 CREATING ECONOMIC VALUE FOR MEXICO

FUNO as a real estate investment trust ("FIBRA" for its initials in Spanish), qualifies to be treated as a pass-through entity for Mexican federal income tax purposes. Therefore, all revenue from conducting FUNO's operations is attributed to the holders of its real estate trust certificates ("CBFIs" for their acronym in Spanish) and FUNO itself is not considered a taxable entity in Mexico according to Mexican Tax Laws and Regulations. In order to maintain FIBRA status, the articles 187 and 188 of the Mexican Income Tax Law have established that FIBRAs must distribute annually at least 95% of its taxable income to the holders of its CBFIs.

During 2016, FUNO did not have significant expenditures, related with fines for non-compliance with environmental, social, ethical, health or safety regulations or legislation.

FUNO does not have political affiliations and we do not make political contributions to parties.



MILLION PESOS

The primary differences and changes in our operations during 2016 where:

- Acquisition: Puerta de Hierro and El Salto
- Incorporation from development to operation: Patio Revolución, Torre Latino, San Martín Obispo I and II, La Purísima, Torre Diana and Gustavo Baz I
- Began development of Mitikah with co-investors

Changes in social capital structure and other operations of maintenance and capital alterations:

Balance as of December 31st, 2015.....\$113,358,378

Plus:

Equity contribution 2,095,942

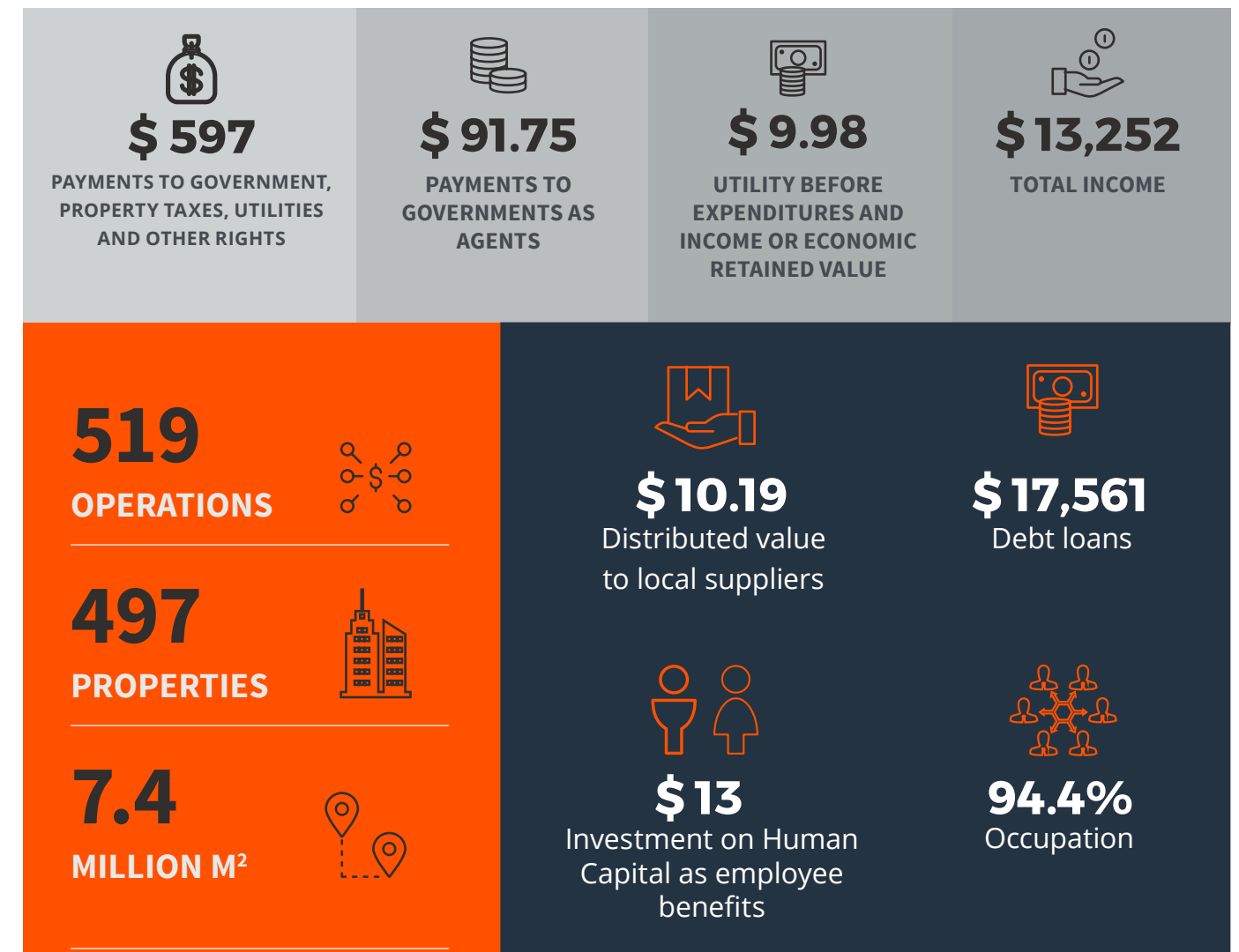
Consolidated net income11,824,632

Minus:

Distributions to trustors (6,370,708)

Other comprehensive income, net income tax(103,006)

Balances as of December 31st, 2016 \$120,805,238



MILLION PESOS

Supply chain description



5.2 ENVIRONMENTAL RESPONSIBILITY

“The data presented in this report has not been audited nor verified by external or third parties, hence, it may be subject to changes, reforms, additions, clarifications or substitutions, hence it should not be considered definite data. The final version of this document with revised versions, will be available on FUNO's internet website.”

At FUNO we consider three material environmental aspects: consumption and efficiency of electricity and water, as well as measuring and reducing emissions. These are material not only to our environmental impact, but also for our economic results.

It is important to note, that more than 90% of the properties we operate have been acquired as they were, hence FUNO did not have any say on the technologies, structural or architectural design selected for each property. However, we have been working in renovating such technologies or designs, to make our operations efficient and environmentally friendly. Our resources are being directed towards having state of the art properties with the highest quality standards. However, on those properties where we have a say during their development process, FUNO strengthens its commitment with sustainability; Currently 100% of our own developments are either LEED Certified or LEED Pre-certified.

LEED Developments

FUNO believes in building sustainable communities and cities, as a result all our developments aim at being eco-efficient and incorporating state of the art technologies. FUNO shows its commitment through invest-

ing in LEED certified properties and being leader in the Mexican real estate market where there are few properties with such certifications; currently our LEED Certified or pre-certified estates are:

Property	Built square meters
Torre Mayor – LEED Gold since 2013	157,000 m ²
Torre Reforma Latino – LEED Pre-certified Silver 2013	88,513.00 m ²
Torre Diana – LEED Pre-certified Gold 2015.....	138,634 m ²
CENTRUMPark Corporativo Tlanepantla – LEED Pre-certified Gold 2015	*180,000 m ²
Mitkah Torre Churubusco – LEED Pre-certified Silver 2016	* 67,178.25 m ²
Midtown Jalisco Oficinas- LEED Pre-certified Gold 2016	* 279,600 m ²

* in development

In our procurement process of goods and services, we uphold the highest quality standards on responsible consumption for FUNO but also for our tenants: we usually require the use of non-toxic paints and we have often proposed design alterations to reduce as much as possible the consumption of electricity and enhancing natural lighting.

When purchasing materials for remodeling or significant property alterations, in our retail assets, FUNO promotes the use of local materials (approximately 80% of our supplies, come from local producers). This is a positive measure in that not only reduces costs for FUNO, but it also encourages local economies.

Other criteria we use, when purchasing materials, is their eco-efficiency; always attempting to implement environmentally friendly technologies, reducing our consumption and at the same time our impact on surrounding communities. We often use climatic criteria when selecting materials, such as: durability, corrosiveness, maintenance, resistance to natural phenomena, humidity, etc.



PHOTO:
LEED CERTIFIED
TORRE MAYOR

Every time we purchase a new property, we have strict control and selection processes, which on top of fiscal, financial, legal and structural matters, also review and assess the following environmental points.

- Land use certificates and permits
- Environmental Impact assessment
- Hazardous waste generation and registration permits
- Delivery-reception manifest for hazardous wastes, issued by an accredited organization for its transportation and final disposition or through the municipal waste collection system.
- Water supply permits and licenses
- Waste water discharges
- Environmental license on GHG emissions
- The existence or absence of PCBs and asbestos
- The existence or absence of environmental fines
- The existence or absence of soil leakage or other types of pollution.
- Traffic and mobility license
- Others

Water

Local network	7,727,589 m ³
Transported water	220,141 m ³

Our main water source is the local network for water distribution, in exceptional cases, when it is required we purchase water to cover our tenants needs. According to official data from Mexico's Water National Commission (Comisión Nacional del Agua), in 2015 local networks pulled out water from: superficial sources (rivers, lakes, etc.) 61.3% and underground sources 38.7%. FUNO does not extract water from Natural Protected Areas.

“

The data presented for water consumption and discharge, represents 77% of our Gross Leasing Area and include:

80 internally managed properties (retail and offices)

1 externally managed

And all those managed by the tenant: 100 industrial parks, Portfolio Rojo, Hilton Centro Histórico, Universidad de Guadalajara y Zapopan UVM; all of these do not add to our consumptions nor emissions, since our tenants are fully responsible for consumption, measuring and mitigation.

We have only included those properties we operate since or before January 1st, any further acquisition is not considered.

”

From all water consumption, we reuse 48,528 m² and we recycle 4,595 m³; at FUNO, reused water is that which has been used two or more times in different processes (i.e. used in sinks, then treated and reused in gardening) while recycled water is that used two or more times within the same process (i.e. cooling mechanisms).

DISCHARGE (QUALITY)	DESTINATION	2,147,311 m ³
Black Waters	Local Sewage System	852,476 m ³

PHOTO:
WATER TREATMENT PLANTS
TORRE MAYOR



DISCHARGE (QUALITY)	DESTINATION	2,147,311 m³
Treated (Complies with NOM-002)	Local Sewage System	1,235,839 m³
Treated (Complies with NOM-002)	Superficial water bodies	30,000 m³
Treated Torre Mayor	Reuse and Local Sewage System	28,996 m³

In many cases our tenants have individual consumptions not registered in this report, because said consumption is total responsibility of our tenants; however, all water discharges are FUNO's responsibility hence these discharges are registered in this report.

For our total discharged water, we have an estimate of 60.3% treated water; all water is treated through our on-site water treatment plants and all of our treated discharges comply with applicable regulation (NOM-002) of Mexico's Environmental Agency (SEMARNAT for its acronym in Spanish); this regulation establishes maximum allowed limits for pollutants in residual waters going to local sewage systems.

“Data presented for water discharge, only refers to 80 internally managed properties (retail and offices).”

Energy

FUNO has only one electricity supplier, with whom we have signed a collaboration agreement which includes all our properties in operation. With it, we aim to create a partnership that allows us to identify efficiency opportunities and expenditure reductions. Our supplier published that in 2016, 19.68% of their electricity was produced through sustainable and renewable sources.

“The data, presented in this report, for energy consumption represent 84.3% of our Gross Leasing Area, including:

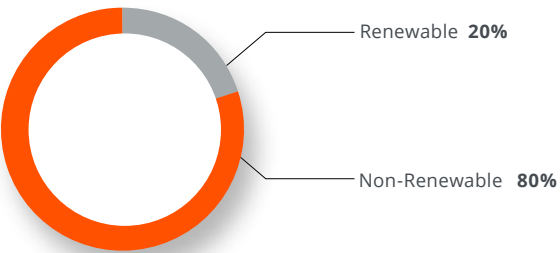
- 80 internally managed properties (retail and offices)
- Torre Mayor
- 19 externally managed properties

And all those managed by the tenant: 100 industrial parks, Portfolio Rojo, Hilton Centro Histórico, Universidad de Guadalajara y Zapopan UVM; all of these do not add to our consumptions nor emissions, since our tenants are fully responsible for consumption, measuring and mitigation.

We have only included those properties we operate since or before January 1st, any further acquisition is not considered.”

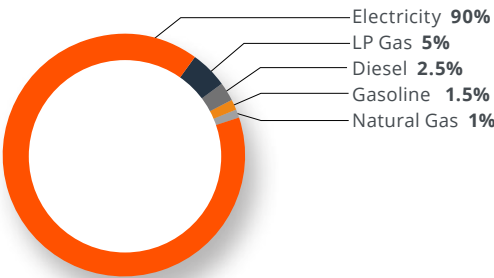
For electricity consumption, most of our tenants and particularly larger ones, have their one electricity meter, hence this report only considers, electricity we are responsible for; including common areas, vertical transportation systems, general AC systems, and the small percentage of electricity used by small and medium tenants located in gazebos or islands in shopping malls.

Energy Sources



FUNO’s main energy sources are:

Energy Sources



CONSUMPTION	
Electricity from local grid	83,449,082 Kw/h
LP Gas	466,002 Kw/h
Diesel	110,250 Kw/h
Gasoline	85 Its
Natural Gas	1,218 Kw/h

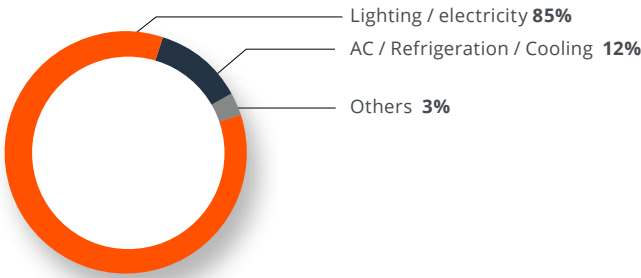
Out of the total energy consumption; 32% is usually transfer to third parties, such as tenants in small gazebos or islands and through AC.

Knowing our energy intensity, allows us to contextualize our efficiency. To calculate this indicator, we have decided to use Gross Leasing Area data and electricity consumption.

- For retail properties participating in our sample, energy intensity is 48.8 KWh per m2
- For office properties participating in our sample, energy intensity is 17.6 KWh per m2

2016 will be our base year for comparisons in further years.

Energy use



Emissions

Our emissions data are aproximates and are based on FUNO's internal registries; there may be differences in the homologation and conversion for the different metrics used across the organization. However, we feel comfortable with the results here presented, given that this is a first attempt to measure our GHG emissions.

"Emissions data refers to 82.4% of our Gross Leasing Area or 194 properties. We have only included those properties we operate since or before January 2016; all acquisitions after this date are not included on this report."

The data here presented was calculated with the EPA GHG Emissions Calculator (SGEC). Based on the Climate Leader Greenhouse Inventory Guidance and Emission Factor Hub methodology, which also relies on the Intergovernmental Panel on Climate Change International Standards 4th Assessment Report.

These is our first attempt to monitor, measure and report FUNO's emissions; our goal this year, was to establish a base line, in coming years we will try to mitigate and reduce our emissions.

Mexico has fulfilled its international commitment to avoid the use of CFC and other ozone depleting substances. FUNO, being a company who only operates in Mexico, obeys all regulations and guidelines established by the Mexican Government and by its international commitments.

During 2016, we did not attempt to formally measure our NOx nor SOx emissions.

DIRECT EMISSIONS			
Onsite combustion	9,067,209 CO ² -e	Natural gas, gas LP y diesel	
	CO ² (kg)	CH ⁴ (g)	N ² O (g)
Natural Gas	313,462	5,907	590
LP Gas	9,027,285,116	445,217,080	95,403,660
Diesel	48,570	2,711	1,236
Refrigerants	13,558 CO ² -e	Refrigerants, chillers, equipment, minisplits, etc.	
INDIRECT EMISSIONS			
Purchased and consumed electricity	71,791 CO ² -e	Electricity from the grid	
	CO ² (lb)	CH ⁴ (lb)	N ² O (lb)
	157,561,954	8,763	1,644
OPTIONAL EMISSIONS			
Employee business travel	143 CO ² -e	All business travel by airplane and by car payed by the organization	
	CO ² (kg)	CH ⁴ (g)	N ² O (g)
Passenger car	21,735	1,063	768
Airplane short haul (< 300 miles)	7,138	236	226
Airplane medium haul (>=300 millas, <2300 miles)	77,838	384	2,498
Airplane long haul (>=2300 miles)	35,145	147	1,104
Total net emissions		9,152,702 CO ² -e	

PHOTO: ELECTRIC MAINTENANCE



Biodiversity

At FUNO we promote the use of local and endemic flora in our green spaces. The use of native species favors the creation of links between the visitors and the space, since they are part of the local identity. It also reduces maintenance costs, given that these species have already adapted to local climatic conditions, requiring less water and other supplies.

As part of our efforts towards flora and fauna conservation, all our properties are evaluated regarding their impact on biodiversity, each time they require remodeling, or relevant structural modifications.

5.3 STRENGTHEN OUR COMMUNITY RELATIONS

Partnership for sustainable development

At FUNO we believe in partnerships with stakeholders to increase our positive social impact. We consider collaboration fundamental to sustainable development, hence in alliance with government, society and NGOs; we have favored thousands of people through more than 140 community development initiatives.

Local Development

- Local craftsman's markets
- Gastronomy and tourism fairs
- Support to different local NGOs
- Dance shows for elderly people
- Christmas carolls and nativities
- Yoga classes
- Philanthropic donations (Clothes, books and shoes)

Institutional strength

- Granted Spaces for the Local Economic Development institute
- Granted Spaces for FONACOT, PROFECO and Government organizations
- Safety and anti-theft campaigns

Health and Safety

- Partnership with Red Cross, free rent
- 14 vaccination areas opened in our shopping centers, by IMSS and or Health Secretariat
 - Influenza, measles, triple viral, etc.
 - Anti-rabies campaign
 - Canine and feline sterilization

In 2016 FUNO Headquarters together with our shopping mall SAMARA, engaged in the first ever clothing and books donation, with more than 7,000 items donated to:

- Casa Alianza Foundation: boys and girls between 12-18 years old, who have been living on the streets or victims of human trafficking and domestic violence.
- Karuna Foundation: farmers living under extreme poverty in the State of Mexico.
- Casa Mambré: South American and African migrants coming into Mexico, who have been victims of violence and crime.
- Centro de Apoyo Marista in Queretaro City: Migrant refugee for Central and South American migrants attempting to cross Mexico, but end up staying here.
- Casa Mujeres Ometepec: Support center for indigenous women in the Guerrero Sierra, who have been victims of violence.

