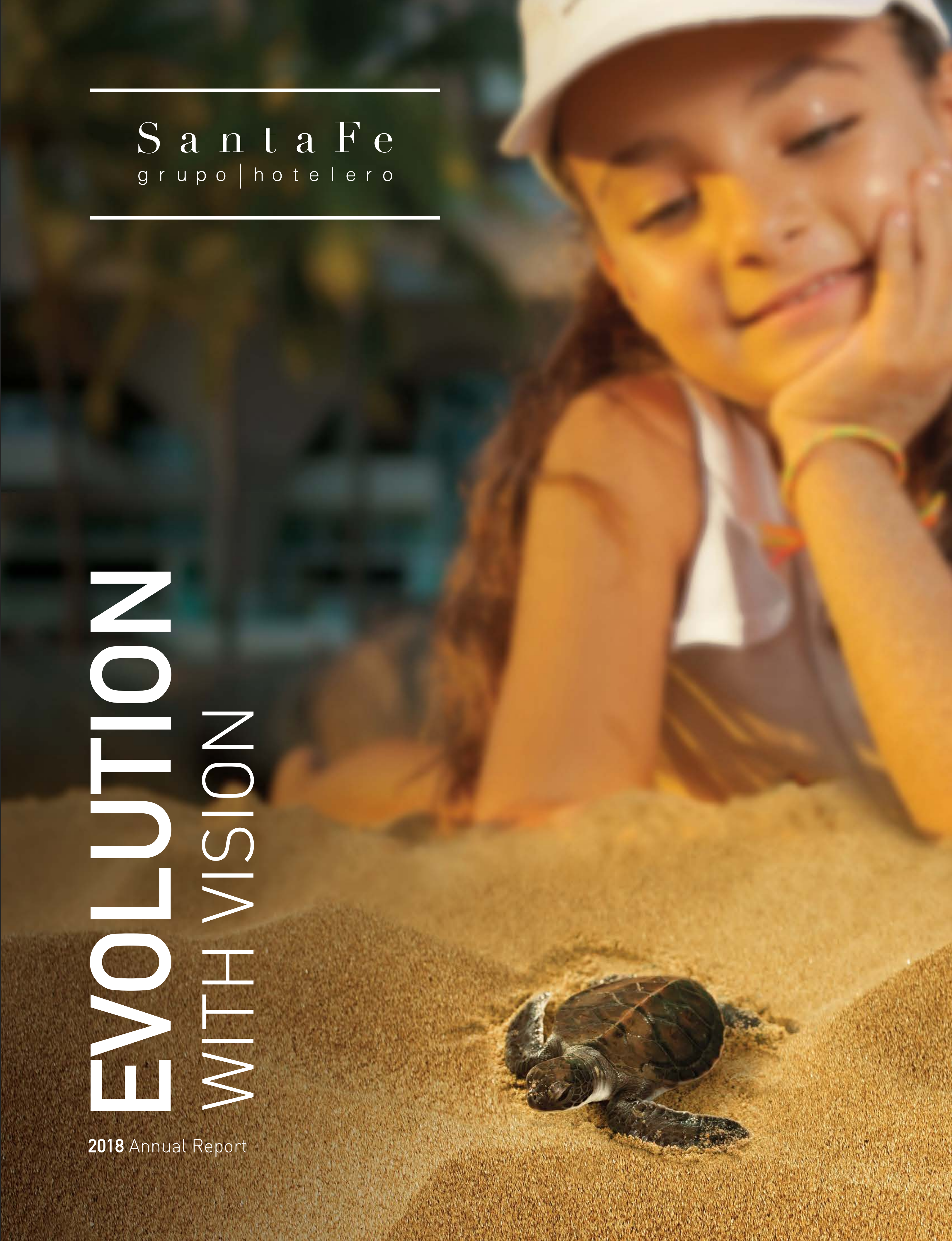


SantaFe
grupo | hotelero

EVOLUTION WITH VISION

2018 Annual Report

CORPORATE **PROFILE**

We are one of the leading companies in the hotel industry in Mexico. Our focus is on acquiring hotels at the beach and in the city in Mexico's main tourist destinations, making conversions to property use, and entering into operating and development contracts in locations where such contracts are fully justified.

