

FIBRA TERRAFINA

**CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and
subsidiaries**

**Condensed consolidated interim financial statements
for the period ended March 31, 2020**

Unaudited

LIST OF CONTENTS

Page(s)

Condensed consolidated interim financial statements:

Condensed consolidated interim statements of financial position 1

Condensed consolidated interim statements of comprehensive income 2

Condensed consolidated interim statements of changes in net
assets attributable to the investors 3

Condensed consolidated interim statements of cash flows 4

Notes to the condensed consolidated interim financial statements 5-14

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries Condensed consolidated interim statements of financial position (Expressed in thousands of Mexican Pesos)

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets			
Non-current assets			
Investment properties (Cost: 03/31/2020 - \$43,994,806; 12/31/2019 - \$43,820,597)	5	\$ 57,330,688	\$ 45,787,261
Investments accounted using equity method	6	796,624	610,233
Deferred rents receivable		298,664	214,025
Other accounts receivable		79,326	80,920
Restricted cash		36,959	29,623
Total non-current assets		58,542,261	46,722,062
Current assets			
Other accounts receivable		195,326	140,712
Recoverable taxes		115,783	106,177
Prepaid expenses		96,738	21,027
Deferred rents receivable		62,031	64,015
Accounts receivable (Net of allowance for doubtful accounts: 03/31/2020 - \$124,537; 12/31/2019 - \$92,982)		140,281	94,341
Restricted cash		-	5,418
Cash and cash equivalents		1,188,889	1,266,322
Total current assets		1,799,048	1,698,012
Total assets		60,341,309	48,420,074
Net assets attributable to the investors			
Contributions, net		\$ 18,701,218	\$ 18,701,218
Retained earnings (losses)		(718,823)	414,187
Translation from functional to reporting currency		14,581,756	7,783,691
Own credit risk reserve		2,703,585	669,393
Total net assets attributable to the investors		35,267,736	27,568,489
Liabilities			
Non-current liabilities			
Borrowings (Principal balance: 03/31/2020 - \$24,134,763; 12/31/2019 - \$19,133,494)	5 and 8	\$ 23,802,411	\$ 19,555,269
Derivative financial instruments	5 and 7	46,637	2,864
Tenant deposits		345,121	282,480
Accounts payable		7,203	5,585
Total non-current liabilities		24,201,372	19,846,198
Current liabilities			
Borrowings (Principal balance: 03/31/2020 - \$285,725; 12/31/2019 - \$543,545)	5 and 8	285,725	543,545
Tenant deposits		179,496	99,333
Accounts payable		406,980	362,509
Total current liabilities		872,201	1,005,387
Total liabilities (excluding net assets attributable to the investors)		25,073,573	20,851,585
Total net liabilities and assets attributable to the investors		\$ 60,341,309	\$ 48,420,074

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

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
 Condensed consolidated interim statements of income and other comprehensive income
 (Expressed in thousands of Mexican Pesos)
 (Unaudited)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Rental revenues		\$ 1,010,482	\$ 984,137
Other operating income		27,633	26,668
Real estate operating expenses		(169,507)	(218,834)
Fees and other expenses		(111,973)	(107,113)
Realized gain (loss) from disposal of investment properties		-	58,599
Net unrealized gain (loss) from fair value adjustment on investment properties	5	17,585	(47,522)
Net unrealized gain (loss) from fair value adjustment on borrowings	5	(1,098,451)	(179,587)
Net unrealized gain (loss) from fair value adjustment on derivative financial instruments	5	(40,236)	(18,822)
Net realized gain (loss) from derivative financial instruments		1,105	3,449
Foreign exchange gain		63,009	13,616
Foreign exchange loss		(92,369)	(16,485)
Operating profit (loss)		(392,722)	498,106
Finance income		869	2,429
Finance cost		(243,571)	(249,591)
Finance cost - net		(242,702)	(247,162)
Share of profit from equity accounted investments	6	1,519	8,148
Profit (loss) for the period		\$ (633,905)	\$ 259,092
Other comprehensive income:			
<i>Items that can be reclassified subsequently to gain (loss) for the period</i>			
Translation gain (loss) from functional to reporting currency		6,798,065	(434,850)
<i>Items that can not be reclassified subsequently to gain (loss) for the period</i>			
Changes in the fair value adjustment on borrowings at fair value through other comprehensive income		2,034,192	(121,801)
Comprehensive income (loss)		8,832,257	(556,651)
Total comprehensive income (loss) for the period		\$ 8,198,352	\$ (297,559)
Earnings per CBF			
Basic earnings per CBF		\$ (0.8018)	\$ 0.3275
Diluted earnings per CBF		\$ (0.8018)	\$ 0.3275