Human Capital

At FUNO we understand the relevance of attracting, having and retaining talent and we consider it a key factor for our business sustainability. Hence, we have allocated important resources towards this; as a result, our organization has significantly changed in the last few years.

We have worked to implement best practices on organizational development, attraction and retention; in order to minimize employee turnover and become a highly desirable place to work; with the right investment, it requires.



A remarkable practice at FUNO, is that every time we acquire a new property, our Human Resources and operations team, go out of their way to keep as many jobs as possible within economic viability. Therefore, in the face of new acquisitions, our first move is to meet and evaluate people who already work at the property and incorporate them into our operations; making the best of their knowledge and keeping their jobs.



IN 2016 OUR INVESTMENT ON HUMAN CAPITAL, DERIVED FROM BENEFITS ADDITIONAL TO MEXICAN LAW WAS = \$ 13 MILLION PESOS



101 75

Direct

176



367 93

Subcontractors

460

=

Employees

636

Includes: Savings fund, performance bond, grocery vouchers, medical, dental and life insurance as well as health circuits.

Employees by region and gender:

Chiapas	1		1
Coahuila		1	1
CDMX	61	92	153
Guanajuato	1		1
Guerrero	1		1
Hidalgo		2	2
Jalisco	2		2
Nuevo León	2	2	4
Quintana Roo	7	1	8
Sonora		1	1
Yucatán		2	2
TOTAL	75	101	176

Subcontracted employees by region and gender:

Baja California Sur	2	13	15
Chiapas	2	6	8
Chihuahua	5	16	21
Coahulia	3	9	12
CDMX	30	123	153
Guanajuato	2	7	9
Guerrero	6	17	23
Hidalgo	3	10	13
Jalisco	1	9	10
México	7	36	43
Nuevo León	10	35	45
Puebla	1		1
Querétaro	2	8	10
Quintana Roo	3	27	30
Sinaloa		1	1
Sonora	4	11	15
Tamaulipas	2	9	11
Tlaxcala	1	5	6
Veracruz	4	14	18
Yucatán	5	11	16
TOTAL	93	367	460

For practical reasons, FUNO has decided to hire part of its employees through third parties; however, we do monitor and constantly supervise they are respected in terms of Human Rights and Labor Practices; we also oversee they get the benefits they have earned by law as well as those additional benefits FUNO offers them.

FUNO does not have employees earning minimum salary.

At FUNO we commonly hire people from the communities we work in. For executive positions, we prioritize experience and career path. All our operations are in Mexico and all our directors come from this country.

There are several mechanisms, we have implemented to engage employees and listen to their opinions, points of view and suggestions; some of them are:

- Organizational environment surveys
- “Team audits” evaluating and correlating employee profiles to the team or department they work with, in order to identify breaches and needs
- Performance evaluations
- Individual feedback process
- New comers meeting
- Managers meetings
- Direct and permanent communication with our Human Resources director
- Email: somosuno@fibrauno.mx
- Open door policy with executive team

Amongst the main challenges, we have identified in the Human Resources department are:

- Foster inter-department collaboration
- Process, procedures and norm dissemination
- Performance evaluation with clear KPIs as well as permanent feedback
- Emphasis on training, development and productivity
- Establish and monitor effective communication tools with executives
- Communicate our sustainability strategy



PHOTO:
FUNO TEAM

Employee turnover

- 1. Direct employees: 17% mainly headquarters
- 2. Subcontractors: 52% nationwide

FUNO offers several benefits to its employees, in order to help them grow personally as well as professionally; such benefits are paid by FUNO’s ordinary resources:

- Life insurance
- Health insurance
- Disability coverage (through health insurance and IMSS)
- Maternity and paternity leave
- Grocery vouchers
- Daily meal vouchers
- Additional holidays to those stated by law

In 2016, six women and one men had maternity and paternity leave respectively. All of them came back to their activities after their parental leave; hence 100%. In fact, five women and one man still work for FUNO at the end of the period.

To date, talent retention during acquisitions has been high. All employees are informed and notified of FUNO’s working conditions and benefits with at least 15 days’ notice.

Training and Education

A few years ago, FUNO endeavored to develop, train and help our employees in their career paths. We are well aware of how relevant it is, to have skillful employees and how profitable this is to our organization.

Training at FUNO, is defined based on departments needs and priorities; our organizational environment survey helps identify some of these need, as well as group audits, profile and job description.

Currently we are working on an organizational policy for Human Resources; however, we do have guidelines to lead our HR procedures in the following issues:

- For professional training: we offer training on new practices; for the use of technological software, to increase productivity and improve client oriented services.
- Subsidy for professional studies; we offer to our employees, subsidies to pay for advanced education as well as attending symposiums or conferences.
- All external education related to our business, the organization pays for 100%.
- We offer specialized training and relevant courses on particular issues such as: health and safety, environment, ethics and anti-corruption practices.

Objectives and management for all training activities are constantly monitored through an SMART methodology dashboard. Results are revised and evaluated by each head of department, who helps allocate a specific grade, which is ultimately used for annual salary raises.

TOTAL	676	355	\$208,050.54
STAFF	350	148	\$45,659.32
MANAGERS	67	111	\$43,410.90
DEPUTY DIRECTOR	112	96	\$51,907.33
DIRECTOR	147	0	\$67,072.99

Financial, human and technology resources:

Financial resources for training and employee development, are annually allocated by the CEO in the organizational budget.

Whenever there are vacancies, if they are new positions, they must be approved by our Vice President of Administration and IT; or if the position is manager or higher, it must be approved by the CEO.

Technology resources are allocated accordingly with position activities and requirements; such resources are managed and appropriately delivered by our IT department.

“

100% of direct employees are evaluated on an annual basis, through dashboards and pre-established Key Performance Indicators.

”

FUNO is an organization who has immensely grown in only 6 years, hence our focus in this phase has been on attracting and retaining key human capital. For example, FUNO has gone to great depths in order to accommodate, adapt and retain employees from portfolios we have acquired; in some case, we have even altered our own organizational culture. As a result of our rapid growing process, FUNO has not seen the need to enforce mass layoffs and we have not yet needed to create retirement plans. This is an area where we will work in the near future.

Labor practices

Our primary goal is that anyone working for FUNO either directly or indirectly, are hired with total observation of Mexico’s Labor Laws, with explicit workdays, salary and other conditions; and receiving appropriate training for their activities.

When it comes to labor and social security, FUNO fulfills all its responsibilities in a timely manner. Which is directly intertwined with salary and other benefit payments; preventing simulations, shady hiring practices or lack of documentation endorsing appropriate contractual terms and labor relations with our employees.

- a) All work relations amongst employees, executives, clients and suppliers observe our Code of Ethics, policies, procedures and ethical norms.
- b) Practices or processes for outsourcing services: Outsourcing services will only be allowed for asset management staff only; all executive and administrative staff shall be hired directly by FUNO.

- c) Policies to increase economic impact and workforce in communities: creating new employment opportunities shall be related with FUNO's expansion, growth and/or new acquisitions of portfolios and estates.
- d) Policies and practices for temporary employment: all employment: our contracts observe all Mexican regulations such as positions, working hours, workdays, position level, salary, benefits, etc.
- e) Housing and other benefits policy: We have clearly established those benefits allotted to employees hired directly by FUNO, however FUNO supervises subcontractors to comply with all employer responsibilities and respect labor and social rights of subcontracted employees.
- f) Internship program.

At FUNO we have a Planning and Norms department; which revises all guidelines and policies, including those regarding Human Resources; these department sends all policies to the Management Committee for their approval.

FUNO is currently undergoing an homologation process; however, we do have a performance assessment by department, where each area establishes its own KPIs.

Some mechanisms we have to assess and evaluate management approach:

- 1.- Goals and indicators dashboards.
- 2.-Results from the management approach evaluation, as well as the results from each department evaluation; are waged and ranked according to each department activities.

Workdays and workweek

Needless to say, we comply with all international standards set by the International Labor Organization. Our employees have a work day with break times, allowing them to upkeep their productivity, in accordance with their activities. Working hours and breaks may vary, however all employees have at least 24 hours breaks for every 6 working days; and at least 60-minute break for every 8 hours of work. Usually breaks extend this allotted time, but we make sure, everyone benefits from at least the above-mentioned schedules.

Before hiring any personnel, all candidates are clearly informed of their benefits, as well as their hiring status, may it be full-time, part-time, fixed-time, etc. These has helped to avoid misunderstandings, keep transparency and minimize labor risks and abuse. We make sure each contract is clearly understood and that all information is stated in a clear a transparent manner; including positions, salary, benefits and payment schemes.

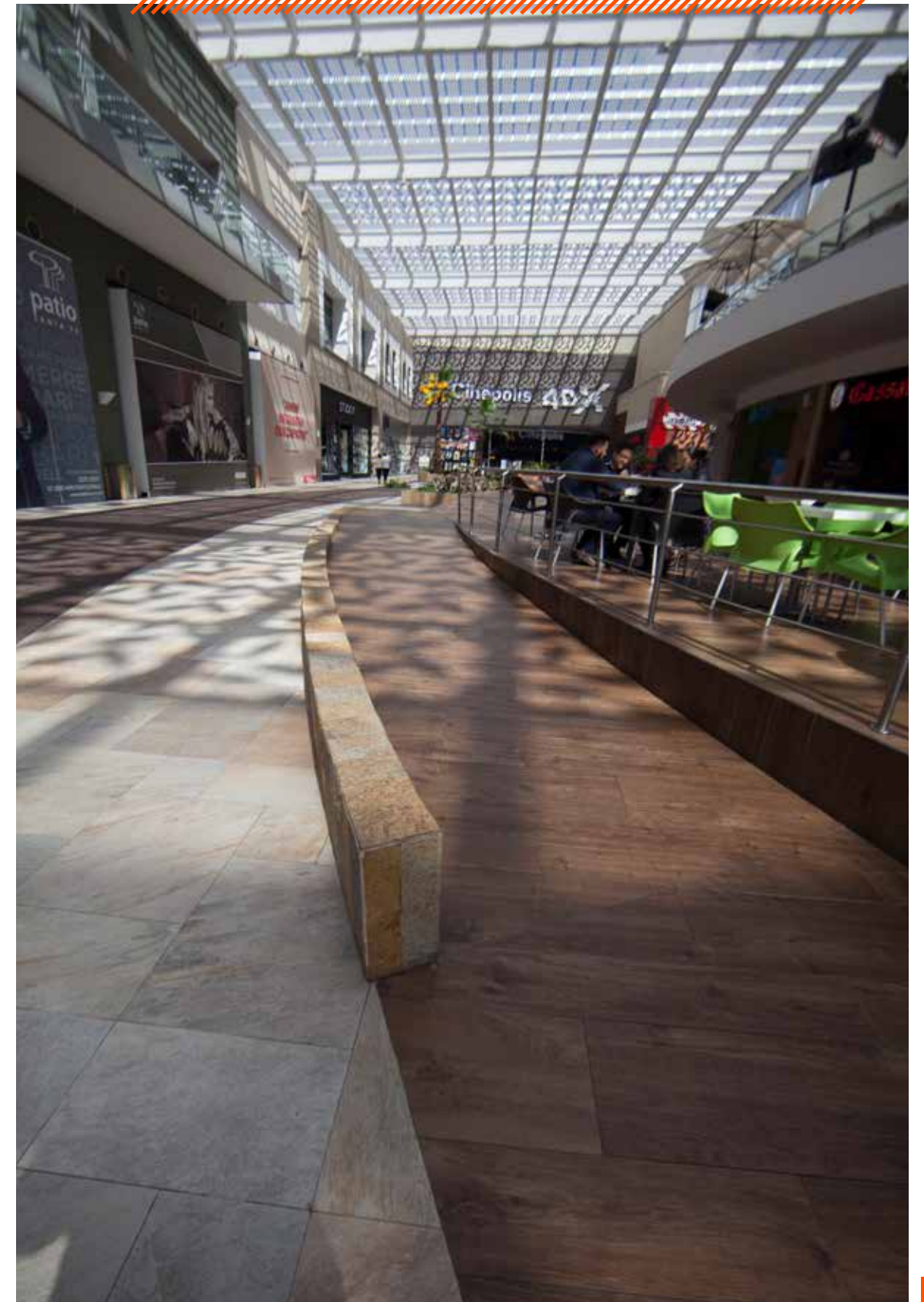
Remuneration

We have an internal dashboard with salary ranges for each position category, aiming at reducing breaches between elders and young, as well as men and women.

For middle and operative positions, they receive an annual salary increase of at least the countries inflation rate. In addition, each employee may have additional raises based on performance.

All employees hired by FUNO have an additional variable compensation in accordance with the organizations results and individual performance.

PHOTO:
WHEELCHAIR RAMP
PATIO SANTA FE



Forced Labor Prevention

All of our employees may finished their labor relationship with FUNO at any time, we make sure they receive all compensations in accordance with the law without retaining any salaries or benefits as penalty.

We do not keep any licenses, passports, travel documents or other personal documents, which may force an employee to stay with us. Similarly, in case they require and if they fulfill all requirements, FUNO grants recommendation letters or other documents which may help them attain another job.

All employees are free to leave the workspace and grounds during their breaks, free time and after their work day.

We do not charge our candidates any fee during the selection and recruiting process.

Freedom of Association and Child Labor

We recognize our employees right to exercise their freedom of association and to belong to any labor association of their preference.

We do not hire anyone below 16 years old, under any circumstance and we do not hire anyone below 18 years old for dangerous activities. We have implemented several control mechanisms to avoid child labor such as:

- Require birth-certificates and other official documents.
- To finish secondary and tertiary education.
- Schooling certificates are collated with official documents in Mexican Education Agencies.
- Internships are always through recognized and registered education institutions and do not constitute our primary source of employees.

Health and Safety

Provide safe places to work and healthy environments is without doubt one of the reasons we work for. FUNO makes great investments on trainings, communication and public awareness, regarding health and safety procedures. The data reported in the following pages, regarding safety, includes 92 internally managed properties.

With our employees

FUNO provides its employees safe places to work and we take all appropriate precautionary measures, beyond the law, to minimize all risks and avoid dangers inside our properties. We work to upkeep best possible conditions such as automated temperature control, air quality, ventilation, lighting and appropriate sanitary spaces for men and women.

The right to health and health services is a Human Right we highly value at FUNO.

Our commitment to take care of those who work for us, goes beyond legal regulations. According to INEGI, only 39% of Mexicans enjoy a public health service; at FUNO 100% of our employees enjoy this benefit. Similarly, 3.3% of Mexicans have a private insurance; FUNO offers this benefit to all its employees.

All our employees are highly qualified to perform their duties; for those on-site they also have an emergency protocol manual; which guides them step by step in case of natural disasters or other safety breaches which commonly occur.

We avoid exposing our employees to toxic substances, chemicals or dangerous procedures which may put their health at risk. For those maintenance or corrective activities which require being near any of the above-mentioned substances, we provide all required equipment.

To date we have not had any fatality at work or with work-related activities.

Health Campaigns

Since 2015 FUNO performs a health circuit to create awareness amongst our employees on the importance of their health and wellbeing; in such circuits; each employee is informed of their own personal status.

CIRCUIT PARTICIPANTS	MEN	WOMEN
2015	77	61
2016	31	37

ADDITIONAL EXAMS	TOTAL PARTICIPANTS
Breast Cancer	24
Prostatic Cancer	8
Doppler duplex	28
Supplementary optical exam	40



Phase I: Communication campaign

These phase attempts to create awareness and expectations amongst employees, to get them engaged and to voluntarily participate in the health circuit. During this period, we send tips, health information, possible causes and health risks derived from the work we do at FUNO.

Phase II: Commit Subscribe to health circuit

All employees have a subscription period, they must register for the day, although all services are paid by FUNO, they must commit to the activity.

Phase III: Check Ups to identify health risks

Checkups include:

1. Blood chemistry test
 - Glucose
 - Cholesterol
 - Triglycerides
2. Body examination
 - a. Weight
 - b. Height
 - c. BMI
 - d. Waist-hip ratio
 - e. % body fat

- f. % water
- g. % muscle
3. Somatometry
 - a. Heart rate
 - b. Respiratory rate
 - c. Oxygen saturation
 - d. Body temperature
 - e. Blood pressure

Phase IV: Define your health goals: change and commit

Trough specific formats and specialized advisory, we worked with each participant to make recommendations, set goals and promote individual well-being and collective health.

Phase V: Develop skills and change habits

To promote active participation and understanding of all given information, we performed some dynamics to teach participants how to better handle stress or personal nutrition.

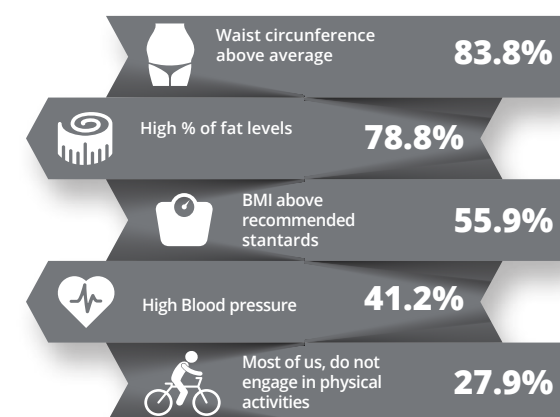
With it we aimed at not only worrying on current health conditions but also preventing future issues.

Phase VI: Results

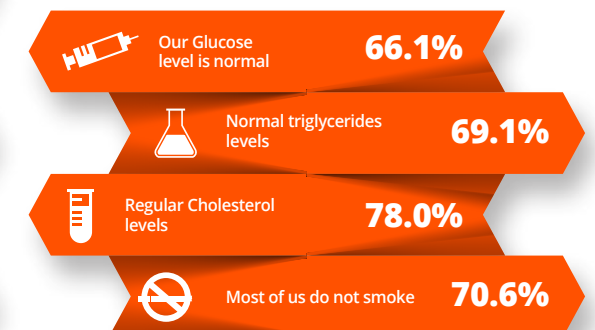
The risk map on health issues is:



What affects our well-being?



Our health strenghts:



In order to promote physical activity amongst our employees, we have collaboration agreements with gymnasiums located inside our properties; and we annually participate in the Soccer Championship, consisting of 28 matches.

On our properties

All our estates have safety committees, involving employers and employees at all levels, from executives to managers, accountants, safety personnel, cleaning personnel, and tenants.

- 78 drills for seismic and fire emergencies.
- 121 courses on first aid, evacuation, search and rescue, fire, etc.
- +6888 hours of training on health and safety issues.
- Mixed safety committees in all our properties.