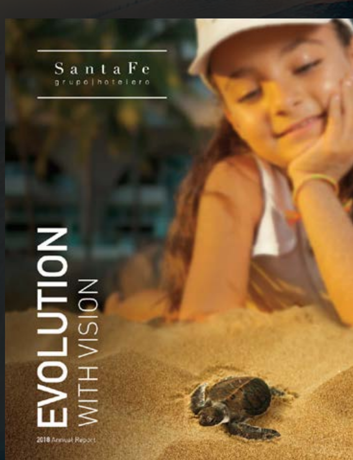
Our current platform includes our own brands, such as Krystal Resorts, Krystal Grand, Krystal Beach and Krystal Urban, franchises and brands licensed by Hilton, Hyatt, Marriott and Accor, among others.

The diversity of our hotel portfolio allows us to have more stable revenues and profits due to the counter-cyclicality in seasonality among beach and urban hotels. This diversity also allows us to implement cross-sales among our client base.

Our management team has a long history of success in the hotel industry in Mexico, with combined experience of over 100 years. Over time the team has acquired, operated and jointly developed more than 12,000 rooms in Mexico and Latin America.

Our operating model is characterized by the multi-functional efficiency of our personnel, and strict control of expenses, which allows us to rapidly adapt to and anticipate the industry's changing needs.

Our strategy is centered on obtaining growth in our hotel platform in Mexico, with a clear focus on the Krystal brand, prioritizing principal markets in the country in the categories of four-star, five-star and Gran Turismo hotels. We also focus on efficient management of our hotel portfolio, supporting growth in sales and profits by effectively optimizing assets.



The Group's ongoing development and growth has been the platform for attaining solid results year after year, always with a long-term vision and a focus on protecting the environment.

Release of turtles, Krystal Beach Acapulco
Acapulco, Guerrero

Krystal Beach Acapulco
Acapulco, Guerrero

CONTENT

MISSION

To ensure that our guests and clients enjoy pleasant and unforgettable experiences, due to our passionate employees who offer quality service; combined with prudent management, this allows us to generate the profitability expected by our partners, shareholders and investors.