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

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
 Condensed consolidated interim statements of changes in net assets attributable to the investors
 For the period ended March 31, 2020 and March 31, 2019
 (Expressed in thousands of Mexican Pesos)
 (Unaudited)

	Note	Attributable to investors				
		Net contributions	Translation from functional to reporting currency	Own credit risk reserve	Retained earnings (losses)	Total net assets
Balance at January 1, 2019		\$ 18,701,218	\$ 9,034,634	\$ 1,016,185	\$ (206,403)	\$ 28,545,634
Transactions with investors						
Distributions to investors		-	-	-	(777,001)	(777,001)
Total transactions with investors		-	-	-	(777,001)	(777,001)
Comprehensive income						
Profit for the period		-	-	-	259,092	259,092
Other comprehensive income						
Translation from functional to reporting currency		-	(434,850)	-	-	(434,850)
Change from fair value adjustment on borrowings		-	-	(121,801)	-	(121,801)
Total comprehensive (loss) income		-	(434,850)	(121,801)	259,092	(297,559)
Net assets attributable to the investors at March 31, 2019		\$ 18,701,218	\$ 8,599,784	\$ 894,384	\$ (724,312)	\$ 27,471,074
Balance at January 1, 2020		\$ 18,701,218	\$ 7,783,691	\$ 669,393	\$ 414,187	\$ 27,568,489
Transactions with investors						
Distributions to investors	9	-	-	-	(499,105)	(499,105)
Total transactions with investors		-	-	-	(499,105)	(499,105)
Comprehensive income						
Loss for the period		-	-	-	(633,905)	(633,905)
Other comprehensive income						
Translation from functional to reporting currency		-	6,798,065	-	-	6,798,065
Change from fair value adjustment on borrowings		-	-	2,034,192	-	2,034,192
Total comprehensive income (loss)		-	6,798,065	2,034,192	(633,905)	8,198,352
Net assets attributable to the investors at March 31, 2020		\$ 18,701,218	\$ 14,581,756	\$ 2,703,585	\$ (718,823)	\$ 35,267,736

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

FIBRA Terrafina

CI Banco, S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries
Condensed consolidated interim statements of cash flows
(Expressed in thousands of Mexican Pesos)
(Unaudited)

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows from operating activities:			
Profit (loss) for the period		\$ (633,905)	\$ 259,092
Adjustments:			
Net unrealized gain (loss) from fair value adjustment on investment properties	5	(17,585)	47,522
Net unrealized gain (loss) from fair value adjustment on borrowings	5	1,098,451	179,587
Net unrealized gain (loss) from fair value adjustment on derivative financial instruments	5	40,236	18,822
Realized gain (loss) from disposal of investment properties		-	(58,599)
Bad debt expense		4,672	12,279
Accrued interest expense		236,282	241,813
Interest income on bank accounts		(869)	(1,918)
Share of profit from equity accounted investments	6	(1,519)	(8,148)
(Increase) decrease in:			
Deferred rents receivable		(82,654)	(22,626)
Accounts receivable		(50,612)	(12,228)
Recoverable taxes		(6,548)	17,555
Value added tax refunded		(3,058)	-
Prepaid expenses		(75,711)	1,472
Other accounts receivable		(53,020)	(141,678)
Increase (decrease) in:			
Tenant deposits		142,804	(12,606)
Accounts payable		46,089	62,747
Net cash generated from operating activities		643,053	583,086
Cash flows from investing activities:			
Improvements of investment properties	5	(174,209)	(66,838)
Proceeds from dispositions of investment properties		-	189,015
Interest income on bank accounts		869	1,918
Investments accounted using equity method	6	(28,217)	8,531
Principal collections on loan receivable		-	320
Net cash (used in) generated from investing activities		(201,557)	132,946
Cash flows from financing activities:			
Proceeds from borrowings	8	277,951	-
Principal payments on borrowings	8	(278,798)	(2,900)
Interest paid on borrowings	8	(298,989)	(136,320)
Restricted cash		(1,918)	565
Distributions to investors	9	(499,105)	(777,001)
Net cash used in financing activities		(800,859)	(915,656)
Net decrease in cash		(359,363)	(199,624)
Cash at the beginning of the period		1,266,322	1,557,651
Exchange rate effects on cash		281,930	(15,856)
Cash and cash equivalents at the end of the period		\$ 1,188,889	\$ 1,342,171