Training our employees is relevant not only for their own safety but also because it may reduce impact on productivity and hence on our operations; we strive to keep our tenants satisfied with our services. These is also relevant since it is directly linked with our health and insurance quotas.

We manage all work-related injuries through Mexican Health Services (IMSS). Additionally, our employees benefit from a private health insurance for them and direct relatives.

In 2016, we only had 9 work related injuries/diseases which ended up in loss work days:

STATE	# OF REPORTS
Guanajuato	3 Hombres
CDMX	2 Hombres
Sonora	1 Hombre
Hidalgo	1 Hombre
Estado de México	1 Hombre
Nuevo León	1 Mujer

Our absenteeism rate is 1.5% a year, or 97 lost days.

“ FUNO do not has any fatality to date. ”

From all our activities, we have identified those related to preventive maintenance work, to be the riskiest ones; especially those working inside water pump rooms, AC, fire systems and mechanisms. For other large equipment such as vertical transportation, we usually hire specialized companies to perform such activities. FUNO provides its employees with all personal protection equipment to perform their activities in a safely manner.





PHOTO:
SECURITY PERSONNEL
PATIO SANTA FE

Security Personnel

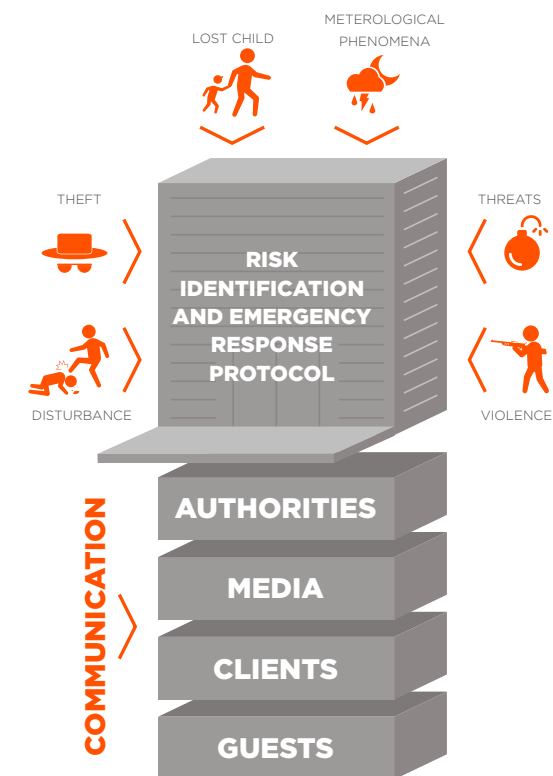
Our activities require subcontracting security personnel. We make sure our subcontractors are specialized and professional business; and at all times we require them to observe Human Rights, avoid the use of force or abuse their power. We always require our subcontractors to train their personnel in such matters.

We allocate the amount of security personnel depending on the needs and existing risks for each estate. Through our contracts, we aim to reduce security personnel turnovers, in order to minimize our risks.

Every property conducts periodic meetings, to assess general issues such as: protocols, emergency drills, guest attention, code and phone updating, etc.

We also have an operational manual particular for health and safety issues; it establishes all required protocols for different emergencies which may arise in our properties.

- Medical emergencies
- Natural disasters
- Meteorological phenomena
- Fire
- Other public issues



Our safety manual responds to our market needs and complies with all applicable regulation. Additionally, we routinely inspect each property; such inspections are performed by FUNO's executives, as well as our operations and maintenance teams; to ensure all equipment is operating properly.

Diversity and equal opportunities

FUNO is a plural organization where merits, achievements and experience are prioritized, regardless of gender, age, race, ethnicity, etc. Our code of Ethics gives all our employees the tools to know their rights, responsibilities and the mechanisms to enforce them.

We have a young workforce, ranging primarily between 30-50 years old; our executives tends to be older.

2016	DIRECT				INDIRECT			
	#	< 30 YRS.	30 a 50 YRS.	> 50 YRS.	#	< 30 YRS.	30 a 50 YRS.	> 50 YRS.
MEN	101	10	75	16	367	107	215	45
WOMEN	75	27	45	3	93	35	58	0

Remuneration ratio between women and men

Employees directly hired by FUNO

- Administrative level: women make 87.6% of the average salary a man makes.
- Management level: women make 78% of the average salary a man makes.
- Executive level: women make 85% of the average salary a man makes.

For subcontracted employees

- Operations level: women make 84.6% of the average salary a man makes.
- Administrative level: women make 87.4% of the average salary a man makes.
- Management level: women make 54.2% of the average salary a man makes.

Human Rights

A major sustainability challenge for any corporation, remains ensuring and verifying Human Rights compliance; particularly in a complex environment where business relations and value chains are inextricably intertwined.

We believe observing Human Rights, promoting diversity and engaging our value chain will bring about great benefits for our organization and for Mexico. Therefore, our first official step forwards were becoming signatories of the United Nations Global Compact and we are committed to annually report on our progress.

- We reject all types of discriminatory practices.
- We promote equality and equal opportunities for men and women.
- We recognize children's rights and reject all types of child labor.
- We recognize the right to social security and health services; and provide it to 100% of our employees.
- We recognize the right for just and favorable working conditions; and we constantly strive to provide it for our employees.
- We reject all slavery, forced labor and human trafficking.
- We recognize the right for freedom of association and collective bargaining.
- Right to health: we provide our employees with access to pu-

blic health services but also to private insurance.

- We have achieved to avoid communities' relocations in 100% of our operations.
- We strive to upkeep best labor practices.
- We are committed to maintain the highest confidentiality standards with the information we gathered, maintain and reveal from our stakeholders.
- We go all-out to provide safe working conditions.



PHOTO:
SAMARA SHOPS

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**Fideicomiso Irrevocable No.
F/1401 (Deutsche Bank México,
S. A. Institución de Banca
Múltiple, División Fiduciaria) and
Subsidiaries**

Consolidated Financial Statements for the Years
Ended December 31, 2016, 2015 and 2014, and
Independent Auditors' Report Dated April 5,
2017

Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016, 2015 and 2014, and Independent Auditors’ Report Dated April 5, 2017
Fideicomiso Irrevocable No. F/1401
(Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Independent Auditors’ Report and Consolidated Financial Statements for 2016, 2015 and 2014

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Independent Auditors’ Report to the Technical Committee and Trustors of Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries (“FUNO”), which comprise the consolidated statements of financial position as of December 31, 2016, 2015 and 2014 and the consolidated statements of operations, the consolidated statements of changes in trustors’ capital and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of FUNO as of December 31, 2016, 2015 and 2014, and their financial performance and their consolidated cash flows, for the years then ended in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

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 Independent Auditor’s Responsibilities for the Audit of Consolidated Financial Statements section of our report. We are independent of FUNO in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professionals Accountants (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code.

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

Other matter

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

Key audit matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period and which were selected from those reported to the Management and to the Audit Committee of FUNO, but do not intend to represent all the matters discussed with them. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole and in the formation of our opinion thereon, and we do not express a separate opinion on those matters. We have determined that the matters described below are the Key Audit Matters to be communicated in our report.

l) Rental Revenue Recognition, see Notes 4q and 21

FUNO has a significant number of tenants whose commercial conditions are variable and particular to each of them, such as: lease start, term, currency of payment, variable income, deferred revenues, grace periods, etc.

There may be a risk that the recognition of rental revenue does not conform to the commercial terms of the contracts and that the income is not fairly recognized, when all the risks and benefits are transferred to tenants.

FUNO maintains databases of its rental contracts ("Rent Roll") whose support is the contracts with each of them, with the variables of importance. This database is the basis for billing on a monthly basis. Subsequently, management performs an analysis of the items invoiced to determine the correct recording of income accrued in the consolidated statement of operations.

How our audit addressed the Key Audit Matter:

Our audit procedures included, among others: 1) The review of commercial terms in rental contracts to determine the time when all the risks and benefits are transferred to tenants depending on such conditions (i.e. contract signature, property ownership, etc.); 2) We verified, randomly, that these contracts were properly included in the Rent Roll of the year; 3) We reviewed the integrity of the information included in the Rent Roll, through specialists in Information Technology to confirm that there were no improper manipulations of the database; 4) From the selection of rental contracts we identified covenants, verifying that invoicing was properly computed and the revenue was recognized only when all the risks had been transferred and once covenants had been satisfied; 5) We investigated and verified with the management type of commercial terms that have been signed with tenants in order to determine when all the risks and benefits have been transferred.

Based on this work, no material issues that could result in adjustments to rental revenue were identified in the accompanying consolidated financial statements.

II) Valuation of investment properties, see Notes 4h and 9

In order to estimate the fair value of investment properties, management including external valuers, chooses the valuation techniques considered most appropriate given the particular circumstances of each investment property. Assumptions relating to estimates of the fair values of investment properties include obtaining, among others, contractual rents, expectation of future lease payments, renewal rates, maintenance requirements, discount rates must reflect the uncertainties of the current market, capitalization rates and recent transaction prices.

External valuers selected by FUNO are CBRE and Colliers International, for all their investment properties portfolios. They are well-known firms, with considerable experience of the real estate market. Among the number of variables to determine the fair value of investment properties, there may be a risk that the assumptions and judgments established and accepted by the independent valuers and FUNO, respectively, could not be the appropriated.

How our audit addressed the Key Audit Matter:

- a) We assessed the capabilities and competences of the valuation firms, we also assessed their qualifications and independence by discussing the scope of their work; we verified that the selected valuation methodologies were in accordance with IFRS; obtained valuation certificates (fair value) of all investment properties and; we held meetings with them to validate the key assumptions of their valuations. Based on this work, we are satisfied that the firms remain independent and competent and the scope of their work was appropriate.
- b) We tested the data in the investment property valuation for a sample of properties, including rental income, acquisitions and capital expenditure, by agreeing them to the underlying property records held by FUNO. The underlying property records were themselves tested back to signed and approved lease contracts and approved third party invoices as applicable. For the properties currently under development, we traced the costs to date included within development appraisals to quantity surveyor reports and confirmed that they

were comparable to costs incurred on similar completed projects. We also agreed a sample of costs included in the quantity surveyor reports to supporting documentation.

- c) We met with the external valuers independently of management and obtained the valuation reports for all properties. We read the valuations reports, for a sample of properties, and confirmed that the valuation approach for each was in accordance with IAS 40 "Investment Property" and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. We involved our internal valuation specialists to compare the valuations of each property to our independently formed market expectations and to discuss and challenge the valuation methodology and assumptions considered by the external valuers. In doing this we used evidence of comparable market transactions and focused in particular on properties where the growth in capital values was higher or lower than our expectations based on market indices.

Based on the above assumptions, we consider that the methodology and professional judgment of FUNO's management for the valuation of investment properties, are reasonable. Based on this work, no material issues that could result in adjustments to rental revenue were identified in the accompanying consolidated financial statements.

III) Tax compliance to maintain FIBRA condition in accordance with the Mexican Income Tax Law, see Notes 1 and 20

In order to maintain FIBRA status, the tax authority "SAT" has established, per articles 187 and 188 of the Mexican Income Tax Law, that FUNO must annually distribute at least 95% of its taxable income to the holders of its CBFIs, in addition to other requirements. There may be a risk that in the event of non-compliance, FUNO will not be qualified as FIBRA.

How our audit addressed the Key Audit Matter:

The compliance test with these articles was significant for our audit because it is the main basis of FUNO's Going concern. Our auditing procedures included, among others, the review of the annual fiscal result and the review of the internal tax specialists to assess compliance of the main requirements established by current legislation as of December 31, 2016.

Based on this work, we did not find exceptions to the Mexican Income Tax Law, which could have a material effect on the accompanying consolidated financial statements.

Management's and Audit Committee's Responsibilities for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the FUNO'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 FUNO or to cease operations, or has no realistic alternative but to do so.

The Audit Committee's members of FUNO are responsible for overseeing the procedures and controls necessary for the financial information of FUNO to be reliable, useful and accurate; with the support of the internal audit.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain and 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 FUNO'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 FUNO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause FUNO 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient and appropriate audit evidence regarding the financial information of the entities and business activities within FUNO to express an opinion for the consolidated financial statements. We are responsible for the direction, overseeing and execution of the audit group. We remain solely responsible for our audit opinion.

We communicate to 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 the audit.

We also provide to the Management and Audit Committee of FUNO a statement that we have complied with the applicable ethics requirements in relation to independence and have communicated to them all relationships and other matters that, may reasonably be expected affect our independence, and where appropriate, the corresponding safeguards.

Among the matters that have been subject of communications to those charged with governance of FUNO, we determined those that have been more relevant in the audit of the consolidated financial statements of the current period and which are consequently the Key Audit Matters. We describe those

issues in this audit report, unless laws or regulations prohibit public disclosure of the matter or, in extremely unusual situations, we determine that a matters should not be inform in our report because it can reasonably be expected that the adverse consequences of doing so could exceed the public interest benefits of the same matter.

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

C.P.C. Carlos M. Pantoja Flores
Mexico City, Mexico
April 5, 2017

Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos)

Assets	Notes	2016	2015	2014
Current assets:				
Cash and restricted cash	6.	\$ 5,554,120	\$ 5,995,918	\$ 500,848
Financial investments	7.	1,956,101	2,300,596	19,528,446
Lease receivables and others	8.	1,510,294	797,869	763,723
Due from related parties	17.	80,293	-	-
Recoverable taxes, mainly value-added tax		2,141,696	4,161,762	3,082,513
Prepaid expenses		<u>430,717</u>	<u>459,660</u>	<u>171,658</u>
Total current assets		11,673,221	13,715,805	24,047,188
Non-current assets:				
Investment properties	9.	172,739,278	151,822,122	113,303,350
Advanced payment for the acquisition of investment property	10.	-	-	1,121,095
Investments in associates	11.	5,178,900	3,113,889	2,854,011
Derivative financial instruments	13.	515,055	-	-
Other assets	12.	<u>1,920,523</u>	<u>2,121,525</u>	<u>2,289,490</u>
Total non-current assets		<u>180,353,756</u>	<u>157,057,536</u>	<u>119,567,946</u>
Total assets		<u>\$ 192,026,977</u>	<u>\$ 170,773,341</u>	<u>\$ 143,615,134</u>

Liabilities and Trustors' Capital				
Current liabilities:				
Borrowings	14.	\$ 633,911	\$ 10,123,627	\$ 1,791,924
Trade accounts payable and accrued expenses	15.	3,232,397	1,913,159	1,928,023
Deferred revenues		165,362	100,010	57,023
Due to related parties	17.	<u>93,266</u>	<u>104,488</u>	-
Total current liabilities		<u>4,124,936</u>	<u>12,241,284</u>	<u>3,776,970</u>
Borrowings	14.	64,172,642	44,209,408	34,128,710
Other accounts payable - Long term		125,530	-	-
Deposit from tenants		825,067	702,303	474,809
Deferred revenues - Long term	16.	<u>135,467</u>	<u>261,968</u>	<u>159,174</u>
Total liabilities		<u>69,383,642</u>	<u>57,414,963</u>	<u>38,539,663</u>

Liabilities and Trustors' Capital	Notes	2016	2015	2014
Trustors' capital:				
Trustors' capital	19.	95,383,575	97,742,580	93,500,173
Retained earnings		25,524,669	15,615,798	11,575,298
Valuation of derivative financial instruments	13.	<u>(103,006)</u>	-	-
Controlling interest		<u>120,805,238</u>	<u>113,358,378</u>	<u>105,075,471</u>
Non-controlling interest		<u>1,838,097</u>	-	-
Total trustors' capital		<u>122,643,335</u>	<u>113,358,378</u>	<u>105,075,471</u>
Total liabilities and trustors' capital		<u>\$ 192,026,977</u>	<u>\$ 170,773,341</u>	<u>\$ 143,615,134</u>

See accompanying notes to consolidated financial statements.

Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Consolidated Statements of Operations

For the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos, except net income per CBFi)

	Notes	2016	2015	2014
Revenue from:				
Leases	22.	\$ 11,756,607	\$ 9,574,616	\$ 6,989,751
Maintenance		1,230,420	963,377	707,842
Dividend revenues from beneficiary rights		157,821	148,573	124,387
Administration fee	17.	<u>108,000</u>	<u>38,333</u>	-
		<u>13,252,848</u>	<u>10,724,899</u>	<u>7,821,980</u>
Expenses from:				
Management fees		(678,686)	(612,928)	(490,832)
Operating expenses		(824,967)	(668,237)	(530,623)
Maintenance expenses		(1,293,772)	(1,065,230)	(807,394)
Amortization of administrative platform		(194,984)	(194,984)	(194,984)
Executive bonus	18.	(169,997)	(587,792)	(530,280)
Property tax		(323,074)	(258,801)	(155,104)
Insurance		<u>(143,918)</u>	<u>(87,012)</u>	<u>(84,179)</u>
		<u>(3,629,398)</u>	<u>(3,474,984)</u>	<u>(2,793,396)</u>
Interest expense		(3,826,836)	(2,681,540)	(2,019,111)
Interest income		263,833	412,083	430,494
Foreign exchange loss, Net		(4,752,607)	(3,878,142)	(2,222,097)
Amortization of bank fees		(133,579)	(81,867)	(166,545)
Derivative financial instruments	13.	(46,624)	-	-
Fair value adjustments to investment properties and investments in associates	9.	<u>11,266,275</u>	<u>4,714,041</u>	<u>4,659,760</u>
Consolidated net income for the year		<u>\$ 12,393,912</u>	<u>\$ 5,734,490</u>	<u>\$ 5,711,085</u>
Controlling interest		\$ 11,824,632	\$ 5,734,490	\$ 5,711,085
Non-controlling interest		<u>569,280</u>	-	-
Consolidated net income		<u>\$ 12,393,912</u>	<u>\$ 5,734,490</u>	<u>\$ 5,711,085</u>
Basic net income per CBFi (real estate trust certificates) (in Mexican pesos)		<u>\$ 1.9927</u>	<u>\$ 1.9054</u>	<u>\$ 2.3264</u>
Diluted net income per CBFi (in Mexican pesos)		<u>\$ 1.9696</u>	<u>\$ 1.6403</u>	<u>\$ 1.7517</u>

See accompanying notes to consolidated financial statements.

Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Consolidated Statements of Changes in Trustors’ Capital

For the years ended December 31, 2016, 2015 y 2014
(In thousands of Mexican pesos)

	Number of CBFIs	Capital	Retained earnings	Valuation of financial derivative financial instruments	Controlling interest	Non-controlling interest	Total
Balance as of January 1, 2015	1,809,013,266	\$49,914,979	\$ 8,299,234	-	\$58,214,213	-	\$58,214,213
Equity contribution	1,069,373,660	45,432,735	-	-	45,432,735	-	45,432,735
Distributions to trustors	-	(1,847,541)	(2,435,021)	-	(4,282,562)	-	(4,282,562)
Consolidated net income for the year	-	-	<u>5,711,085</u>	-	<u>5,711,085</u>	-	<u>5,711,085</u>
Balance as of December 31, 2014	2,878,386,926	\$93,500,173	\$11,575,298	-	\$ 105,075,471	-	\$105,075,471
Equity contribution	319,192,212	8,452,064	-	-	8,452,064	-	8,452,064
Distributions to trustors	-	(4,209,656)	(1,693,991)	-	(5,903,647)	-	(5,903,647)
Consolidated net income for the year	-	-	<u>5,734,490</u>	-	<u>5,734,490</u>	-	<u>5,734,490</u>
Balance as of December 31, 2015	3,197,579,138	97,742,581	15,615,797	-	113,358,378	-	113,358,378
Equity contribution	51,726,612	2,095,942	-	-	2,095,942	1,268,817	3,364,759
Distributions to trustors	-	(4,454,948)	(1,915,760)	-	(6,370,708)	-	(6,370,708)
Consolidated net income for the year	-	-	<u>11,824,632</u>	-	<u>11,824,632</u>	<u>569,280</u>	<u>12,393,912</u>
Effect of valuation of derivative financial instruments	-	-	-	(103,006)	(103,006)	-	(103,006)
Balance as of December 31, 2016	<u>3,249,305,750</u>	<u>\$95,383,575</u>	<u>\$25,524,669</u>	<u>\$ (103,006)</u>	<u>\$ 120,805,238</u>	<u>\$ 1,838,097</u>	<u>\$ 122,643,335</u>

See accompanying notes to consolidated financial statements.

Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2016, 2015 and 2014
(In thousands of Mexican pesos)

	2016	2015	2014
Operating activities:			
Net consolidated income for the year	\$ 12,393,912	\$ 5,734,490	\$ 5,711,085
Adjustments for non-cash items:			
Adjustment to fair value of investment properties and investments in associates	(11,266,275)	(4,714,041)	(4,659,760)
Unrealized exchange loss (gain)	4,276,168	4,022,379	2,030,618
Amortization of bank fees	133,579	81,867	166,545
Amortization of administrative platform	194,984	194,984	194,984
Executive bonus	169,997	587,792	530,280
Interest income	(263,833)	(412,083)	(430,494)
Interest expense	3,826,836	2,681,540	2,019,111
Effect of valuation of derivative financial instruments	46,624	-	-
Total	9,511,992	8,176,928	5,562,369
Movements in working capital:			
(Increase) decrease in:			
Lease receivable and others	(712,425)	(34,146)	(31,275)
Due to related parties	(80,293)	-	125,609
Recoverable taxes, mainly value-added tax	2,020,066	(1,079,249)	653,489
Prepaid expenses and other assets	28,943	(315,021)	(153,973)
Increase (decrease) in:			
Trade accounts payable and accrued expenses	1,358,051	(340,660)	(607,019)
Deferred revenues	(61,149)	145,781	40,667
Other accounts payable - Long term	86,717	-	-
Deposit from tenants	122,764	227,494	85,231
Due from related parties	(11,222)	104,488	(60,767)
Net cash flows provided by operating activities	12,263,444	6,885,615	5,614,331
Investing activities:			
Investment in development projects and acquisition expenses	(5,878,590)	(8,122,203)	(3,573,709)
Advanced payments for acquisitions of investment properties	-	-	(1,121,095)

	2016	2015	2014
Acquisition of investment properties	(2,529,171)	(16,818,476)	(6,067,057)
Acquisition of a business	-	-	-
Financial investments	344,495	17,227,850	(18,804,470)
Investments in trust rights	-	(138,564)	(248,970)
Interest received	171,698	412,083	430,494
Net cash flows used in investing activities	(7,891,568)	(7,439,310)	(29,384,807)
Financing activities:			
Payments of borrowings	(13,403,201)	(2,612,737)	(15,320,277)
Proceeds from borrowings	17,561,558	16,920,892	13,101,441
Cash received on sale of non-controlling interest	1,100,000	-	-
Distributions to trustors	(6,370,708)	(5,903,646)	(4,282,562)
Interest paid	(3,701,323)	(2,355,744)	(1,824,540)
Capital contribution	-	-	31,232,804
Net cash flows provided by financing activities	(4,813,674)	6,048,765	22,906,866
Cash and restricted cash			
Net (decrease) increase in cash and restricted cash	(441,798)	5,495,070	(863,610)
Cash and restricted cash at the beginning of the period	5,995,918	500,848	1,364,458
Cash and restricted cash at the end of the period	\$ 5,554,120	\$ 5,995,918	\$ 500,848

See accompanying notes to these consolidated financial statements.

Fideicomiso Irrevocable No. F/1401 (Deutsche Bank México, S. A. Institución de Banca Múltiple, División Fiduciaria) and Subsidiaries

Notes to Consolidated Financial Statements

For the year ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

1. General information, acquisitions and relevant events

a) General information and activities

Fideicomiso F/1401 of Deutsche Bank Mexico, S. A. Institución de Banca Múltiple, División Fiduciaria (“FUNO”) was established as a real estate trust on January 12, 2011 by FUNO Administración, S. A. de C. V. (the “trustor”) and Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria (the “trustee”). FUNO started operations on March 2011 and was established mainly to acquire and own a variety of real estate properties for the purpose of leasing and developing commercial, industrial and mixed-use properties as well as office buildings and land in the Mexican market.

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

FUNO has entered into the following relevant agreements:

- i. An advisory services agreement with FUNO Administración, S. A. de C. V. (“FUNO Administración” or the “Advisor”, related party) for the Advisor to assist FUNO in establishing and implementing its investment and financial strategies.
- ii. A property management agreement with FI Management, S. C. (“F1 Management”) , Operadora CVC, A. C. (“Operadora CVC”) and F1 Controladora de Activos, S. C. (“F1 Controladora de Activos”) (subsidiary entities) to conduct the day-to-day management of the operations of FUNO.
- iii. A services agreement with F2 Services, S. C. (“F2 Services”, related party) to perform certain leasing, billing and collection services on behalf of FUNO, subject to its oversight and supervision.
- iv. An agreement for advisory and property management services, related to certain properties, signed with Jumbo Administración, S. A. P. I. de C. V. (“Jumbo Administración”, related party) under similar conditions as the aforementioned agreements.
- v. A property management agreement signed with Finsa Holding, S. A. de C. V. to manage the day-to-day operations of the portfolio “Vermont”.
- vi. A property management agreement signed with Hines Interest, S. A. de C. V. to manage the day-to-day operations of the portfolio “Maine”.
- vii. A property management agreement signed with Consultora Centro Historico, S. A. de C. V. to manage the day-to-day operations of the portfolio “Hotel Centro Histórico”.
- viii. A property management agreement signed with Operadora Galgua, S. A. de C. V. to manage the day-to-day operations of the portfolio “Galerías Guadalajara”.

- ix. A services agreement with F1 Administración, S. C. (“F1 Administración”) (subsidiary entity) and Banco Invex, S. A. Institución de Banca Múltiple, Invex Grupo Financiero in its capacity as Fideicomiso F/2353 (“Fideicomiso F/2353”),to conduct the day-to-day management of the operations of Fideicomiso F/2353; and
- x. A construction services and management agreement with MTK Developers, S. C. (indirect subsidiary) for the construction of Mitikah project.

The address of FUNO is Quintana Roo No. 3 Despacho 303, Col. Roma Sur, Mexico City.

b) Acquisitions

Portfolio	Acquisition date	Acquisition type
Midtown Jalisco (i)	July 21, 2016	Development
Tower Vallarta (ii)	August 19, 2016	Investment properties
Torre Cuarzo (iii)	June 27, 2016	Development
Espacio Tollocan (iv)	June 1, 2016	Development
Puerta de Hierro (v)	February 29, 2016	Investment properties
El Salto Jalisco (vi)	February 23, 2016	Investment properties
Alaska Portfolio (vii)	December 14, 2015	Investment properties
Lamar Portfolio (viii)	November 19, 2015	Investment properties
Artificios No. 40 (ix)	November 4, 2015	Investment properties
Cuautipark II (x)	September 30, 2015	Investment properties
Oregon Portfolio (xi)	June 11, 2015	Investment properties
Indiana Portfolio (xii)	June 2, 2015	Investment properties
Kansas Portfolio (xiii)	April 30, 2015	Investment properties
Buffalo Portfolio (xiv)	April 17, 2015	Development
Utah Portfolio (xv)	March 4, 2015	Investment properties
Florida Portfolio (xvi)	February 27, 2015	Investment properties
Samara (xvii)	December 16, 2014	Investment properties
Insurgentes 476 (xviii)	September 24, 2014	Investment properties
Insurgentes 1571 (xix)	September 24, 2014	Investment properties
Christel House (xx)	August 24, 2014	Development
La Viga (xxi)	July 23, 2014	Investment properties
Península Vallarta (xxii)	July 15, 2014	Investment properties
Galerías Guadalajara (xxiii)	July 15, 2014	Investment properties
Hotel Centro Histórico (xxiv)	July 7, 2014	Investment properties
Corporativo San Mateo (xxv)	June 25, 2014	Investment properties
California Portfolio (xxvi)	May 5, 2014	Investment properties
Maine Portfolio (xxvii)	February 19, 2014	Investment properties

- i. During the third quarter of 2016, FUNO acquired the “Midtown Jalisco” property located in Guadalajara, Jalisco. The total acquisition price was \$440 million. This property has a piece of land of 58,740.63 m2 approximately reserved for a mixed-use development that will generate 105,000 m2 of gross leasable area plus 225 hotel rooms.
- ii. On August 2016, FUNO acquired the “Tower Vallarta” property, which is part of the “Turbo” portfolio, being the first type of all-inclusive hotel resort included in FUNO portfolio, located in Puerto Vallarta. The total acquisition price was \$1,477.1 million, of which was paid with a combination of cash and CBFIs.
- iii. On June 27, 2016, FUNO acquired “Torre Cuarzo” property located in Mexico City. The property will have approximately 72,000 m2 of gross leasable area. As to date, the property is in the final stage of development and is expected to be delivered for the second quarter of 2017. The total acquisition price was \$2,898.1 million.

- iv. On June 1, 2016, FUNO entered into an asset acquisition agreement with Fideicomiso 2500, in which Tiendas de Discount Monterrey, S. A. de C. V. ("Soriana") acts as "Fideicomitente A", FUNO as "Fideicomitente B" and Banco Actinver, S. A. Institución de Banca Múltiple, Grupo Financiero ("Actinver") as "Trustee". The trust agreement agreed the construction of "Espacio Tollocan" which includes a Soriana store and a shopping center, and through which Soriana provided a piece of land of 55,378 m2, whereby FUNO made a payment of \$229.3 million. Soriana will pay FUNO to build the store for a total amount of \$110 million. Once the project is completed both parts will create a condominium regime so Soriana owns its store and FUNO the shopping mall.
- v. On February 29, 2016, FUNO acquired the "Puerta de Hierro" property located in Guadalajara, Jalisco. The property has approximately 24,946 m2 of gross leasable area. The transaction consisted of a sale and lease back, as part of this acquisition FUNO signed a lease agreement for a triple net lease with a duration of 10 years, allowing for a renewal of an additional 10 years. The total acquisition price was \$700 million paid in cash.
- vi. On February 23, 2016, FUNO acquired the "El Salto Jalisco" property, an industrial warehouse, located in Guadalajara, Jalisco. FUNO paid 5,060,501 CBFIs equivalent to \$180,000. One of the terms for the acquisition of El Salto Jalisco is that once the construction and equipment of a second industrial warehouse is completed of 21,388 m2 approximately, FUNO will make a payment of \$180,000 with CBFIs.
- vii. On December 14, 2015, FUNO acquired the "Alaska" portfolio, in exchange for 148,327,000 CBFIs totaling \$5,246,766; 5% of these CBFIs will remain in an escrow account for one year, subject to any contingency that could occur with respect to the property. These shares will not have any voting or economic rights during this period. The portfolio is comprised of six office buildings.
- viii. On November 19, 2015, FUNO acquired the "Lamar" portfolio for cash consideration of \$2,295,000. The portfolio is comprised of 4 university buildings located in Guadalajara belonging to Grupo ICEL. The transaction consisted of a sale and leaseback, as part of this acquisition FUNO signed a lease agreement with Grupo ICEL, for a triple net lease with a duration of 10 years, allowing for a renewal of an additional 10 years.
- ix. On November 4, 2015, FUNO acquired an office building located in México City, for cash consideration of \$52,950.
- x. On September 30, 2015, FUNO acquired the "CuauttiPark II" industrial park. The total acquisition price was 19,806,720 CBFIs equivalent to \$783,500. The CuauttiPark II is located in the México-Querétaro highway km 39, State of México.
- xi. On June 11, 2015, FUNO acquired the "Oregon" portfolio. The total acquisition price was 41,390,686 CBFIs equivalent to \$1,626,000. The Oregon Portfolio consists of three malls located in Mexico City.
- xii. On June 2, 2015, FUNO acquired the "Indiana" portfolio. The total acquisition price was \$3,190,000. The Indiana portfolio consists of 13 "Grupo ICEL" campuses. The operation is a sale-and-lease-back under a triple-net lease contract with the option of a 10-year extension.
- xiii. On April 30, 2015, FUNO acquired the "Kansas" portfolio. The total acquisition price was \$10,452,127. The Kansas portfolio consists of 10 malls, five adjacent land plots for future expansions, two malls in stabilization process, and seven land plots for future expansion.
- xiv. On April 17, 2015, FUNO acquired the "Buffalo" portfolio, which is a mixed-use development. The

total acquisition price was US\$185 million, equivalent to \$2,820,418. The Buffalo portfolio includes the prestigious project known as "Mitikah", and is located in Southern Mexico City. The project will have various uses and components such as offices, a shopping center, a hotel and apartment tower.

- xv. On March 4, 2015, FUNO acquired the "Utah" property, a corporate office building which is located in Mexico City on the Reforma-Lomas corridor. The total acquisition price was US \$67.9 million, equivalent to \$1,010,664.
- xvi. On February 27, 2015, FUNO acquired the "Florida" corporate offices building. It is located in Mexico City on Insurgentes Sur Avenue, at the intersection with Barranca del Muerto Street. The total acquisition price was \$640,098.
- xvii. On December 16, 2014, FUNO acquired the corporate office and a shopping mall called Samara, located in Mexico City. The property has a gross leasable area of approximately 144,000 m2. The total acquisition price was \$5,586 million, assuming debt for \$1,232 million and a payment in CBFIs equivalent to \$4,165 million.
- xviii. On September 24, 2014, FUNO recorded the acquisition of the property called Insurgentes 476 as part of the portfolio P4 located in Mexico City. The property has a gross leasable area of approximately 9,691 m2. The total amount of acquisition was \$216 million.
- xix. On September 24, 2014, FUNO recorded the acquisition of the property called Insurgentes 1571 as part of the portfolio P4 located in Mexico City. The property has a gross leasable area of approximately 1,803 m2. The total acquisition price was \$64.3 million.
- xx. On August 24, 2014, FUNO recorded the acquisition of a piece of land called "Christel House" located in the Distrito Federal (Mexico City), for the development of educational facilities. The total acquisition price was \$34.2 million.
- xxi. On July 23, 2014, FUNO acquired Corporativo la Viga, located in Calzada de la Viga in Mexico City. The property has 22,538 m2 approximately. The total acquisition price was \$414.9 million.
- xxii. On July 15, 2014, FUNO recorded the acquisition of the shopping mall Peninsula Vallarta as part of the portfolio R-15. It is located in Puerto Vallarta, Jalisco. The property has a gross leasable area of approximately 11,874 m2. The total acquisition price was \$260 million of which \$57.2 million were paid in cash and \$202.8 million were paid with CBFIs.
- xxiii. On July 15, 2014, FUNO recorded the acquisitions of the shopping mall Galerías Guadalajara, as part of the portfolio R-15, located in Guadalajara, in Jalisco. The property has approximately 72,492 m2. The total acquisition price was \$3,575 million, of which \$739 million were paid in cash and \$2,720 were paid with CBFIs.
- xxiv. On July 7, 2014, FUNO recorded the acquisition of a hotel operated by the hotel chain Hilton and other tenants. It is located in the Centro Histórico, in downtown Mexico City. The total acquisition price was US \$90 million, of which US \$59 million were paid with CBFIs, plus debt assumed as part of the acquisition for US \$31 million. The hotel has 458 rooms in approximately 40,000 m2 of construction.
- xxv. On June 25, 2014, FUNO recorded the acquisition of a property called Corporativo San Mateo located in Estado de México. The total acquisition price was \$121 million. The property has a gross leasable area of approximately 5,440 m2.

- xxvi.

On May 5, 2014, FUNO recorded the acquisition of portfolio California, the total acquisition price was US \$274.8 million. To date FUNO has paid US \$92.6 million in cash and US \$176.2 million with CBFIs. FUNO will have to pay additional US 6 million if in the next 6 months the occupation increase to 15,550 m2 approximately. The portfolio consists of 29 properties located in Chihuahua, Coahuila, Nuevo León, San Luis Potosí and Tamaulipas with a gross leasable area of 345,469 m2 approximately. Additionally, the portfolio has a piece of land of 274,035 m2 approximately reserved for future expansions that will generate approximately 137,800 m2 of gross leasable area for industrial use in Monterrey and San Luis Potosí.
- xxvii.

On February 19, 2014, FUNO closed the acquisition of 5 industrial properties and a retail property to Hines Mexico (also called Maine). The total amount of the acquisition was U.S. \$86.5 million and \$472.4 million of Mexican pesos, respectively.

c) Relevant events

- i.

On June 27, 2016, Trust agreement “Fideicomiso No. 2584” was executed, between FUNO as “Fideicomitante A” and Fideicomiso Irrevocable No. F/2353 (Banco INVEX, S. A., Multiple Banking Institution, INVEX Grupo Financiero (“Helios”), as “Trustor B” and Banco Actinver, S.A. Institución de Banca Múltiple, Grupo Financiero (“Actinver”) as Trustee. The purpose of this Trust is to develop the mixed-use project named “Mitikah”, through the commitment of FUNO to contribute to the assets of Fideicomiso 2584, the “Buffalo” and “Colorado” portfolios, and the commitment of Helios to contribute in cash the necessary resources for the completion of the project.