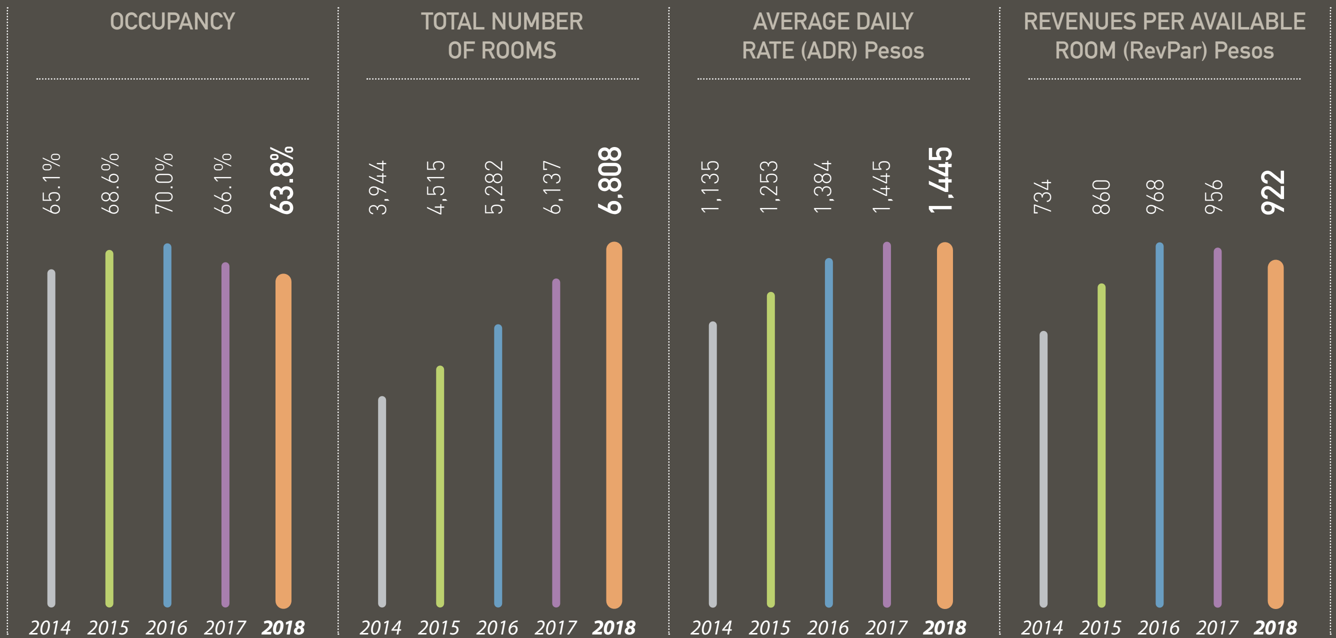
VISION

To be recognized as one of the best hotel companies for our profitability, professional ethics and trustworthiness, quality products and services, with employees who are proud to be part of the company.

Krystal Grand Suites Insurgentes Sur
Mexico City

FINANCIAL HIGHLIGHTS

INCOME STATEMENT Figures in thousands of Mexican pesos	2018	2017	% VAR
Room Revenue	1,105,587	900,505	22.8
Food and Beverages Revenue	731,512	477,621	53.2
Other Revenue from Hotels	157,305	123,407	27.5
Management Fees for Third-Party-Owned Hotels	70,537	79,962	(11.8)
Total Revenues	**2,064,941**	**1,581,496**	**30.6**
Operating Costs and Expenses	891,123	644,544	38.3
Sales and Administrative Expenses	468,381	384,742	21.7
Other Expenses	29,643	24,010	23.5
Depreciation and Amortization	196,367	144,173	36.2
Total Costs and Expenses	**1,585,514**	**1,197,470**	**32.4**
Total Non-Recurring Expenses	**28,872**	**48,962**	**(41.0)**
EBITDA	**675,794**	**528,200**	**27.9**
EBITDA Margin (%)	*32.7%*	*33.4%*	*(0.7 pt)*
Operating Income	**450,555**	**335,065**	**34.5**
Operating Income Margin (%)	*21.8%*	*21.2%*	*0.6 pt*
Net Financing Costs	**(137,535)**	**(60,520)**	**NA**
Income Tax	46,655	90,315	(48.3)
Net Income	**267,337**	**187,382**	**42.7**
Net Income Margin (%)	*12.9%*	*11.8%*	*1.1 pt*
Income from:			
Controlling Stakes	265,950	215,991	23.1
Non-Controlling Stakes	1,387	(28,609)	NA



Note: The number of rooms varies with respect to the number of rooms in the portfolio being remodeled, acquired, or recent openings in each period.

Continuing our growth trend, **total revenues increased 30.6%** over 2017, to Ps. 2.1 billion in 2018.

Hilton Garden Inn Monterrey Airport
Monterrey, Nuevo León

EMPLOYEES, OUR MOST IMPORTANT ASSET

There were

6,808

ROOMS

in the portfolio at the end of 2018, which was an increase of 10.9% over 2017.

Gemina Cisneros Ramírez

HOUSEKEEPING, four years of seniority

Winner of Best Employee 2018

KRYSTAL URBAN CANCÚN

Cancún, Quintana Roo

Gemina is being recognized for her excellent performance, leadership, and commitment to her team and to the Company. Her positive attitude helps motivate her fellow workers.

Krystal Urban Cancún
Cancún, Quintana Roo

Krystal Urban Ciudad Juárez
Ciudad Juárez, Chihuahua

María Lourdes Roldán Moreno

HOUSEKEEPING, 3 years of seniority

Winner of Best Employee 2018

KRYSTAL URBAN CIUDAD JUÁREZ

Ciudad Juárez, Chihuahua

Maria Lourdes is being recognized for her performance and dedication to her work, the enthusiasm with which she performs her activities, her willingness to help and her great attitude towards guests and her fellow workers.