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

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

1. GENERAL INFORMATION

Terrafina (“Terrafina” or “the Trust”) is a Mexican trust created pursuant to trust agreement F/00939 dated January 29, 2013 (as amended on March 15, 2013) entered into by and among PLA Administradora Industrial, S. de R.L. de C.V. as Trustor and beneficiary (“the Trustor”) and CI Banco S.A., Institución de Banca Múltiple, as trustee (“the Trustee”) and Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero, as common representative (“the Common Representative”) of the real estate trust certificate (“Certificados Bursátiles Fiduciarios Inmobiliarios” or “CBFI’s”) holders. The Trust agreement is for an indefinite term, an open-ended fund.

Terrafina is an industrial portfolio created mainly to acquire, develop, lease and manage real estate properties in Mexico, as well as to provide financing for said purposes secured by the respective related leased real estate properties.

Terrafina’s registered address is Presidente Masaryk 61, 7th floor, Chapultepec Morales, Miguel Hidalgo, México City, 11570.

Terrafina is treated as a Real Estate Investment Trust (also known as a Mexican “FIBRA”) according with Articles 187 and 188 of the Mexican Federal Income Tax Law (“Ley del Impuesto sobre la Renta” or “LISR”) for tax purposes.

In order to carry out its operations, the Trust has entered into the following agreements:

- (i) An advisory agreement with PLA Administradora Industrial, S. de R.L. de C.V. (“the Advisor”), an affiliated company of PGIM Real Estate America, which will provide advisory and real estate investment management services, as well as other related services.
- (ii) A management agreement with TF Administradora, S. de R.L. de C.V. (“the Manager”), for the latter to carry out certain management services on behalf of the Trust.

Capitalized terms used herein without definition shall have the meanings assigned to them in the Trust Agreement F/00939, or in the Management and Advisory Agreement of the Trust.

2. BASIS OF PREPARATION

(a) Compliance statement

The enclosed condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” which is part of the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standard Board (“IASB”) and its interpretations, issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The condensed consolidated interim financial statements do not include all the information and disclosure required in annual consolidated financial statements in accordance with IFRSs, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019, which were prepared in accordance with IFRS.

The condensed consolidated interim financial statements have been prepared under the assumption of going concern and on a historical cost basis, except for the real estate investments included within the scope of the definition provided under International Accounting Standard (“IAS”) 40 (“Investment Properties”), derivative financial instruments and borrowings, which have been measured at fair value.

(b) Criteria and estimates

Preparation of condensed consolidated interim financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to apply its judgment in the process of applying the Trust’s accounting policies. Changes in assumptions may have a significant impact on the condensed consolidated financial statements in the period in which the assumptions change. Management believes that the underlying assumptions are appropriate. The accounting policies, judgments and estimates used in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the consolidated financial statements as of and for the year ended December 31, 2019.

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

(c) Standards and amendments to existing standards effective 1 January 2020

There are no other standards that are not yet effective and would be expected to have a significant impact on the Trust in the current or future reporting periods and future transactions.

3. SIGNIFICANT TRANSACTIONS

On May 17, 2019, Terrafina entered into a fiduciary substitution agreement, between HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria y CI Banco, S.A., Institución de Banca Múltiple (see Note 4).

On July 8, 2019, Terrafina started a cash offer to purchase the totality of the unsecured securities called Senior Notes, issued by Terrafina on November 10, 2015 with a coupon rate of 5.25% and maturity in 2022 (BOND 2022). The offer was concluded on July 12, 2019, resulting in the repurchase of a principal amount equivalent to 79.01% of the total the unsecured securities (see Note 8).

On July 15, 2019, Terrafina issued unsecured securities (BOND 2029) for \$ 500 million with a 10-year maturity in international markets. The unsecured securities will expire on July 18, 2029 with a coupon rate of 4.962%. The proceeds from the transaction were allocated to the partial refinancing of some existing debts for a total of USD\$ 499.8 million. (see Note 8).

On July 18, 2019, Terrafina made a disposition of USD\$26 million (\$488 million of Mexican Pesos) of the revolving credit facility with Citibank.