The proceeds of this co-investment, whether as income derived from net income, reimbursement, partial or total divestment of the assets, may be distributed by the Trustee according to the times fixed by the Administrator.

On December 22, 2016, FUNO contributed to the “Buffalo” portfolio with the assets of Fideicomiso 2584 of \$3,660 million, for the development of the “Mitikah” project.

FUNO maintains control over Fideicomiso 2584, so it consolidates the figures of this trust to its own; for therefore the contribution of the Buffalo portfolio to Fideicomiso 2584 is presented as of December 31, 2016 in the investment property section in the accompanying consolidated financial statements.

At December 31, 2016, FUNO owns 76.89% of the assets of Fideicomiso 2584, while Fideicomiso 2353 owns 23.11%.

- ii.

On October 4, 2016, FUNO recovered \$476.1 million in cash for the concept of Value Added Tax.
- iii.

On September 30, 2016, FUNO paid a loan assumed for the purchase of the Vermont Portfolio with “Blackstone” (formerly GE Real Estate) of \$1,336.3 million, corresponding to the credit line that accrued interest at a fixed rate of 7.75%.
- iv.

On September 23, 2016, FUNO had a mortgage loan with HSBC Mexico, S. A., Multiple Banking Institution, Grupo Financiero HSBC (“HSBC”) of \$3,000 million at a rate TIIE plus 2%, maturing on September 15, 2023.
- v.

On September 15, 2016, FUNO prepaid the mortgage loan contracted with HSBC for \$914 million, which accrued interest at a TIIE rate plus 2% and US \$14.8 million, which accrued interest at a Libor rate plus 2% and had maturity on September 15, 2021.
- vi.

On September 1, 2016 and August 31, 2016, FUNO prepaid assumed credits for the purchase of the G-30 Portfolio with Banamex, as follows: US \$3.31 million corresponding to interest-bearing
- credit at a Libor rate plus 1.90% and \$152.1 million, corresponding to interest-bearing loans at the TIIE rate plus 1.90%, respectively
- vii.

On August 31, 2016, FUNO delivered a serious deposit for the purchase of the “FRIMAX” portfolio, for \$366 million, which is shown in other accounts receivable.

viii.

On August 1, 2016, FUNO prepaid a loan assumed for the purchase of the Portfolio Vermont with “Blackstone”, for US \$51.8 million that accrued interest at a Libor rate plus 3.45%.

ix.

During July 2016, as part of FUNO’s plan to limit the exchange rate risk arising from the bond issued in US dollars maturing in 2026, a currency Swap of US \$40 million was contracted covering principal and interest.

x.

On July 11, 2016, FUNO recovered \$510.7 million in cash for value added tax.

xi.

On July 1, 2016, FUNO entered into a reciprocal transaction to purchase and sell rates (COLLAR) for hedging purposes of \$1,889.5 million, with a floor of 4.5% and a ceiling of 8.75% with maturity date on July 2, 2018.

xii.

During June 2016, FUNO contracted foreign currency swaps for US \$ 260 million, with the purpose of limiting the exchange rate risk arising from the bond issued in US dollars, due in 2016, of which US \$ 100 million The principal and US \$ 160 million cover principal and interest.

xiii.

On June 29, 2016, FUNO had an unsecured credit line contracted with Banco Actinver, S.A. Institución de Banca Múltiple, Grupo Financiero (“Actinver”), for an amount of \$410 million at a TIIE rate plus 1.80%, maturing on July 27, 2017.

xiv.

On June 28, 2016, FUNO paid assumed credits for the purchase of the Morado Portfolio with Blackstone as follows: \$236.3 million, corresponding to the interest-bearing credit at the rate of 3.40%; US \$33.9 million corresponding to the interest-bearing credit at a Libor rate plus 2.70%, \$825.7 million corresponding to the line of credit that accrued interest at the rate of 6.46% and \$858.5 million pesos corresponding to interest-bearing credit at the rate of 6.46%.

xv.

On June 8, 2016, FUNO issued a US \$500 million unsecured debt issuance in the international markets. The bond issuance was a reopening, of which the first reopening of the bond matures in 2026 with a rate of 5.25% of US \$200 million, and the second reopening of the bond matures in 2044 with a rate of 6.95% of US \$300 million.

xvi.

On April 30, 2016, GP Servicios Industriales, S. A. de C. V. ceased providing management services to the California portfolio according with the signed contract.

xvii.

On April 12, 2016, FUNO issued unsecured debt in the local market of \$4.5 billion in three tranches; first tranche of 457,878,300 UDIS equivalent to \$2,500 million at a rate of 4.6% maturing on April 1, 2027 and a slate key of FUNO 16U; second tranche of \$800 million with a TIIE rate plus 65 basis points maturing on April 11, 2019 and a slate key FUNO 16; last tranche was a bond reopening at a rate of 8.4% of \$1.2 billion maturing on December 4, 2023, with a slate key FUNO 13-2.

xviii.

On April 8, 2016, FUNO made the prepayment of the unsecured credit line that had contracted with Inbursa, S.A. Institución de Banca Múltiple, Grupo Financiero Inbursa for Ps. 2,000 million pesos. The loan accrued interest at a TIIE rate plus 2%.

xix.

On February 26, 2016, FUNO made a formal deposit of \$100 million for the acquisition of the Torre Quarzo property located in Paseo de la Reforma, Mexico City. At the closing date of the transaction, the formal deposit was used for construction of Torre Quarzo.
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- xx. On February 18, 2016, FUNO recovered \$1.026 million of value-added tax in cash.
- xxi. On February 8, 2016, FUNO entered into a credit line with Actinver for an amount of \$400 million accruing interest at TIIE + 1.80%, which has a maturity of July 17, 2016.

As of January 1, 2016 and derived from the second amendment agreement to Fideicomiso 1127/2010 (Torre Latino), in which Ecocinemas, S. A. de C. V. (Ecocinemas) as “Fideicomitente A” and FUNO as “Fideicomitente B”, will have the right to receive 22.53% and 77.47%, respectively, of the net proceeds of lease income and the eventual proceeds of the sale of Torre Latino; FUNO recorded in its consolidated financial statements the non-controlling interest corresponding to 22.53% which represents the stake that Ecocinemas has over Torre Latino's equity. The effect of recognizing such non-controlling interest in the consolidated figures of FUNO is shown in the accompanying consolidated financial statements.
- xxii. On December 15, 2015, FUNO prepaid the loan with Metlife for \$384,074. The loan accrued interest at a fixed rate of 10.11%.
- xxiii. On December 3, 2015, FUNO carried out a bond issuance in the international markets, issuing an unsecured bonds for US \$300 million (2026 Senior Notes) with a maturity of 10 years. These bonds mature on January 30, 2026 and accrue interest at a fixed rate coupon of 5.25%.
- xxiv. On November 26, 2015, FUNO entered into an unsecured loan with Inbursa, SA, Institution of Banca Multiple, Grupo Financiero Inbursa (Inbursa) for \$2,000,000 which accrues interest at a rate TIIE plus 2%. The loan has a maturity of November 26, 2016.
- xxv. On November 10, 2015, FUNO signed the Terms and Conditions for the purchase of the “Torre Cuarzo” property located on Reforma, Mexico City in the amount of \$1,323,400 and 46,484,779 CBFIs.
- xxvi. On July 29, 2015, FUNO executed a dual - currency unsecured committed revolving credit facility for 5 years. Banco Santander (México), S. A. (Santander), is the administrator agent and BBVA Banco-mer, S. A., HSBC México, S. A., Bank of America, Credit Suisse AG, Goldman Sachs Bank USA and Itaú Unibanco, S. A are the lenders. The total aggregate funding committed under the revolving credit facility is \$7,000 million and U.S. 410 million. The agreement was amended to include Deutsche Bank. The interest rate, with respect to the peso tranche, is the Mexican Interbank Equilibrium Rate (TIIE) plus a margin between 1.25 and 1.5 points; and with respect to the U.S. dollar tranche is the London Interbank Offered Rate (LIBOR) plus a margin between 1.25 and 1.5 points. As of December 31, 2016 and 2015 FUNO has not drawn against the credit line.
- xxvii. On June 26, 2015, FUNO completed the process of raising capital for a real estate investment vehicle through the issuance of CBFIs in the form of capital calls not subject to the taxation of a FIBRA. The total amount of committed capital is \$6,000,000, with an initial capital call of \$1,200,000. FUNO will be a co-investor in all projects of this vehicle with at least a 30% ownership stake. F1 Management, S. C., a subsidiary of FUNO will act as Trustor and Administrator of the vehicle. As of December 31, 2016 FUNO made a contribution to the vehicle of \$3,660,000.
- xxviii. On June 17, 2015, FUNO signed a current credit line with Banco Actinver, S. A, Institution of Banca Multiple (“Actinver”) Actinver Financial Group, for up to \$400 million a TIIE + 1.80 rate %, which has a maturity at 17 July 2016. On February 8, 2016, FUNO disposed of \$400,000 which were liquidated on April 18, 2016. On June 29, 2016, FUNO disposed of \$410,000. The maturity date of this debt is July 17, 2017.
- xxix. On April 1, 2015, FUNO made a prepayment on the U.S. dollar-denominated loan entered into with Metlife, in connection with FUNO's acquisition of the Hilton Historic Center for \$30.4 million. The loan accrued interest at a fixed rate of 7.5%.

- xxx. On February 4, 2015 FUNO issued bonds in two tranches in the Mexican market for a total amount of \$10,000 million. The first one for an amount of \$7,500 million, named FUNO 15, accrues interest at a fixed rate of 6.99% and has a maturity of 10 years. The second one was the reopening of the FUNO 13 issuance for an amount of \$2,500 million; this tranche accrues interest at the rate of TIIE plus 0.80%. The total amount of this tranche totals \$6,850 million.
- xxxi. On December 18, 2014, a purchase-sale agreement was signed between FUNO and Opción Volcan S. A. de C. V. to acquire the Portafolio called (“Utah”). The total amount of acquisition was US \$67 million. As of December 31, 2014, the transaction has not been concluded. The transaction was concluded on April 4, 2015.
- xxxii. On August 26, 2014, a memo of understanding between FUNO and PREI Administradora, A. C. for the acquisition of the Portfolio called (“Kansas”), the total acquisition price was \$10.5 million. As of December 31, 2014, the transaction has not been concluded. The transaction was concluded on April 30, 2015.
- xxxiii. On June 10, 2014, FUNO made its fourth offering of CBFIs in the amount of 800,400,000 CBFIs at a price of \$41.00 pesos each, equivalent to \$32,816.4 million including over-allocation option and especial offering. The total amount of the certificates are presented net of issuance costs in the consolidated statements of changes in trustors’ capital.

With the resources from this offering FUNO prepaid loans for \$4,214 million.
- xxxiv. On December 16, 2014, FUNO recorded the acquisition of a piece of land located in Cancun, Quintana Roo, for the development of a shopping mall. The total acquisition price was \$407.9 million.
- xxxv. On January 23, 2014, FUNO issued stock certificates in a global offering in two tranches, under the “Senior Notes” program; the first for an amount of US \$600 million for 10-year term, bearing interest at a fixed rate of 5.25%, and the second tranche for an amount of US \$400 million, for a 30-year term, bearing interest at a fixed rate of 6.95%. The principal for both issuances will be paid at maturity.
- xxxvi. With the resources from the issuances mentioned above, during January and February 2014 FUNO made the full payment of the following credit lines:
 - (1) On February 5, 2014, a payment was made related to the loan agreement with Banamex in Mexican pesos, which accrued interest at TIIE rate plus a margin of 1.5 % with maturity on March 21, 2014 for principal and interest of \$349,755 and \$770, respectively.
 - (2) On February 4, 2014, the current loan with Actinver for principal and interest of \$300,000 and \$1,722, respectively, were paid in full.
 - (3) On February 4, 2014, an advanced payment was made related to the loan agreement (credit line), pledged by a mortgage guarantee with Inbursa for principal and interest of \$807,269 and \$5,799, respectively.
 - (4) On January 31, 2014, and advance payment was made related to the loan with Banorte in Mexican pesos, which accrued interest at the TIIE rate plus a margin ranging from 1.7 % to 1.85 % with maturity on June 25, 2020 for principal and interest of \$3,339,846 and \$18,355, respectively.
 - (5) On January 31, 2014, an advanced payment was made related to the loan with Santander which accrued interest on unpaid balances at the 28-day TIIE rate plus a margin of 1.90% for principal and interest of \$650,000 and \$3,185, respectively.

- (6) On January 30, 2014, FUNO made a payment under the loan with Deutsche Bank AG London Branch for principal and interest of US \$250 million and US \$795, respectively.
- (7) On January 28, 2014, a payment was made a payment under the loan with BBVA Bancomer, which in Mexican pesos accrued interest at a TIIE rate plus a margin ranging from 1 to 1.3 % with maturity on April 28, 2020 for principal and interest of \$521,942 and \$2,122, respectively.

2. Basis of presentation

a) Reclassifications

Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2015 and 2014 have been reclassified to conform to the presentation in 2016.

3. Application of new and revised International Financial Reporting Standards

a) Application of new and revised International Financing Reporting Standards (“IFRSs” or “IAS”) and interpretations that are mandatorily effective for the current yea

In the current year, FUNO has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRSs 2012-2014 Cycle	2012-2014 Cycle

b) New and revised IFRSs in issue but not yet effective

FUNO has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ²
IFRS 16	Leases ³
Amendments to IAS 12	Income taxes ¹
Amendments to IAS 7	Statements of Cash Flows ¹
Amendments to IFRS 2	Classification and measurement of share-based payments ²

¹ Efectiva para los períodos anuales que comiencen a partir del 1 de enero de 2017, permitiéndose la aplicación temprana.

² Efectiva para los períodos anuales que comiencen a partir del 1 de enero de 2018, permitiéndose la aplicación temprana.

³ Efectiva para los períodos anuales que comiencen a partir del 1 de enero de 2019, permitiéndose la aplicación anticipada.

c) IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity
- investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).
- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management of the Entity anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Entity's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

4. Significant accounting policies

a) Statement of compliance

The consolidated financial statements of FUNO have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and investment in trust rights which are valued at their fair value, as explained in greater detail in the accounting policies below.

- i.

Historical Cost

The historical cost is usually based on the fair value of the consideration given in exchange for assets.
- ii.

Fair Value

Fair value is defined as the price that an entity would receive for selling an asset or that would be paid to transfer a liability in an orderly transaction among market participants in the market at the date of valuation.

c) Cash and cash equivalents

Cash and cash equivalents consist mainly of bank deposits in checking accounts. Cash equivalents are short-term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is stated at nominal value and cash equivalents are measured at fair value.

d) Recognition of the inflation effects

Cumulative inflation for the three prior fiscal years to December 31, 2016, 2015 and 2014 is 5.56%, 12.08% and 11.80%, respectively; therefore, the economic environment qualifies as non-inflationary in both years and consequently, the effects of inflation in the accompanying consolidated financial statements are not recognized. The inflation percentages for the years ended as of December 31, 2016, 2015 and 2014 were 3.36%, 2.13% and 4.08%, respectively.

e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of FUNO and its subsidiaries controlled by it. Control is achieved when FUNO has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The participation in the capital of the subsidiaries is as follows:

Entity	Participation			Activity
	2016	2015	2014	
F1 Controladora de Activos	99.99%	99.99%	99.99%	Management services and necessary functions to operate FUNO's business.
Trust F/00181 "Los Cabos, Baja California Sur"	99.99%	99.99%	99.99%	Administration, coordination and supervision and collection services to FUNO.

Trust F/00186 "Culiacán, Sinaloa"	100%	100%	100%	Real estate leasing
Trust F/00220 "Ayotla, Estado de Mexico"	100%	100%	100%	Real estate leasing
Trust F/00221 "Parques Polanco, Distrito Federal"	100%	100%	100%	Real estate leasing
Trust F/00236 "Tepeji del Río, Hidalgo"	100%	100%	100%	Real estate leasing
Trust F/00246 "Iztapaluca, Estado de México"	100%	100%	100%	Real estate leasing
Trust F/00257 "Juárez I Panamericana, Chihuahua"	100%	100%	100%	Real estate leasing
Trust F/00263 "Coatzacoalcos, Veracruz"	100%	100%	100%	Real estate leasing
Trust F/00276 "Pachuca, Hidalgo"	100%	100%	100%	Real estate leasing
Trust F/00277 "Poza Rica, Veracruz"	100%	100%	100%	Real estate leasing
Fideicomiso F/00277 "Poza Rica, Veracruz"	100%	100%	100%	Real estate leasing
Trust F/00312 "Juárez II Zaragoza, Chihuahua"	100%	100%	100%	Real estate leasing
Trust F/00468 " Galerías Diana, Acapulco Guerrero"	100%	100%	100%	Real estate leasing
Trust F/231274 "Tulancingo, Hidalgo"	100%	100%	100%	Real estate leasing
Trust F/233218 "Centrika, Monterrey, Nuevo León"	100%	100%	100%	Real estate leasing
Trust F/00493 "Fashion Mall, Chihuahua"	100%	100%	100%	Real estate leasing
Trust F/00478 "Texcoco, Estado de México"	100%	100%	100%	Real estate leasing
Trust F/00561 "Aguascalientes, Aguascalientes"	100%	100%	100%	Real estate leasing
Trust F/00738 "Huehuetoca, Estado de Mexico"	100%	100%	100%	Real estate leasing
Trust F/00761 "Santa Fe, Mexico City"	100%	100%	100%	Real estate leasing
Trust F/00781 "Plaza del Lago, Cuautitlán, Estado de Mexico"	100%	100%	100%	Real estate leasing
Trust F/00740 "Centro Bancomer"	100%	100%	100%	Office real estate leasing
Trust 435/2004	100%	100%	100%	Industrial real estate leasing
Trust 547/2005	100%	100%	100%	Industrial real estate leasing
Trust 631/2005	100%	100%	100%	Industrial real estate leasing
Trust 635/2004	100%	100%	100%	Industrial real estate leasing
Trust 700/2006 "San José Segunda Etapa"	100%	100%	100%	Industrial real estate leasing
Trust 721/2006 "Ecatepec"	100%	100%	100%	Industrial real estate leasing
Trust 722/2006	100%	100%	100%	Industrial real estate leasing

Trust 1480/2013 “Parques Cuautitlán”	100%	100%	100%	Real estate leasing
Trust 1487/2013 “Querétaro”	100%	100%	100%	Industrial real estate leasing
Trust 1527/2014	100%	100%	100%	Industrial real estate leasing
Operadora CVC	100%	100%	100%	Administrative services for the administration of domestic real estate
F1 Administración	100%	100%	-	Administrative services for the administration of F/2353
MKT Developers, S.A. de C.V.	99.99%	-	-	Provision of services for the construction of investment properties
Trust 2584 “Centro Comercial Mitikah”	76.89%	-	-	Development of the Mitikah project along with Helios
Trust 1127 “Torre Latino”	77.47%	-	-	Office real estate leasing
Trust 2500 “Espacio Tollocan”	100%	-	-	Shopping center development

All intercompany balances and transactions have been eliminated.