Of the 6,808 rooms in the portfolio, 44% are under the **KRYSTAL** brand, which has a total of

3,011

ROOMS


LOURDES
KRYSTAL URBANHOTELS

Antonio Escudero Acosta

BELL BOY, 5 years of seniority

Winner of Best Employee 2018

KRYSTAL GRAND PUNTA CANCÚN

Cancún, Quintana Roo

Antonio is being recognized for his dedication and constant devotion to his work. He always provides guests with solutions, and is a great example to his team of how to keep clients happy.

Krystal Grand Punta Cancún
Cancún, Quintana Roo

Since our Initial Public Offering we have nearly doubled the number of hotels in our portfolio (including hotels under development and construction), going from 14 hotels in 2014 to

27

HOTELS IN 2018

Christian Iván Franco Ruiz

MAÎTRE D´, 5 years of seniority

Winner of the Best Employee 2018
KRYSTAL GRAND INSURGENTES SUR
Mexico City

Christian is being recognized for his dedication and the excellent service he provides to guests.

Sustainable development at Grupo Hotelero Santa Fe is one of the main pillars driving the development of its most important asset: more than

3,500

COMMITTED EMPLOYEES

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2018 was another excellent one for Grupo Hotelero Santa Fe, as we posted double-digit growth in revenues, profitability and number of rooms again. Our results were slightly above our updated results guidance. Thanks to the hard work of all our employees and to their commitment, our results were outstanding. We continue to meet our investment and growth goals, and we will continue to look for opportunities that create value for our shareholders. Since 2014, we have increased our revenues and EBITDA by 185% and 220%, respectively.

During the course of the year, we announced the signature of a strategic alliance with AMResorts, in which a transitional co-branding scheme was implemented between the brands Reflect® Resorts & Spas and Krystal Grand® for the hotels in Punta Cancún, Los Cabos and Nuevo Vallarta, which together have 1,329 rooms. Through this alliance we expect to increase sales significantly at these three hotels in the coming years, to obtain a higher percentage of sales in dollars, and to access more direct, diversified and profitable distribution channels.

Tourism continues to grow in Mexico; this is evidenced by the record number of tourists and the trickle-down economic effect tourism is having in the country. It is a trend that has benefited us over the last six years, over which period GDP in the tourism sector has grown at rates above the national average. Nationally, Mexico captured more revenues from tourism than from oil.

We would like to thank you, our shareholders, for the trust you have placed in us. We are certain that we will achieve our goals and become the leading hotel company in Mexico. We will do this with the support of everyone who works with the Company, with the clear mission of continuing to make sure that our guests' stays are unforgettable experiences, since this is the obvious route for achieving the greatest shareholder profitability.