On August 9, 2019, Terrafina collected in advance all the credit granted to Controladora Idea, S.A. from C.V. on May 13, 2016.

On December 19, 2019, Terrafina made a disposition of USD\$13 million (\$245 million of Mexican Pesos) of the revolving credit facility with Citibank.

During 2019, the Mexican tax authorities reimbursed Value Added Tax payments made by the Trust in the amount of USD\$6.3 million (\$119 million of Mexican Pesos).

On February 05, 2020, Terrafina made a disposition of USD\$14.7 million (\$277 million of Mexican Pesos) of the revolving credit facility with Citibank. The received cash proceeds were used to fully prepay the debt due to Seguros Monterrey New York Life ("SMNYL")

4. CONSOLIDATION BASIS

These condensed consolidated interim financial statements include net assets as of March 31, 2020 and December 31, 2019 and results of operations of the entities listed below controlled by Terrafina for the three months ended on March 31, 2020 and 2019. All significant intercompany balances and transactions have been eliminated from the condensed consolidated interim financial statements.

Subsidiaries

Subsidiaries are all entities over which the Trust has control. The Trust controls an entity when it is exposed or has rights to variable returns as a result of their involvement in it, also could affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Contributions to subsidiaries have been made with the purpose of investing and managing investment properties.

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

4. CONSOLIDATION BASIS (continued)

As of March 31, 2020 and December 31, 2019, the Trust has a 100% interest in all the subsidiaries mentioned below:

Trustee: HSBC México, S. A., Institución de Banca Múltiple, Grupo Financiero HSBC, División Fiduciaria as trustee of the following trust:

- Trust F/307939

Trustee: Banco Invex, S. A., Institución de Banca Múltiple, Invex Grupo Financiero, as trustee of the following trusts:

- Trust F/1411
- Trust F/1412
- Trust F/2609

Trustee: Deutsche Bank México, S. A., Institución de Banca Múltiple, División Fiduciaria, as trustee of the following trusts:

- Trust F/128
- Trust F/129
- Trust F/824
- Trust F/1487

Trustee: CI Banco, S. A., Institución de Banca Múltiple, as trustee of the following trusts:

- Trust F/666
- Trust F/463
- Trust F/824
- Trust F/2171
- Trust F/2989
- Trust F/2991
- Trust F/2996
- Trust F3275
- Trust F3276
- Trust F3277

Trustee: Banco Actinver, S. A., Institución de Banca Múltiple, Grupo Financiero Actinver, as trustee of the following trusts:

- Trust F/3186
- Trust F/3230
- Trust F/3231
- Trust F/3232
- Trust F/3233
- Trust F/3234
- Trust F/3235
- Trust F/3236

TF Administradora, S. de R.L. de C.V. (“the Manager”) All related party transactions between the Manager and the Trust have been eliminated in these condensed consolidated interim financial statements, to comply with the requirements of accounting standards and other business information purposes; other transactions of the entity are included in the condensed consolidated interim financial statements. (see Note 10).

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

4. CONSOLIDATION BASIS (continued)

Investments in joint ventures are accounted for using the equity method. The carrying amount of the investment in joint ventures is increased or decreased to recognize the Trust's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Trust. Unrealized gains and losses on transactions between the Trust and joint ventures are eliminated to the extent of the Trust's interest in those entities.

As of March 31, 2020 and December 31, 2019, the Trust interest participation in joint ventures is 50% in both periods.

Investment in joint ventures, in its interest participation, includes net assets and the results of operations of the entities mentioned below:

Trustee: Monex Casa de Bolsa, S.A. de C.V., as trustee of the following trusts:

- Trust F/2717
- Trust F/3485

5. FAIR VALUE MEASUREMENTS

The IFRS 13 guide on fair value measurements and disclosures establishes a fair value measurement framework, provides a sole definition of fair value and requires expanded disclosures summarizing fair value measurements. This standard provides a three levels hierarchy based on inputs used in the valuation process. The level in the fair value hierarchy under which fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the entity for identical assets or liabilities. These quoted prices generally provide the most reliable evidence and should be used to measure fair value whenever available.

Level 2 – Fair value is based on inputs, other than Level 1 inputs, that are observable for the asset or liability, either directly or indirectly, substantially for the full term of the asset or liability through corroboration of observable market data.