The significant accounting polices follow by FUNO are:

f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Trust, liabilities incurred by the Trust to the former owners of the acquiree and the equity interests issued by the Trust in exchange for control of the acquiree. Acquisition-related costs are generally recognized in state-ments of comprehensive income as incurred.

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

g) Financial instruments

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

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

Subsequent measurement of financial instruments depends on the accounting category in which they are classified. Detail of the categories of financial instruments can be found in Note 13.

Cash

Cash consists mainly of bank deposits in checking accounts. Cash is stated at nominal value.

Restricted cash

Restricted cash consists of cash in the custody in various trusts. Its use is restricted to the payment of the current debt service and interest under the loan agreement with Banco Nacional de México, S. A. Institución de Banca Múltiple, Grupo Financiero Banamex (“Banamex”) and Blackstone (formerly “GE Real Estate México”). Once payments are settled, funds remaining in these accounts will be released and may be used for the operation of FUNO.

Financial assets at FVTP (Fair Value through Profit or Loss

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

Financial assets are classified as of FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that FUNO manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and informa-tion about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other income (expense), net, line item. Fair value is determined in the manner described in Note 13.

Loans and receivables

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

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

Impairment of financial assets

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

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

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

- Significant financial difficulty of the issuer or counterparty; or

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the

sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when FUNO retains an option to repurchase part of a transferred asset), FUNO allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

FUNO derecognizes a financial asset, only when the contractual rights to the cash flows from the asset expire, or when substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Classification as debt or equity

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

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

Equity instruments

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

When FUNO receives contributions or acquires properties which do not constitute a business, in return for its equity instruments, the transaction is recorded as a payment to third parties (other than employees) payable with share-based equity instruments, which are valued at the fair value of the assets received, except where the value cannot be estimated reliably. The effects on the financial position are recorded in the statement of changes in trustors' capital as "equity contributions" and do not impact current earnings. The fair value of the properties is estimated as described in Note 9.

Financial liabilities

Financial liabilities are classified as either financial liabilities at "FVTPL" or "other financial liabilities". FUNO does not hold any financial liabilities at FVTPL.

Other financial liabilities (including long-term debt) are initially measured at fair value, net of transaction costs.

Other financial liabilities are valued subsequently at amortized cost using the effective interest method which is a method of allocating interest expense over the relevant period using the effective interest rate.

Derecognition of financial liabilities

FUNO derecognizes a financial liability when its obligations are discharged, canceled or expire.

Derivative financial instruments

Financial instruments issued by FUNO, including overallocation options of trust certificates, meet the definition

of equity instruments and are presented as such. Consequently, there are no derivative financial instruments recognized.

Embedded derivatives

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

Derivatives financial instruments

The Entity underwrites a variety of financial instruments to manage its exposure to the risks of volatility in interest rates and exchange rates, including foreign currency forward contracts, interest rate swaps and combined interest rate and foreign exchange swaps (cross currency swaps). Note 13 includes a more detailed explanation of derivative financial instruments. Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss from remeasurement to fair value is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Entity designates certain derivative instruments as hedging with respect to foreign currency risk, either as fair value hedges, cash flow hedges, or hedges of the net investment in a foreign operation

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 13 include details of the fair values of derivative instruments used for hedging purposes.

Fair value hedges

The change in the fair value of the hedging instruments and the change in the hedged item attributable to the hedged risk are recognized in the line item in the statement of income and other comprehensive (loss) income relating to the hedged item. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the statement of operations item related to the hedged item.

The hedge accounting is discontinued when the Entity reverses the hedging relationship, when the hedging instrument expires or is sold, terminates, is exercised, or when it no longer meets the criteria for hedge accounting. The fair value adjustment of the carrying amount of the hedged item arising from the hedged risk is amortized against results as of that date.

Cash flow hedges

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income in the valuation of derivative instruments in cash flow hedge. The gains and losses relating to the non-effective portion of the hedging instrument are recognized immediately in profit or loss and included in the “Derivative financial instruments” item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to results in the periods when the hedged item is recognized in results, in the same

line item in the statement of income and other comprehensive income where the hedged item is recognized. However, when a forecasted transaction that is hedged gives rise to the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

The hedge accounting is discontinued when the Entity reverses the hedging relationship, when the hedging instrument expires or is sold, terminates, is exercised, or when it no longer meets the criteria for hedge accounting. Any accumulated gain or loss on the hedging instrument that has been recognized in equity will continue in equity until the forecasted transaction is finally recognized in profit or loss. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss on capital will be recognized immediately to results.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in interest expense or income.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

h) Investment properties

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

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

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

- i. at the time an indicator that impacts the value of the investment property has been detected, and
- ii. at least once annually from the acquisition of the property.

Gains and losses in fair value are recorded in the line item “fair value adjustments of investment properties - net” in the statement of income in the period in which they arise.

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

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

An investment property is derecognized upon its disposal or when the investment property is permanently out of use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between consideration received and the carrying value of the investment property) is included in profit or loss in the period in which the property is derecognized.

The management of FUNO applies its judgment when determining whether an acquisition of an investment property or a portfolio of investment properties is a business combination or acquisition of assets. Particularly, the following criteria are considered:

- i. The number of properties of land and buildings acquired.
- ii. The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the acquirer (e.g., maintenance, cleaning, security, bookkeeping, other property services, etc.).
- iii. Whether the acquiree has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

i) Investments in associates

An associate is an entity over which the Trust has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Given the nature of certain of its investments in associates, FUNO has designated those as under the equity method.

j) Intangible assets

1. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially re-recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. The administrative platform, the Trust's most significant intangible asset acquired in a business combination, is amortized on a straight-line basis over a period of 20 years.

2. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

k) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the FUNO reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the FUNO estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the

estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

l) Borrowing costs

FUNO applies the scope exception with respect to capitalization of borrowing costs to investment properties, which are measured at fair value.

m) CBFIs based payment

1. Share-based payment transactions of FUNO

Equity-settled share-based payments to employees and others providing similar services to FUNO are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled CBFIs based transactions are set out in Note 18.

The fair value determined at the grant date of the equity-settled CBFIS-based payments is expensed on a straight line basis over the vesting period, based on FUNO's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, FUNO revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

Equity-settled CBFIs-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date FUNO obtains the goods or the counterparty renders the service.

For cash-settled CBFIs-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

n) Employee benefits

Retirement benefits costs from termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).

- Net interest expense or income, and
- Remeasurement.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Statutory employee profit sharing

As result of the PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses line item in the consolidated statement of operations.

As result of the 2014 Income Tax Law, as of December 31, 2016 and 2015, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

o) Provisions

Provisions are recognized when FUNO has a present obligation (legal or constructive) as a result of a past event, it is probable that FUNO will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

p) Deposits from tenants

FUNO obtains refundable deposits from tenants, mainly denominated in pesos, as security for the lease payments for a certain period. These deposits are accounted for as a financial liability (see financial instruments accounting policy above) and are initially recognized at fair value. If a relevant difference from the fair value and the cost at which the liability was initially recorded arises, it would be considered as an initial rent payment and consequently, it would be amortized over the lease term. The deposit would subsequently be measured at amortized cost.

q) Rental revenue

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and benefits incidental to ownership. All other leases are classified as operating leases. Properties operated under operating leases are included under investment property in the accompanying consolidated statements of financial position.

Operating lease income, which is similar to the contractual lease payments except for the consideration of incentives granted, such as grace periods, are recognized on a straight line basis over the lease term, except for contingent rents (such as inflation), which are recognized when they earned. The lease term is the non-cancellable period of the contract, including additional terms for which the lessee has the option to extend, when at lease inception, management has a reasonable certainty that the lessee will exercise the option.

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

r) Income taxes

As further explained in Note 1, the Trust qualifies as a FIBRA under the Mexican Income Tax Law and, accordingly, no provision for income taxes is recognized. The current and deferred tax consequences of a change in tax status are included in profit or loss for the period, unless they relate to transactions are recognized directly in equity or in other comprehensive income.

s) Foreign currency

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

t) Statement of cash flows

FUNO presents its consolidated statements of cash flows using the indirect method. Interest received is classified as investing cash flow, while interest paid is classified as financing cash flow.

u) Derivative financial instruments

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note ____.

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

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of FUNO's accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

a) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimates (see below), that management has made in the process of applying the FUNO's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Lease classification

As explained in Note 4, leases are classified based on the extent to which risks and rewards incidental to ownership of a leased asset lie with FUNO or the tenant, depending on the substance of the transaction rather than the form of the contracts. FUNO has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and thus accounts for leases as operating leases.

Business combinations

Management of the Trust applies its judgment when determining whether an acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition. Particularly, the following criteria are considered:

- i. The number of properties of land and buildings acquired.
- ii. The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the acquiree (e.g., maintenance, cleaning, security, bookkeeping, other property services, etc.).
- iii. Whether the acquiree has allocated its own staff to manage the property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

This determination can have significant impact in the accounting for the initial and subsequent recognition of assets and liabilities acquired. The transactions which occurred during the periods presented in the accompanying consolidated financial statements were accounted for as asset acquisitions.

b) Key sources of estimation uncertainty

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

Valuation of investment properties

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

There have been no changes to valuation techniques during 2016, 2015 and 2014. The management of FUNO considers that valuation techniques and critical assumptions used are appropriate to determine the fair values of its investment properties.

6. Cash and restricted cash

	2016	2015	2014
Cash	\$ 5,543,788	\$ 5,777,368	\$ 181,675
Restricted cash:			
Financial reserve for bank loans	10,332	218,550	319,173

Total cash and restricted cash	\$ 5,554,120	\$ 5,995,918	\$ 500,848
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7. Financial investments

	2016	2015	2014
Trading investments - Government securities	\$ 1,956,101	\$ 2,300,596	\$ 19,528,446

8. Lease receivables and others

	2016	2015	2014
Lease receivables	\$ 1,084,690	\$ 856,497	\$ 722,986
Allowance for doubtful accounts	(94,096)	(105,151)	(59,483)
	990,594	751,346	663,503
Other receivables	519,700	46,523	100,220
	\$ 1,510,294	\$ 797,869	\$ 763,723

a) Lease receivables and credit risk management

At the inception of lease contracts, FUNO requests a refundable deposit from its customers to guarantee timely payment of rents on the commercial property leases, generally denominated in Mexican pesos, consisting, in most of the cases, of two months of rent, which is presented under the caption Deposit from tenants in the accompanying consolidated statements of financial position. In addition, depending of the characteristics of the commercial property, FUNO may request a non-refundable deposit. Alternatively, FUNO requests bonds and other guarantees from its customers. For anchor customers and other high credit quality customers the above guarantees may be waived.

On a combined basis, and considering only the figures during 2016, 2015 and 2014, Wal Mart and Santander tenants represents 10.4%, 13% and 7% of lease revenue, respectively.

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

FUNO estimates an allowance for doubtful accounts to provide for unrecoverable amounts receivable. The estimation consist of 100% of past due accounts in legal procedure, 20% of past due accounts under extrajudicial processes and 20% of impairments approved by the Collection Committee. The allowance is reviewed on a periodic basis.

b) Aging of receivables that are past due but not impaired

Currently, FUNO holds monthly collection levels equal to its monthly billing period; business practices and negotiation allow FUNO to maintain its accounts receivable with maturities of no greater than 26 days as of December 31, 2016.

9. Investment properties

Fair Value	2016	2015	2014
Investment property for leasing	\$ 158,645,638	\$ 137,302,515	\$ 102,361,648
Investment property under development	11,634,209	12,115,917	8,538,012

Property interests held under operating leases	2,459,431	2,403,690	2,403,690
	<u>\$ 172,739,278</u>	<u>\$ 151,822,122</u>	<u>\$ 113,303,350</u>

	Type	Number of properties	2016	2015	2014
Balance at the beginning of the period			\$ 152,349,934	\$ 113,831,162	\$ 88,905,718
Acquisitions:					
Midtown Jalisco	Development	1	440,000	-	-
Tower Vallarta	Retail	1	1,477,096	-	-
Torre Cuarzo	Development	1	2,898,091	-	-
Espacio Toluca	Development	1	229,295	-	-
Puerta de Hierro	Retail	1	700,000	-	-
El Salto Jalisco	Industrial	1	180,000	-	-
Kansas Portfolio	Offices	12	-	10,452,127	-
Alaska Portfolio	Offices	6	-	5,246,766	-
Indiana Portfolio	Retail	13	-	3,190,000	-
Buffalo Portfolio	Development	1	-	2,820,418	-
Lamar Portfolio	Retail	4	-	2,295,000	-
Oregon Portfolio	Retail	3	-	1,626,000	-
Utah Portfolio	Offices	1	-	1,010,664	-
Cuatipark II	Industrial	1	-	783,500	-
Florida	Offices	1	-	640,098	-
Artificios No. 40	Offices	1	-	52,950	-
Samara	Mixed	1	-	-	5,586,000
R-15 Portfolio	Retail	2	-	-	3,835,434
California Portfolio	Industrial	29	-	-	3,638,928
Maine Portfolio	Mixed	6	-	-	1,673,636
Centro Histórico Hotel	Retail	1	-	-	1,173,506
La Viga	Offices	1	-	-	414,870
P4	Offices	2	-	-	280,300
Corporativo San Mateo	Offices	1	-	-	120,979
Apolo Portfolio	Retail	49	-	-	-
G30 Portfolio	Mixed	30	-	-	-
Vermont Portfolio	Industrial	34	-	-	-
P8 Portfolio	Offices	8	-	-	-
Centro Bancomer	Offices	1	-	-	-
Universidad Autónoma de Guadalajara	Retail	1	-	-	-
Delaware Portfolio	Mixed	1	-	-	-
Pace Industries	Industrial	1	-	-	-
Edificio Corporativo Posadas	Offices	1	-	-	-
Parque Empresarial Cancún	Industrial	1	-	-	-
Tanara Aguascalientes	Retail	1	-	-	-
Morado Portfolio	Mixed	16	-	-	-

Villa Hermosa	Retail	1	-	-	-
Construction in progress			5,350,778	5,808,522	3,805,582
Fair value adjustments to investment properties (1)			<u>9,114,084</u>	<u>4,592,727</u>	<u>4,396,209</u>
Balance at the end of the period			<u>\$ 172,739,278</u>	<u>\$ 152,349,934</u>	<u>\$ 113,831,162</u>

Significant assumptions utilized in determining fair value are as follows:

- a. CAP rate - This is a rate of profitability of a real estate investment property based on the expected income that the property will generate. The capitalization rate has been used to estimate the potential investor return on its investment, and is obtained by dividing the income generated from the properties, after fixed costs and variable expenses, by the total property value. CAP rates used in the Trust's discounted cash flows range from 8.00% in retail properties, from 8.00% in industrial properties, 8.50% in offices and 8.75% in hotels.
 - The CAP rate is determined by property, considering the geographic location, occupancy and/or vacancy percentage, remaining lease term, use and type of real estate, quality of the tenants, open and competitive market prices for in similar real estate properties in terms of use and type, income in dollars or pesos (both cases), country risk, inflation, and rental periods or terms.
 - As of December 31, 2016, change of +25 basis points in the CAP rate used for the valuation of the properties would result in a decrease in the fair value of investment properties and investment in associates of approximately \$66,199,157 in retail properties, \$23,997,401 in industrial properties, \$15,688,453 in offices and \$2,878,563 in hotels.
- b. Value per square meter in average leases (GLA) - This is obtained based on the use and construction classification of the property, bearing in mind its useful rentable area. Value in Mexican Pesos per square meter for average rentals used in the Trust's discounted cash flows range of FUNO as of December 31, 2016 is from \$9,519 in retail properties, from \$1,239 in industrial properties and from \$1,727 in offices. An increase in value per square meter for average rentals would result in an increase in the fair value of investment properties, while a decrease would have the opposite effect.
- c. Discount rate – Is obtained from considering the geographic location, occupancy and/or vacancy percentage, remaining lease term, use and type of real estate, quality of the tenants, open and competitive market prices for in similar real estate properties in terms of use and type, income in dollars or pesos (both cases), country risk, inflation, and rental periods or terms. Discount rates used in the Trust's discounted cash flows range from 9.50% in retail properties, from 9.00% in industrial properties, from 10.00% in offices and from 10.50% in hotels. An increase in the discount rate would result in a lower fair value of the Trust's investment properties, while a decrease would have the opposite effect.
 - The fluctuation of the fair value on investment properties of the period is recognized in the consolidated statements of operations under the heading adjustments to the fair value of investment properties.
 -
 - All the investment properties of FUNO are held under absolute control.
 - FUNO obtains valuations by independent appraisers that hold recognized and relevant professional qualifications and have experience in the location and category of its investment properties.

10. Advanced payment for the acquisition of investment property

	2016	2015	2014
Fideicomiso F/249688	-	-	506,736
PREI Administradora, S. C.	-	-	400,000
Opción Volcán, S. de R. L. de C. V.	-	-	188,755
Portafolio Florida	-	-	25,604
	-	-	\$ 1,121,095

11. Investments in associates

	Participation %	2016	2015	2014
Torre Mayor	49%	\$ 2,999,348	\$ 2,416,838	\$ 2,295,524
Torre Diana	50%	2,179,552	697,051	558,487
		\$ 5,178,900	\$ 3,113,889	\$ 2,854,011

(1) The Trust accounts for this investment under equity method, as required by IFRS, given the nature of the investment.

12. Other assets

	2016	2015	2014
Administrative platform (1)	\$ 2,043,674	\$ 2,043,674	\$ 2,043,674
Implementation fees	440,800	440,800	440,800
Accumulated amortization	(593,951)	(392,949)	(194,984)
Others	30,000	30,000	-
	\$ 1,920,523	\$ 2,121,525	\$ 2,289,490

(1) The acquired administrative platform includes staff, technology and processes.