Carlos Gerardo Ancira Elizondo
Chairman of the Board of Directors

The

220%

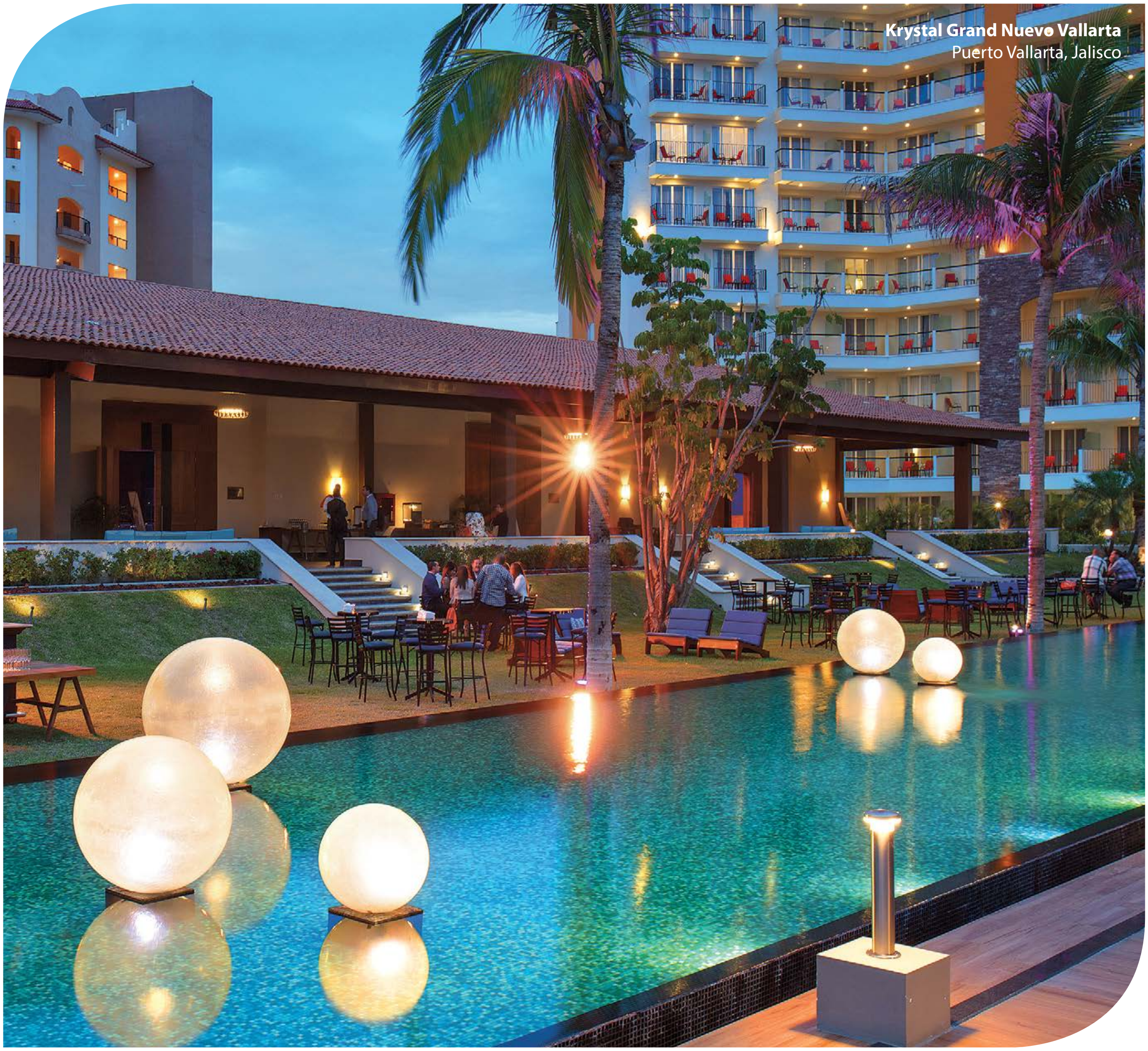
increase in EBITDA since 2014 is a clear sign of our focus on creating value.

Krystal Grand Los Cabos
Los Cabos, Baja California Sur

Revenues from international tourism increased 5.5%, reaching

22

billion dollars.



Krystal Grand Nuevo Vallarta
Puerto Vallarta, Jalisco

MESSAGE FROM
THE CHIEF EXECUTIVE OFFICER

The Company posted solid results for 2018, and the fourth quarter was no exception. Although growth in tourism slowed in comparison with previous years, tourism continues to show solid underlying fundamentals. According to the World Tourism Organization, in 2018 Mexico ranked sixth among countries with the highest number of international visitors, marking a new milestone for the country. The arrival of international tourists in Mexico increased 5.5% to 41 million people. Similarly, revenues from international tourism increased 5.5%, adding US$ 22 billion. This is despite the fact that the sector was impacted by an economic slowdown due to the electoral year in Mexico, as well as the unusual amount and duration of seaweed in Cancún and along the Mayan Riviera.

Our annual results showed solid growth of 30% and 28% in Total Revenues and EBITDA, respectively. With respect to operating indicators on our own hotels, RevPar contracted 2.0%, due to the 2.1% decrease in occupancy, due in part to the 14% increase in the Company's number of rooms. This was partially offset by the 1.3% increase in ADR. The decrease in occupancy was also due to internal and external factors, as mentioned in our third quarter 2018 earnings report.