Level 3 – Fair value is based on significant unobservable inputs for the asset or liability. Such inputs reflect the entity's own assumptions about how market participants would price the asset or liability.

a. Investment Properties

In general terms, the fair value estimations are provided by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) on a quarterly basis for operating properties. Acquisitions are carried at purchase price and valued within a reasonable amount of time following the acquisition (typically within 12 months). The Chief Real Estate Appraiser of PGIM, Inc., an affiliated company of the Advisor and the Manager, is responsible for ensuring that the valuation process provides independent and reasonable property fair value estimates.

The purpose of an appraisal is to estimate the fair value of Investment Properties at a specific date. Fair value is defined as the price to be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value estimate is predominately based on the discounting of a series of income cash flows and their reversion at a specific yield. Key assumptions include rental income and expense amounts, discount rates and capitalization rates.

In general terms, inputs used in the appraisal process are unobservable; therefore, unless otherwise indicated, Investment Properties are classified as Level 3 under the guidance on fair value measurement hierarchy.

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

5. FAIR VALUE MEASUREMENTS (continued)

As described above, the estimated fair value of Investments Properties is generally determined through an appraisal process. Those estimated fair values may vary significantly from the prices at which the real estate investments would sell, since market prices of real estate investments can only be determined through negotiations between a willing buyer and a seller. Such differences could be material to the consolidated financial statements.

The independent appraiser used the following unobservable inputs based on discounted cash flow method.

Most significant unobservable inputs:

- Discount rate: The internal yield rate (“internal rate of return” or “IRR”) is the single rate that discounts all future assets benefits to net present value. The discount rate as of March 31, 2020 and December 31, 2019, was 9.10% (ranges between 8.00% to 12.00%) and 9.09% (ranges between 8.00% to 12.25%), respectively.
- Market yield growth rate: Based on information gathered from surveys, as well as market experience and management’s projections. Market yield growth rate ranges between 1.5% and 2.5% for both years.
- Vacancy and collection loss assumptions: This is a function of the interrelationship between absorption, lease expiration, renewal probability, and estimated downtime between leases and a collection loss factor based on the relative stability and credit of the subject’s tenant base. Vacancy assumption used by the Trust’s management as of March 31, 2020 and December 31, 2019 was 5% and collection loss 1% for both years.

Significant increases (decreases) in the discount rate would result in a significantly lower (higher) fair value measurement. However, an increase (decrease) in any of the other two factors would result in a higher (lower) fair value measurement.

Unrealized gains (losses) from fair value adjustments on Investment Properties are included in the condensed consolidated interim statements of income and other comprehensive income.

b. Borrowings

Valuation process for the Trust’s borrowings:

The valuations for financial reporting purposes, including Level 2 fair values, are prepared by an independent third party and they are based on discounted cash flows. Discussions of valuation processes and results are held between the corporate vice president of valuations and the appraiser at least once every year.

The significant Level 2 inputs used by the Trust are derived and evaluated as follows:

- Reference interest rates: The interest rate curves applicable to each borrowing are used in accordance with the contractual conditions.
- Credit risk: Estimated based on the spread over the reference interest rate of comparable borrowings available in public sources of information or in other sources available to the Trust.
- Country risk: The index of emerging market bonds applicable to Mexico is used to adjust the credit risk of comparable borrowing when necessary.

Level 2 fair values are analyzed at each reporting period during quarterly valuation discussions between all parties involved in the debt valuation process.

The discount rate resulting from adding to the benchmark interest rate the credit risk of comparable debts, as of March 31, 2020 and December 31, 2019, ranges between 3.22% and 4.68% and 4.66% and 5.14%, respectively.

A significant increase (decrease) in discount rate would result in a significantly lower (high) fair value.

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

5. FAIR VALUE MEASUREMENTS (continued)

c. Derivative financial instruments

The Trust records interest rate Caps and fixed rate options at fair value, which is determined by an independent third party, using discounted cash flow models. Key assumptions used in the discounted cash flow model include the contractual terms of the agreement, along with significant observable inputs, including interest rates, credit spreads and other factors, such as the Trust's nonperformance risk as well as that of the Trust's counterparties. Those derivatives are traded in the over-the-counter ("Over the counter" or "OTC") market and are classified within Level 2 in the fair value hierarchy.