13. Financial instruments

Categories of financial instruments

	2016	2015	2014
Financial assets:			
Cash and restricted cash	\$ 5,554,120	\$ 5,995,918	\$ 500,848
Investment in government securities	1,956,101	2,300,596	19,528,446
Lease receivables and other recoverable accounts	1,510,294	797,869	763,723
Due from related parties	80,293	-	-
Advance payments	430,717	459,660	171,658
Trading derivative instruments	4,578	-	-
Derivative financial instruments designated as hedges	510,477	-	-
Financial liabilities:			
At amortized cost -			
Trade accounts payable	\$ 3,063,563	\$ 1,439,933	\$ 931,104

Due to related parties	93,266	104,488	-
Borrowings	65,356,147	54,815,515	36,311,306
Deposit from tenants	950,597	702,303	474,809

Capital management

FUNO manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to partners through the optimization of the debt and equity balances.

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

Management uses certain financial ratios related to debt, equity and earnings distributions to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the Loans to Value ("LTV") and the Debt Service Coverage ratios ("DSCR"). These indicators assist FUNO in assessing that the debt level maintained is sufficient to provide adequate cash flows for unit holder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion.

FUNO's Trust Agreement limits its borrowings to the minimum amount between an LTV ratio of 50% and a DSCR ratio of 1.2. For the year ended December 31, 2016, 2015 and 2014; FUNO's LTV and DSCR were 34%, 32% and 25%, and of 2.4, 2 and 4.4 times, respectively.

Financial risk management objective

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

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

FUNO seeks to minimize the effects of these risks using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the FUNO's policies approved by the Technical Committee and Trustors, which provide written principles on exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and not Derivatives and the investment of excess liquidity. Internal auditors periodically review compliance with policies and exposure limits. The Entity does not subscribe or negotiate financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Entity's risk management committee, which is an independent body that oversees the risks and policies implemented to mitigate risk exposures

Market risk management

The activities of FUNO expose it primarily to interest rate risk and foreign currency exchange rate risk. The Trust obtains financing with different conditions, either from third or related parties, usually at variable interest rates exposing it to changes in market rates. Financing negotiated in U.S. dollars expose FUNO to fluctuations in the exchange rate between such currency and its functional currency, the Mexican peso. Nevertheless, FUNO has a natural hedge for financing denominated in U.S. dollars coming from the lease contracts that are denominated in the same currency, since cash flows provided by those leases are used to settle the aforementioned debts.

FUNO subscribes derivative financial instruments to manage its exposure to exchange rate risk and interest rates, including:

- Foreign currency swap contracts to cover exchange rate risk arising from the issuance of foreign currency debt, US dollars.

Market risk exposures are evaluated through sensitivity analysis. There have been no changes in FUNO's exposure to market risks or the way these risks are managed and valued

Interest rate risk management

FUNO enters into financing at variable rates, mainly, the 28-day Mexican Interbank Equilibrium Offered Rate (“TIIE”) and London Inter Bank Offered Rate (“LIBOR”). The decision to acquire debt at variable rates is based upon market conditions when contracted. The Trust prepares sensitivity analyses of projected future cash flows to establish the maximum finance charge to maintain profitable projects.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, FUNO’s net income and trustors’ capital for the year ended December 31, 2016, would have (decreased) increased by approximately \$(129.3) million and \$129.3 million, respectively.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the net income and Other Comprehensive Income (ORI) of FUNO for the period ended December 31, 2016, would have had an increase (decrease) of approximately \$283 and \$(332) million in the statement of operations and in the ORI line of \$105 and \$(124) million for foreign currency swap contracts.

Foreign currency risk management

FUNO conducts transactions denominated in US dollars; therefore it is exposed to changes in exchange rates between the Mexican peso and the US dollar.

a) The foreign currency monetary position is as follows:

	2016	2015	2014
US dollars (thousands):			
Monetary assets	548,777	341,769	66,473
Monetary liabilities	(1,944,434)	(1,760,346)	(1,712,729)
Net monetary liability position	(1,395,657)	(1,418,577)	(1,646,256)
Equivalent in Mexican pesos			
	\$ (28,839,856)	\$ (24,597,841)	\$ (24,257,253)

b) The exchange rates, in pesos, in effect as of the date of the consolidated statements of financial position and the date of issue of the accompanying financial statements are as follows:

	31 de diciembre de 2016	31 de diciembre de 2015	31 de diciembre de 2014	5 de abril de 2017
US dollars	\$ 20.6640	\$ 17.3398	\$ 14.7348	\$ 18.8334

Foreign currency sensitivity analysis

As of December 31, 2015, in the opinion of the management, the current exchange rate risk as a function of US dollar-denominated debt service is not significant, given a natural hedge provided by revenues also denominated in that currency. As of December 31, 2016, FUNO obtained three borrowings in US dollars from different financial institutions. As of December 31, 2015, FUNO obtained one borrowings in US dollars. As of December 31, 2014, FUNO obtained three borrowings in US dollars from different financial institutions.

If exchange rates had been two Mexican pesos per US dollar higher/lower and all other variables were held constant, the Trust’s net income and trustors’ capital for the year ended December 31, 2016 would have (decreased) increased to its monetary liabilities approximately of \$(3,746) and \$3,746 million res-

pectively. This amount would be offset by an increase (decrease) in foreign currency swap contracts that have been designated as hedges of \$592 and \$592 million, respectively.

Foreign currency sensitivity analysis

It is the policy of FUNO to enter into foreign currency swap contracts to cover specific payments in foreign currency between 15% and 20% of the exposure generated.

During the current year, the Bank designated certain foreign currency swap contracts as coverage of its debt issue, whose functional currency is the US dollar. Six foreign currency swaps were contracted, four of which cover principal and interest being designated as fair value hedge and the remaining two foreign currency swaps cover only principal being designated as cash flow.

The following table details the foreign currency swap contracts in force at the end of the reporting period:

Núm.	Counterpart	Notional USD (thousands)	Notional MXN (thousands)	Maturity	Active rate	Passive rate	Fair value c/ R.C.	Type of coverage
1	Santander	50,000	958,000	30-ene-2026	5.25%	TIIE 28 +3.34%	\$89,111	VR
2	Santander	50,000	958,000	30-ene-2026	0.00%	TIIE 28 -2.60%	17,267	FE
3	Bancomer	60,000	944,750	30-ene-2026	5.25%	TIIE 28 +3.34%	151,548	VR
4	Bancomer	50,000	944,750	30-ene-2026	5.25%	TIIE 28 +3.34%	114,703	VR
5	Bancomer	40,000	739,000	30-ene-2026	5.25%	TIIE 28 +3.59%	99,999	VR
6	Bancomer	50,000	944,750	30-ene-2026	0.00%	TIIE 28 - 2.77%	37,849	FE
		\$300,000	\$5,489,250				\$ 510,477	

During the period, hedges, both cash flow and fair value, were highly effective in hedging exposure to the exchange rate. As a result of this hedge, the carrying amount of the US dollar credit was adjusted for \$30,449, which was recognized in the income statement together with the fair value of the designated fair value hedge. For cash flow hedging, the changes associated with the exchange rate were reclassified from the ORI line to operating results.

FUNO carried out a reciprocal transaction of purchase and sale of interest rate options (COLLAR) for negotiation purposes for a reference amount of \$ 1,889.5 million. FUNO would pay the counterpart if the TIIE rate is lower than 4.5% and the counterparty would pay FUNO if the TIIE is higher than 8.5%. As of December 31, 2016, the fair value of this derivative amounted to \$4,578 million, affecting the effect of valuation in financial instruments and is shown in the consolidated statement of operations.

Credit risk management

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

As of December 31, 2016, 2015 and 2014, 10 largest tenants occupied approximately 24%, 27.1% and 25% of the total leasable area, respectively, and represented approximately 25%, 26.6% and 22% of revenues attributable to the Trust’s investment property portfolio for the years then ended, respectively. In addition, as of December 31, 2016, one tenant occupied 696,865 of 7,369,935 m2 of the total leasable area of FUNO, which represents approximately 9.46% of the total leasable area and approximately 7.9% of the rental revenues for the year the ended. As of December 31, 2015, one tenant occupied 708,114 of 6,637,904 square meters of the total leasable area of FUNO, which represents approximately 8.6% of the total leasable area and approximately 9.5% of the rental revenues for the year the ended. As of December 31, 2013, one tenant occupied 715,389 of 5,951,200 square meters of the total leasable area of FUNO, which represents approximately 12% of the total leasable area and approximately 11% of the rental revenues for the year the ended.

FUNO has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

Liquidity risk management

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

The following tables detail FUNO's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which FUNO may be required to pay such obligations. The tables include cash flows related to both interest and principal. To the extent that interest is based on a variable rate, the undiscounted amount is derived from the spot interest rates at the end of the reporting period.

	Up to 1 year	1 to 5 years	More than 5 years	Total
December 31, 2016				
Trade accounts payable	\$ 3,232,397	-	-	\$ 3,232,397
Due to related parties	93,266	-	-	93,266
Borrowings in pesos	2,017,456	10,455,433	15,874,547	28,347,436
Deposit from tenants	-	825,067	-	825,067
In thousands of Mexican pesos	<u>\$ 5,343,119</u>	<u>\$ 11,280,500</u>	<u>\$ 15,874,547</u>	<u>\$ 32,498,166</u>
Borrowings in dollars	\$ 114,139,450	\$ 503,160,687	\$ 3,107,250,000	\$ 3,724,550,137
Borrowings in UDIS	\$ 43,263,822	\$ 172,821,262	\$ 1,154,191,244	\$ 1,370,276,328
December 31, 2015				
Trade accounts payable	\$ 1,517,559	-	-	\$ 1,517,559
Due to related parties	104,488	-	-	104,488
Borrowings in pesos	13,039,925	22,132,729	50,215,965	85,388,619
Deposit from tenants	-	512,680	189,623	702,303
	<u>\$ 14,661,972</u>	<u>\$ 22,645,409</u>	<u>\$ 50,405,588</u>	<u>\$ 87,712,969</u>
31 de diciembre de 2014				
Trade accounts payable and accrued expenses	\$ 1,458,916	-	-	\$ 1,458,916
Borrowings	3,737,182	21,852,532	31,789,727	57,379,441
Deposit from tenants	-	275,389	199,420	474,809
	<u>\$ 5,196,098</u>	<u>\$ 22,127,921</u>	<u>\$ 31,989,147</u>	<u>\$ 59,313,166</u>

On December 31, 2016, 2015 and 2014, the interest payable in future periods, based on the terms of the outstanding loan contracts, amounts to slightly over \$50,837 million pesos, \$30,573 million pesos and \$21,068 million pesos, respectively and should be considered in addition to the amounts indicated in the table of maturities.

Fair value of financial instruments

Fair value of financial instruments valued at FVTPL on a recurring basis:

Financial assets/ financial liabilities	Fair value as of		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/16	31/12/15		
1) Investments in Government securities (see Note 7)	\$ 1,956,101	\$ 2,300,596	Level 2	Market value. The fair value of these investments is measured with quoted prices (unadjusted) in active markets for identical instruments.
2) Foreign currency swaps (see Note 13)	\$ 510,477 (designed coverage)	-	Level 2	Discounted cash flow. Future cash flows are estimated on the basis of forward interest rates (based on performance curves observable at the end of the reporting period) and contractual interest rates discounted at a rate reflecting credit risk of several counterpart.
3) Collar option	\$ 4,578 (designed as trading)	-	Level 2	Black-Scholes model for interest rate options, using forward rates based on observable yield curves at the end of the reporting period and area of implied rate volatility.

Fair value of financial instruments carried at amortized cost

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

The following table presents the carrying amounts and fair values of borrowings:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
Senior notes	\$ 37,195,200	\$ 41,871,691	\$ 22,541,740	\$ 22,529,533	\$ 14,734,800	\$ 15,721,231
Long-term CBFIs	23,269,942	20,517,158	18,640,824	18,125,493	8,593,654	8,826,091

Blackstone (formerly GE Real Estate México)	-	-	8,866,400	9,062,159	9,354,298	8,584,888
Inbursa	-	-	2,000,000	2,029,817	-	-
Bancomext	1,515,291	1,665,149	1,335,043	1,419,785	1,190,423	1,209,384
HSBC	2,965,714	3,082,009	1,214,184	1,303,375	1,231,663	1,354,829
MetLife	-	-	-	-	848,294	949,074
Banamex	-	-	217,324	229,533	358,174	349,763
Deutsche Bank	-	-	-	-	-	-
Banco Mercantil del Norte	-	-	-	-	-	-
BBVA Bancomer	-	-	-	-	-	-
Banco Inbursa	-	-	-	-	-	-
Actinver	410,000	416,359	-	-	-	-
Santander	-	-	-	-	-	-
	<u>\$ 5,356,147</u>	<u>\$ 67,552,366</u>	<u>\$ 54,815,515</u>	<u>\$ 54,699,695</u>	<u>\$ 36,311,306</u>	<u>\$ 36,995,260</u>

On December 31, 2016, 2015 and 2014, the amounts of the costs of transaction were \$580,043, \$482,480, \$390,672 and \$139,594, respectively, (see Note 14)..

Valuation techniques and assumptions applied for the purpose of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes), which are considered Level 2.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using actual transaction prices from observable markets and quotes for similar instruments. In particular, the fair value of long-term debt, which is considered a Level 2 measurement as per below, was determined using a discounted cash flow model using estimates of current market rates based on observable future curves for TIIE and a credit spread estimated from observable credit spreads for similar entities adjusted as needed.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

14. Borrowings

Type	Institution	Summary of borrowings as of December 31, 2016				
		Currency	Rate	Maturity	MXN Balance	USD Balance
Mortgage	Finsa Bancomext	USD	4.89%	October, 2020	\$-	73,330
Mortgage	HSBC Samara	MXN	TIIE + 2.0%	September, 2023	2,965,714	-
Quirographer	Actinver	MXN	TIIE + 1.8%	July, 2017	410,000	-
Debt bonds	National (FUNO 13-2)	MXN	8.40%	December, 2023	3,120,900	-
Debt bonds	National (FUNO 13)	MXN	TIIE + 0.80%	June, 2019	6,850,059	-
Debt bonds	National (FUNO 15)	MXN	6.99%	July, 2025	7,500,000	-
Debt bonds	National (FUNO 13U)	UDIS	5.09%	December, 2028	2,368,119	-
Debt bonds	National (FUNO 16U)	UDIS	4.60%	April, 2027	2,547,123	-
Debt bonds	National (FUNO 16)	MXN	TIIE + 0.65%	April, 2019	883,750	-
Debt bonds	International	USD	5.25%	December, 2024	-	600,000
Debt bonds	International	USD	6.95%	January, 2044	-	700,000
Debt bonds	International	USD	5.25%	January, 2026	-	<u>500,000</u>
December 31, 2016					<u>\$26,645,665</u>	<u>1,873,330</u>
Exchange rate as of December 31, 2016 (pesos per dolar)						<u>\$ 20.6640</u>
						<u>\$38,710,482</u>
Balance as of December 31, 2016, in thousands of Mexican pesos						<u>\$65,356,147</u>
Current						<u>(633,911)</u>
Non-current						<u>64,722,236</u>
Cost of transaction						<u>(580,043)</u>
Fair value adjustment						<u>30,449</u>
						<u>\$64,172,642</u>

Type	Institution	Summary of borrowings as of December 31, 2015				
		Currency	Rate	Maturity	MXN Balance	USD Balance
Mortgage	G-30 Banamex (Izt Ps.) 173.8 million FID 547	MXN	TIIE + 1.90%	February, 2021	\$157,223	-
Mortgage	G-30 Banamex (Izt Us.) US 4 million FID 547	USD	Libor + 1.90%	February, 2021	-	3,466
Mortgage	G-30 - Blackstone (formerly GE) Fid. 721/722 \$1,480 million	MXN	7.75%	October, 2016	1,366,756	-
Mortgage	Morado - Blackstone (formerly GE) US 254.2 million	USD	3.10%	July, 2016	-	238,943
Mortgage	Morado - Blackstone (formerly GE) US 179 million	USD	Libor + 2.5875%	July, 2016	-	42,703
Mortgage	Morado - Blackstone (formerly GE) \$864.8 million	MXN	6.16%	July, 2016	831,632	-
Mortgage	Morado - Blackstone (formerly GE) \$898 million	MXN	6.16%	July, 2016	864,468	-
Mortgage	Finsa Bancomext US 84.7 million	USD	4.89%	October, 2020	-	76,993
Mortgage	Finsa - Blackstone (formerly GE) US 58.7	USD	Libor + 3.45%	July, 2018	-	53,049
Mortgage	HSBC Samara	USD	Libor + 2.0%	September, 2021	-	15,301
Mortgage	HSBC Samara	MXN	TIIE + 2.0%	September, 2021	948,868	-
Mortgage	Inbursa	MXN	TIIE + 2.0%	November, 2016	2,000,000	-
Debt bonds	National (FUNO 13-2)	MXN	8.40%	December, 2023	2,000,000	-
Debt bonds	National (FUNO 13)	MXN	TIIE + 0.80%	June, 2019	6,850,058	-
Debt bonds	National (FUNO 15)	MXN	6.99%	July, 2025	7,500,000	-
Debt bonds	National (FUNO 13U)	UDIS	5.09%	December, 2028	2,290,766	-
Debt bonds	International	USD	5.25%	December, 2024	-	600,000
Debt bonds	International	USD	6.95%	January, 2044	-	400,000
Debt bonds	International	USD	5.25%	January, 2026	-	<u>300,000</u>
	December 31, 2015				<u>\$24,809,771</u>	<u>1,730,455</u>
	Exchange rate					\$17.3398
						<u>\$30,005,744</u>
	Total equivalent in Mexican pesos					<u>54,815,515</u>
	Current					<u>(10,123,627)</u>
	Non-current					<u>44,691,888</u>
	Cost of transaction					<u>(482,480)</u>
						<u>\$44,209,408</u>