Tables below summarizes assets and liabilities measured at fair value on a recurring basis and their respective level in the fair value hierarchy:

Fair Value Measurements at March 31, 2020

	Cost / Principal	Amounts measured at fair value	Level 1	Level 2	Level 3
<u>Assets:</u>					
Investment properties	\$ 43,994,806	\$ 57,330,668	\$ -	\$ -	\$ 57,330,668
Total assets	\$ 43,994,806	\$ 57,330,668	\$ -	\$ -	\$ 57,330,668
<u>Liabilities:</u>					
Borrowings	\$ 24,420,488	\$ 24,088,136	\$ -	\$ 24,088,136	\$ -
Derivative financial instruments	-	46,637	-	46,637	-
Total liabilities	\$ 24,420,488	\$ 24,134,773	\$ -	\$ 24,134,773	\$ -

Fair Value Measurements at December 31, 2019

	Cost / Principal	Amounts measured at fair value	Level 1	Level 2	Level 3
<u>Assets:</u>					
Investment properties	\$ 43,820,597	\$ 45,787,261	\$ -	\$ -	\$ 45,787,261
Total assets	\$ 43,820,597	\$ 45,787,261	\$ -	\$ -	\$ 45,787,261
<u>Liabilities:</u>					
Borrowings	\$ 19,677,039	\$ 20,098,814	\$ -	\$ 20,098,814	\$ -
Derivative financial instruments	-	2,864	-	2,864	-
Total liabilities	\$ 19,677,039	\$ 20,101,678	\$ -	\$ 20,101,678	\$ -

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

5. FAIR VALUE MEASUREMENTS (continued)

The tables below present a reconciliation of the beginning and ending balances for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2020 and for the year ended December 31, 2019.

Fair value measurements using significant unobservable inputs (Level 3)

	Beginning balance 01/01/20	Realized and unrealized net gain (loss)	Currency translation	Acquisitions and capital expenditures	Dispositions	Ending balance 03/31/20	Unrealized gain (loss) for the period for investments still held at 03/31/20
Assets:							
Investment properties	\$ 45,787,261	\$ 17,585	\$ 11,351,633	\$ 174,209	\$ -	\$57,330,688	\$ 17,585
Total assets	\$ 45,787,261	\$ 17,585	\$ 11,351,633	\$ 174,209	\$ -	\$57,330,688	\$ 17,585

Fair value measurements using significant unobservable inputs (Level 3)

	Beginning balance 01/01/19	Realized and unrealized net gain (loss)	Currency translation	Acquisitions and capital expenditures	Dispositions	Ending balance 12/31/19	Unrealized gain (loss) for the period for investments still held at 12/31/19
Assets:							
Investment properties	\$45,880,221	\$ 1,651,324	\$ (2,016,712)	\$ 494,809	\$ (222,371)	\$ 45,787,261	\$ 1,582,369
Total assets	\$45,880,221	\$ 1,651,324	\$ (2,016,712)	\$ 494,809	\$ (222,371)	\$ 45,787,261	\$ 1,582,369

6. INVESTMENTS UNDER THE EQUITY METHOD OF ACCOUNTING

The Trust has two joint venture agreements with the following entities:

- Controladora and Parques American Industries, S.A. of C.V., with an equity interest of 50% for each one of the parties involved (Trust F/2717).
- Avante, with an equity interest of 50% for each one of the parties involved (Trust F/3485).

Entity name	Country of establishment / Principal activity	Ownership interest as of March 31, 2020	Ownership interest as of December 31, 2019	March 31, 2020	December 31, 2019
Fideicomiso F/2717	Mexico / Property leasing	50%	50%	\$ 687,112	\$ 521,155
Fideicomiso F/3485	Mexico / Property leasing	50%	50%	109,512	89,078

Below shows the reconciliation of the ending balances at March 31, 2020 and December 31, 2019:

	March 31, 2020		December 31, 2019	
	Fid. 2717	Fid. 3485	Fid. 2717	Fid. 3485
Initial balance	\$ 521,155	\$ 89,078	\$ 461,824	\$ 85,884
Capital distributions	27,818	399	44,939	7,119
Share of profit from equity accounted investments	3,469	(1,950)	36,626	(1,256)
Currency translation	134,670	21,985	(22,234)	(2,669)
Ending balance	\$ 687,112	\$ 109,512	\$ 521,155	\$ 89,078

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Trust entered into interest rate derivatives contracts in order to manage the potential impact of interest rate fluctuations on the borrowings described in Note 8. The derivatives include interest rate Caps and fixed rate options. The interest rate Caps provides that in the case the underlying LIBOR rate becomes higher than the strike price; the counterparty will pay the Trust an amount equal to the difference between the strike price and the LIBOR rate on a monthly or quarterly basis. The fixed rate option provides that in the case the underlying LIBOR rate rises, on the exercise date (as defined in the contract), the Trust will have the right to receive from the counterparty an amount in cash equal to the fair value of the derivative financial instrument with the characteristics described in the fixed rate option contract, in particular in respect of strike price and maturity.

The outstanding derivative financial instruments as of March 31, 2020 and at December 31, 2019, are summarized as follows:

March 31, 2020							
Derivative type	Bank	Notional amount (USD)	Underlying variable rate	Strike price	Fair value	Inception date	Maturity date
Fixed rate options	Barclays	105,000	3M LIBOR	1.768%	\$ (46,637)	May 18, 2017	October 4, 2021
Cap options	JP Morgan	150,000	3M LIBOR	2.750%	-	Jul 16, 2018	July 15, 2020
Total					\$ (46,637)		

December 31, 2019							
Derivative type	Bank	Notional amount (USD)	Underlying variable rate	Strike price	Fair value	Inception date	Maturity date
Fixed rate options	Barclays	105,000	3M LIBOR	1.768%	\$ (2,864)	May 18, 2017	October 4, 2021
Cap options	JP Morgan	150,000	3M LIBOR	2.750%	-	Jul 16, 2018	July 15, 2020
Total					\$ (2,864)		

8. BORROWINGS

Borrowings include mortgage loans payable as summarized below:

Credit entity/ Instrument	March 31, 2020		December 31, 2019		Interest rate (p.a.) [1], [2]	Maturity date	Terms [3]
	Principal balance	Fair value	Principal balance	Fair value			
BOND 2029	\$11,872,768	\$11,404,640	\$ 9,634,111	\$ 9,963,148	Fixed – 4.962%	July, 2029	I
BOND 2022	2,140,127	2,275,903	1,693,387	1,786,125	Fixed - 5.25%	November, 2022	I
Banamex	4,391,463	4,391,463	3,521,975	3,521,975	3 months LIBOR + 2.45% [5]	October, 2022	I ^[7]
Metlife	3,526,830	3,526,830	2,826,780	2,826,780	Fixed – 4.75%	January, 2027	I ^[8]
Citibank ^[4]	2,489,300	2,489,300	1,721,694	1,721,694	3 months LIBOR + 2.45% [5]	January, 2023 ^[9]	I
SMNYL ^[6]	-	-	279,092	279,092	Fixed – 5.19%	February, 2020	P&I
Total borrowings	\$ 24,420,488	\$ 24,088,136	\$ 19,677,039	\$ 20,098,814			

[1] p.a. = per year.

[2] At March 31, 2020, and December 31, 2019, the 3 months LIBOR rates were 1.4505% and 1.9083%, respectively.

[3] P&I = Principal and interest; I = Interest only.

[4] Unsecured, committed, revolving credit, up to an amount of US\$300 million Dollars with an option to increase it up to US\$400 million Dollars.

[5] The margin may vary according to the Rating and Loan to Value ("LTV") ratio.

[6] Loan includes two drawdowns with a fixed rate of 5.19% and 4.84%.

[7] Interest only until January 2021.

[8] Interest only until February 2024

[9] Maturity date: January 2023 – a four-year maturity with an option to extend one additional year.

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

8. BORROWINGS (continued)

On July 15, 2019, Terrafina issued unsecured securities (BOND 2029) in the international markets in the amount of USD\$500 million (\$9,539 million of Mexican Pesos) with a 10-year maturity. The securities will be due on July 18, 2029, with a coupon rate of 4.962%.

On July 18, 2019, Terrafina anticipated the payment of USD\$336 million (\$6,388 million of Mexican Pesos) on the unsecured securities that were otherwise due on 2022. Additionally, it made the advance payment of USD\$164 million (\$3,129 million of Mexican Pesos) of the debt with Banamex. Finally, it made a provision of USD\$26 million (\$488 million of Mexican Pesos) of the revolving debt with Citibank.

On December 19, 2019, Terrafina made a disposition of USD\$13 million (\$245 million of Mexican Pesos) of the revolving credit facility with Citibank.

As of March 31, 2020 and December 31, 2019, the Metlife and SMNYL debt were collateralized by Investment Properties with an aggregate estimated fair value of \$8,919,353 and \$7,828,377, respectively.