Type	Institution	Summary of borrowings as of December 31, 2014				
		Currency	Rate	Maturity	MXN Balance	USD Balance
Mortgage	Banamex \$173.8 millio (G-30 FID 547 Izt)	MXN	TIIE + 1.90%	February, 2021	\$ 163,617	-
Mortgage	Banamex USD 4 million (G-30 FID 547 Izt)	USD	Libor + 1.90%	February, 2021	-	3,671
Mortgage	Banamex USD 10 million (G-30 FID 909 Tranche Tultipark)	USD	Libor + 1.80%	July, 2015	-	9,531
Mortgage	MetLife \$450 million (G-30 FID 435)	MXN	10.11%	February, 2016	393,368	-
Mortgage	GE Capital Real Estate USD 19.5 million (G-30 Tultipark)	USD	Libor + 1.80%	July, 2015	-	18,501
Mortgage	GE Capital Real Estate \$1,480 million (G-30 Fid. 721/722)	MXN	7.75%	October, 2016	1,404,873	-
Mortgage	GE Capital Real Estate USD 254.2 million (Morado)	USD	3.10%	July, 2016	-	243,940
Mortgage	GE Capital Real Estate USD 179 million (Morado)	USD	Libor + 2.5875%	July, 2016	-	105,260
Mortgage	GE Capital Real Estate \$864.8 million (Morado)	MXN	6.16%	July, 2016	842,818	-
Mortgage	GE Capital Real Estate \$898 million (Morado)	MXN	6.16%	July, 2016	875,858	-
Mortgage	Bancomext USD 84.7 million (Finsa)	USD	4.89%	November, 2020	-	80,801
Mortgage	GE Capital Real Estate USD 58.7 (Finsa)	USD	Libor + 3.45%	July, 2018	-	55,148
Mortgage	MetLife USD 31.1 million (Hotel Centro Histórico)	USD	7.50%	July, 2015	-	30,874
Mortgage	HSBC USD 16. 1 million (Samara)	USD	Libor + 2.0%	September, 2021	-	16,043
Mortgage	HSBC \$997.7 million (Samara)	MXN	TIIE + 2.0%	September, 2021	995,278	-
Debt bonds	National (FUNO 13-2)	MXN	8.40%	December, 2023	2,000,000	-
Debt bonds	National (FUNO 13)	MXN	TIIE + 0.80%	June, 2019	4,350,058	-
Debt bonds	National (FUNO 13U)	UDIS	5.09%	December, 2028	2,243,613	-
Debt bonds	International	USD	5.25%	December, 2024	-	600,000
Debt bonds	International	USD	6.95%	January, 2044	-	400,000
	December 31, 2014				<u>\$13,269,483</u>	<u>1,563,769</u>
	Exchange rate					\$ 14.7348
						<u>\$ 23,041,823</u>
	Total equivalent in Mexican pesos					<u>36,311,306</u>
	Current					<u>(1,791,924)</u>
	Non-current					<u>34,519,382</u>
	Cost of transaction					<u>(390,672)</u>
						<u>\$ 34,128,710</u>

The Trust's loan agreements contain various affirmative and negative covenants, for which FUNO was in compliance as of the date of issuance of the accompanying consolidated financial statements. The most significant covenants are described below:

- FUNO is required to pay, on or before on the due date, all property and other related taxes due with respect to its operations.
- Maintain in good standing all properties and assets necessary for the proper operation of the Trust's business, outside of normal use, wear and tear of the properties.
- Maintain insurance on assets, with reputable agents, for amounts to cover risks associated with and sufficient to replace or repair damage to the properties.
- Maintain a debt service ratio (Net Operating Income (NOI) divided by and Debt Service, as those terms are defined in the indenture) of less than 1.20 to 1.
-

The maturities of long-term portion of long-term debt at December 31, 2016 are:

2018	236,030
2019	7,966,502
2020	1,371,218
2021	137,143
2022	137,143
2023 and thereafter	<u>54,874,200</u>
	<u>\$ 64,722,236</u>

15. Trade accounts payable and accrued expenses

	2016	2015	2014
Accounts payable for acquisition of investment property	\$ 1,947,373	\$ 846,087	\$ 555,322
Trade accounts payable	985,461	86,945	112,277
Accrued expenses	168,834	434,413	996,919
Interest payable	<u>130,729</u>	<u>545,714</u>	<u>263,505</u>
	<u>\$ 3,232,397</u>	<u>\$ 1,913,159</u>	<u>\$ 1,928,023</u>

16. Deferred revenues

The amounts of long-term deferred revenues at December 31, 2016, 2015 and 2014 are a \$135,467, \$261,968 and \$159,174, respectively.

17. Transactions and balances with related parties

Balances and transaction between FUNO and its subsidiaries, which are related parties of FUNO, have been eliminated of the consolidation and are not disclosed within this note.

a) Transactions with related parties were as follows:

	2016	2015	2014
Income:			
F1 Administración:			
Administration fees 1.25% (1)	<u>\$ 108,000</u>	<u>\$ 38,333</u>	-
Expenses:			
FUNO Administración:			
Capitalized acquisition fees 3% (2)	<u>\$ 385,340</u>	<u>\$ 828,116</u>	<u>\$ 949,263</u>
Management fees 0.5% (2)	<u>\$ 577,235</u>	<u>\$ 533,224</u>	<u>\$ 370,869</u>
Parks Desarrolladora, S. A. de C. V.:			
Capitalized received services (5)	<u>\$ 1,493,093</u>	<u>\$ 1,801,200</u>	<u>\$ 880,810</u>
Coordinadora de Inmuebles Industriales, S. A. de C. V.:			
Capitalized received services	<u>\$ 367,065</u>	<u>\$ 855,943</u>	<u>\$ 689,000</u>
G-30 La Madre, S. A. P. I. de C. V.:			
Capitalized received services	<u>\$ 108,133</u>	<u>\$ 433,513</u>	<u>\$ 352,480</u>
Jumbo Administración:			
Real Estate management services (4)	<u>\$ 379,958</u>	<u>\$ 395,400</u>	<u>\$ 305,114</u>
F2 Services:			
Administrative services (3)	<u>\$ 257,834</u>	<u>\$ 207,607</u>	<u>\$ 134,357</u>
E- Administración y Construcción, S. A. de C. V.			
Capitalized received services	<u>\$ 15,901</u>	<u>\$ 89,657</u>	<u>\$ 44,837</u>
Luxe Administración y Control Inmobiliario, S. A. P. I. de C. V. Services received (6)	<u>\$ 223</u>	<u>\$ 2,375</u>	<u>\$ 3,038</u>
Cabi Inver, S. A. de C. V.			
Services received (6)	-	-	<u>\$ 742</u>
Foundation FUNO:			
Services (7)	<u>\$ 108,000</u>	<u>\$ 38,333</u>	-

- (1) FUNO pays an administration fee in an amount equal to 1.25% of the maximum amount of investment.
- (2) FUNO pays an annual fee in an amount equal to 0.5% of the trustors' capital and a 3 % of the total value of acquired properties or contributed by other third parties, plus any applicable value-added taxes in exchange for advisory services.

- (3) FUNO pays a monthly fee in an amount equal to 2% of the lease payments received, plus any applicable value-added taxes in exchange for administrative services.
- (4) FUNO pays for real estate management services at an amount equivalent to 3% of monthly revenues collected related to rent, uses of spaces (kiosks or islands), management and maintenance fees, advertising and income from parking from the Morado portfolio.
- (5) FUNO executed a real state oversight services agreement. Fee is payable based on the construction progress.
- (6) FUNO pays to Cabi Inver, S. A. de C. V. and to Luxe Administración y Control Inmobiliario, S. A. P. I. de C. V. the equivalent of 5% of the rental amount under each new lease agreement (not including renewals or extensions of existing lease agreements) that it enters into as a result of their involvement, for a period of five years, beginning on the effective date of the lease agreement.
- (7) FUNO paid \$80,293 in 2016 for the creation of the FUNO Foundation, approved by the Technical Committee..

The contracts with the aforementioned parties have terms of five years, renewable for additional periods.

b) Balances with related parties are as follows:

	2016	2015	2014
Due from related parties:			
Fundación FUNO, A. C.	\$ 80,293	-	-
Due to related parties:			
F1 Administración	\$ 72,900	\$ 88,951	-
Jumbo Administración	20,366	14,555	-
Parks Mantenimiento, S. C.		982	-
	\$ 93,266	\$ 104,488	-

In addition to the aforementioned balance due to related parties, an additional amount is due to related parties for the acquisition of certain properties, which is also shown in the accompanying consolidated statements of financial position. Payment is expected to be made within one year, which depends on the completion of construction and the ultimate rental of the related retail space.

18. CBFIs-based payments

At the annual Trustee Committee Meeting held on April 4, 2014, the trustee approved a long term executive compensation plan payable through a grant of 162,950,664 CBFIs payable in 10 years and granting no more than the 10% per year, except in the case that in previous years has not been granted the 10%, then it will be able to grant up to 20% per year. FUNO records as expense on a straight-line basis during the vesting period, an estimate of the CBFIs that eventually will be vested. At the end of the year FUNO will revise and adjust the estimate of the number and amount of CBFIs that expects will be awarded, by the support of valuations made by independent qualified experts. The effect of the revision of original estimates could differ significantly. For the years ended December 31, 2016, 2015 and 2014, compensation cost totaled por \$169,997 \$587,792 and \$530,280; respectively. During 2016 and 2015, 18,261,112 and 8,734,156 CBFIs were issued as part of this plan.

19. Trustors’ capital Contributions

- a. FUNO was established by an initial contribution from the trustors of \$1 plus the resources obtained from issuance of CBFIs.
- b. As of December 31, 2016, 2015 and 2014 there are the following outstanding CBFIs:

Number of CBFIs	2016	2015	2014
In circulation	3,249,305,750	3,197,579,138	2,878,386,926
In treasury	597,323,586	486,099,534	805,291,746

Distributions

FUNO's Technical Committee has approved and paid distributions out of tax revenue accounts to CBFi holders as follows:

Distribution date	Distributions
November 9, 2016	\$ 1,586,799
August 9, 2016	1,546,480
May 9, 2016	1,607,651
February 11, 2016	1,629,778
Total as of December 31, 2016	\$ 6,370,708
November 9, 2015	\$ 1,525,891
August 7, 2015	1,499,273
May 11, 2015	1,470,961
February 16, 2015	1,407,521
Total as of December 31, 2015	\$ 5,903,646
November 7, 2014	\$ 1,432,474
August 11, 2014	1,154,948
May 9, 2014	826,813
February 13, 2014	868,327
Total as of December 31, 2014	\$ 4,282,562

Net income per basic CBFi was calculated by dividing the net income for the period between the weighted average number of CBFIs with economic rights outstanding amounting to 3,699,543,494 CBFIs, 2,454,936,157 and 1,567,549,974 CBFIs for 2016, 2015 and 2014, respectively. Diluted net income per CBFi considered dilutive shares, as if the shares have been outstanding as of the date they were issued. Weighted average CBFIs considering dilutive CBFIs amounts to 3,829,348,363 CBFIs, 3,495,989,347 CBFIs and 3,260,227,903 CBFIs, respectively.

CBFIs issued as of December 31, 2016, 2015 and 2014 for the acquisition of investment properties:

Acquired properties	CBFIs issued
Tower Vallarta	27,016,726
Torre Cuarzo	31,519,509
El Salto Jalisco	5,060,501
As of December 31, 2016	63,596,736
Alaska	148,327,000
Oregon	41,390,686
CuautiPark II	19,806,720
As of December 31, 2015	209,524,406

San Mateo	2,950,000
Hilton Centro Histórico	21,875,000
Galerías Guadalajara	71,576,244
Península Vallarta	5,019,802
Samara	<u>109,605,263</u>
As of December 31, 2014	<u>211,026,309</u>

20. Income taxes

In order to maintain FIBRA status, the tax authority “SAT” has established, per articles 187 and 188 of the Mexican Income Tax Law, that FUNO must annually distribute at least 95% of its taxable income to the holders of its CBFIs. There are permanent and temporary differences between the comprehensive income displayed in the accompanying financial statements, and the fiscal result that serves as base to make distributions to the holders of the CBFIs. Accordingly, the administration made reconciliation between the two bases to determine the amount to be distributed. Most relevant differences are: (i) the fair value adjustment to properties investment, (ii) the inflationary adjustment, and (iii) the tax depreciation.

As of December 31, 2016, 2015 and 2014 the Trust has distributed \$6,370,708, \$5,903646 and \$4,282,562; respectively, as an advance from its taxable income accounts and reimbursement of trustor’s capital and management has expressed their intention of making the supplemental payments needed to comply with the aforementioned percentage and the related tax obligations.

21. Future minimum lease payments

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

Period	Retail		Industrial		Offices		Total
Up to 1 year	\$	5,466,685	\$	2,803,849	\$	2,030,876	\$ 10,301,410
1 to 5 years		16,758,859		6,963,320		4,893,662	28,615,841
More than 5 years		<u>8,641,876</u>		<u>1,748,029</u>		<u>1,680,755</u>	<u>12,070,660</u>
	\$	<u>30,867,420</u>	\$	<u>11,515,198</u>	\$	<u>8,605,293</u>	<u>\$ 50,987,911</u>

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

22. Revenues

The following information presents the Trust’s revenues based on geographical area, industry and significant tenants.

a) Revenues by geographical region

Revenues by geographical region are as follows:

State	Revenues			
	2016		2015	
Ciudad de México	3,502,429	\$	3,235,767	\$ 1,877,328
Estado de México	2,618,778		2,016,062	1,977,598
Jalisco	1,332,913		809,825	530,272
Nuevo León	978,167		744,238	381,564
Quintana Roo	918,348		697,447	700,933
Chihuahua	276,402		295,784	210,469
Tamaulipas	322,888		289,805	181,836

Coahuila	253,631	201,726	53,651
Guerrero	123,720	154,938	82,322
Veracruz	192,080	145,385	176,124
Sonora	128,683	115,139	79,739
Hidalgo	126,844	99,036	89,367
Yucatán	96,127	88,051	45,989
Nayarit	97,256	77,322	91,230
Baja California Sur	55,593	73,974	1,720
Aguascalientes	76,199	70,426	33,738
Guanajuato	93,951	68,069	83,724
Querétaro	79,095	62,547	2,564
Tabasco	50,817	53,340	52,635
Chiapas	148,319	52,397	68,371
Tlaxcala	68,486	48,270	51,435
Puebla	47,301	35,023	38,162
San Luis Potosí	24,223	27,426	29,213
Oaxaca	33,271	26,355	27,873
Durango	31,480	22,871	26,282
Morelos	25,047	19,130	6,747
Colima	19,520	15,769	22,611
Baja California	16,522	13,577	45,654
Sinaloa	15,842	12,617	17,114
Michoacán	1,433	1,231	2,184
Campeche	<u>1,242</u>	<u>1,069</u>	<u>1,302</u>
	<u>\$ 11,756,607</u>	<u>\$ 9,574,616</u>	<u>\$ 6,989,751</u>

b) Revenues by industry

Retail

The portfolio is composed of 325 investment properties with a stabilized client base; as of December 31, 2016 the gross leasable area is approximately 2,954,300 m2.

Industrial

The portfolio is composed of 105 investment properties with a client base stabilized, as of December 31, 2016 the gross leasable area is approximately 3,570,300 m2.

Office

The portfolio is composed of 86 investment properties with a client base stabilized, as of December 31, 2016 the gross leasable area is approximately 845,300 m2.

2016			
Use of property	Value of investment properties	Gross Leasable Area (GLA)	Revenue
Retail	\$ 40,974,380	2,954,300	\$ 7,569,877
Industrial	88,465,128	3,570,300	2,813,474
Office	<u>43,299,770</u>	<u>845,300</u>	<u>1,373,256</u>
	<u>\$ 172,739,278</u>		<u>\$ 11,756,607</u>

2015			
Use of property	Value of investment properties	Gross Leasable Area (GLA)	Revenue
Retail	\$ 34,217,357	2,857,000	\$ 5,463,229
Industrial	80,670,009	3,401,000	2,542,576
Office	25,346,651	822,000	1,568,811
	<u>\$ 140,234,017</u>		<u>\$ 9,574,616</u>

2014			
Use of property	Value of investment properties	Gross Leasable Area (GLA)	Revenue
Retail	\$ 31,058,106	2,164,835	\$ 3,355,080
Industrial	59,341,055	3,136,000	2,096,925
Office	14,893,989	650,406	1,537,746
	<u>\$ 105,293,150</u>		<u>\$ 6,989,751</u>

23. Commitments and contingencies

1. Except as noted otherwise, neither the Trust nor its assets are subject to any type of legal action, other than those stemming from its routine operations and activity.
2. On February 2, 2017 the FUNO Technical Committee approved (under previous authorization of the majority of the independent members) distributions of the net tax result accounts up to \$1,662.5 million. This distribution will be paid no later than February 9, 2017.
3. As part of the agreement for the acquisition of the “G-30” Portfolio, FUNO is obliged to pay the needed costs for the conclusion of certain works currently in process, of \$5,700,000 approximately, of which \$5,057,500 has been utilized.
4. As part of the agreement for the acquisition of the “El Salto Jalisco” property and once the contributor concludes the construction and equipment of a second industrial warehouse of 21,388 m2 approximately, which is part of this project, FUNO is forced to make a payment of \$180 million with CBFIs.
5. As part of the Trust Agreement 2500 in which it was agreed to build “Espacio Tollocan” which includes the construction of a Soriana store whom will pay an amount of \$110 million to FUNO to build its store.

24. Transactions that did not affect cash flows

Investment properties in 2016 increased by \$963,854 with respect to the acquisition of the Tower Vallarta property, \$1,124,156 with respect to the acquisition of the Torre Cuarzo property and \$180,000 with respect to the acquisition of the El Salto Jalisco property, which were financed through the issuance of CBFIs. Investment properties in 2015 increased by \$5,246,766 with respect to the acquisition of the Alaska Portfolio, \$1,626,000 in relation with Oregon Portfolio and \$700,741 with respect to the acquisition of the Cuautipark II Portfolio, which were financed through the issuance of CBFIs. Additionally, investment properties increased by \$1,121,095 as a

result of advanced payments made in 2014 that were applied to investment properties in 2015.

During January 2017, as part of FUNO’s plan to limit exchange rate risk arising from the bond issued in US dollars maturing in 2026, FUNO contracted two currency swaps, one for US \$75 million and the second one for US \$25 million, covering principal and interest..

25. Approval of financial statements

The accompanying condensed consolidated financial statements were authorized for issuance on April 5, 2017 by Lic. Gerardo Vargas Ateca, Finance vice president of FUNO, in accordance with the Committee approval consequently do not reflect events occurring after that date. These consolidated financial statements are subject to the approval at the trustors’ meeting, where they may be modified. Consequently, these financial statements do not reflect events after this date.

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