As of March 31, 2020 and December 31, 2019, fair value borrowings are payable as follows:

	<u><1 year</u>	<u>1 – 3 years</u>	<u>>3 years</u>	<u>Total</u>
March 31, 2020	\$ 285,725	\$ 5,030,725	\$ 18,771,686	\$ 24,088,136
December 31, 2019	\$ 543,545	\$ 3,942,219	\$ 15,613,050	\$ 20,098,814

All the loans are denominated in Dollars. Terrafina is benefited from not paying principal amortizations in respect of the Banamex debt until January 2021 and Metlife debt until February 2024. The revolving line of credit with Citibank and the unsecured securities (BOND 2022 and BOND 2029) are not subject to principal amortizations until their respective expiration dates.

The Trust's exposure to the risk from changes in interest rates is largely related to the long-term borrowings. The Trust manages its interest rate risk through a combination of fixed-rate and variable-rate borrowings. In general, short-term borrowings may be subject to a floating rate while longer-term borrowings are typically subject to a fixed rate.

9. NET ASSETS ATTRIBUTABLE TO THE INVESTORS

Net Assets consists of the initial contribution and the proceeds from the issued CBFI's.

As of March 31, 2020, the Trust net contributions amount to \$21,324,824 and consists of 790,602,803 outstanding CBFI's, as follows:

<u>No. of CBFI's</u>	<u>Details</u>	
<u>790,602,803</u>	<u>As of December 31, 2018</u>	<u>\$ 21,324,824</u>
<u>790,602,803</u>	<u>As of December 31, 2019</u>	<u>\$ 21,324,824</u>
<u>790,602,803</u>	<u>As of March 31, 2020</u>	<u>\$ 21,324,824</u>

On March 11, 2020 the Trust made distribution to the investors, which were previously approved by the Trust's Technical Committee in the amount of \$499,105. The distributed amount was considered fiscal results distribution.

FIBRA Terrafina

CI Banco S.A. Institución de Banca Múltiple, Trust F/00939 and subsidiaries

Notes to the condensed consolidated interim financial statements for the period ended March 31, 2020 (Unaudited)

(All amounts in thousands of Mexican Pesos, unless otherwise stated)

10. RELATED PARTIES

The main Trust's related party transactions are detailed as follows:

Manager

The Trust reimburses the Manager for all costs incurred in carrying out its investment management functions plus VAT.

The amounts reimbursed for the three months ended March 31, 2020 and 2019 were \$0 and \$845, respectively.

Advisor

The payment of the Advisor's fee is equivalent to 0.5% per annum over the fair market value of the real estate assets plus VAT.

The Advisor's fee accrued for the period ended March 31, 2020 and December 31, 2019 were \$67,509 and \$55,926 thousands of Mexican Pesos, respectively.

11. RISKS

On March 11, 2020, the World Health Organization ("WHO") declared COVID-19 a pandemic, and national governments have implemented a range of policies and actions to combat it. The outbreak of COVID-19 has resulted in quarantines, supply chain disruptions, lower consumer demand, general market uncertainty which caused market volatility. The extent of the impact of COVID-19 on world economies and Terrafina are highly uncertain and cannot be predicted at this time. The probability of the fair value of investments exactly coinciding with the price achieved in the event of a sale is reduced. Management will continue to monitor developments, and their impact on Terrafina including its operations, lease agreements, net investment income, lending arrangements, debt covenants, the fair value of investments and estimates reported in the condensed consolidated interim financial statements and accompanying notes. If the financial markets and/or the overall economy are impacted for an extended period, Terrafina's investment results may be materially adversely affected.

12. RECLASIFICACIONES

Regarding to the presentation of previous period, lease revenues, other operating income and real estate operating expenses on the condensed consolidated interim statements of income and other comprehensive income, have been reclassified according with the current period's presentation. Such reclassifications had not impact on previously issued consolidated financial statements.

13. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business there can be various legal actions related to properties of the Trust. At March 31, 2020, the Trust's management was not aware of any such matter that had or would have a material effect on Trust's financial condition or results of operations.

14. SUBSEQUENT EVENTS

On April 1, 2020, Terrafina made a disposition of USD\$150.3 million (\$3,681 million of Mexican Pesos) of the revolving credit facility with Citibank.

On June 10, 2020, the Technical Committee approved a dividend payment of \$437,381 corresponding to \$0.5532 cents per CBFI's.

15. AUTHORIZATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were authorized for issuance on June 10, 2020 by the Audit Committee and also by Terrafina's Technical Committee.