In 2018, there were four hotel openings and two brand changes to our properties. First, we acquired 50% of a Gran Turismo, hotel in León, and a few months later we announced the signing of a franchise agreement with Hyatt for this property, which will soon become the Hyatt Centric Campestre León. We also announced the signing of a strategic alliance with a private group of investors and AMResorts, with the objective of developing the Breathless Tulum Resort & Spa, in the Gran Turismo category, with 300 rooms. We will have a 25% stake in this venture. In Management Contracts, we incorporated the hotels DoubleTree by Hilton Toluca and Hyatt Place Aguascalientes, which will be inaugurated in the first quarter of 2019. And finally, we announced the signing of the second franchise agreement with Hyatt, for the Hyatt Regency Insurgentes Mexico City (previously Krystal Grand Insurgentes), which is expected to be in operation by the second quarter of 2020.

In July, we announced two changes to our Management Team. First, we appointed Francisco Zinser Cieslik as Executive Vice President. He will be focusing on the Company's expansion, development and strategy, as well as corporate finance and Investor Relations. Second, I was appointed to the position of Chief Executive Officer of the Company, where I will continue to oversee hotel operations.

Without a doubt, the achievements of this year are a product of the enormous efforts of our more than 3,500 employees, who are our main asset. This is why they are again the theme of our annual report, and why we are again recognizing individuals who are truly stand-outs in their work.

I would like to thank our shareholders for their trust and for being part of this wonderful growth story. You may rest assured that we will continue to work tirelessly to ensure that our clients have enjoyable and unforgettable experiences.

Francisco Medina Elizalde
Chief Executive Officer

OUR HOTELS

MEXICO CITY AND METROPOLITAN AREA
1 Krystal Urban Aeropuerto CDMX
2 Krystal Satélite María Bárbara
3 Krystal Grand Suites
4 Hyatt Regency Insurgentes Mexico City (Opening 2020)

MONTERREY
5 Krystal Urban Monterrey
6 Hilton Garden Inn Monterrey Aeropuerto
7 Krystal Monterrey
8 AC by Marriott Distrito Armida (Opening 2019)

GUADALAJARA
9 Hilton Guadalajara
10 Krystal Urban Guadalajara

CANCÚN AND MAYAN RIVIERA
11 Krystal Resort Cancún
12 Reflect Krystal Grand Punta Cancún
13 Krystal Urban Cancún Centro
14 Breathless Tulum Resort & Spa (Opening 2021)

PUERTO VALLARTA AND NUEVO VALLARTA
15 Krystal Resort Puerto Vallarta
16 Hilton Puerto Vallarta
17 Reflect Krystal Grand Nuevo Vallarta

LOS CABOS
18 Reflect Krystal Grand Los Cabos

LEÓN
19 Cleviá Grand León

IXTAPA
20 Krystal Resort Ixtapa

AGUASCALIENTES
21 Hyatt Place Aguascalientes (Opening 2019)

ACAPULCO
22 Krystal Beach Acapulco

ZACATECAS
23 Curio Collection By Hilton Zacatecas (Opening 2019)

IRAPUATO
24 Ibis Irapuato

TOLUCA
25 Doubletree By Hilton Toluca (Opening 2019)

TABASCO
26 Hampton Inn & Suites Paraíso, Tabasco

CIUDAD JUÁREZ
27 Krystal Urban Ciudad Juárez

Hotels in Development

Krystal Hotels & Resorts Cancún
Cancún, Quintana Roo

5,772

ROOMS

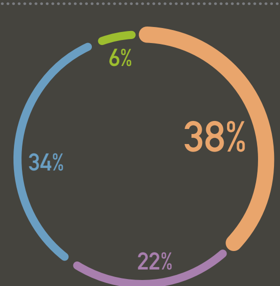
in operation in 2018

PORTFOLIO **OF HOTELS**

NO.	PROPERTY	TOTAL NUMBER OF ROOMS	PROPERTY	TYPE
1	Hilton Guadalajara	450	100%	Urban
2	Krystal Urban Monterrey	150	100%	Urban
3	Krystal Urban Cd. Juárez	120	100%	Urban
4	Krystal Urban Cancún	246	100%	Urban
5	Krystal Satélite María Bárbara	215	100%	Urban
6	Hilton Garden Inn Monterrey Aeropuerto	134	15%	Urban
7	Hampton Inn & Suites Paraíso Tabasco	117	-	Urban
8	Krystal Urban Aeropuerto Mexico City	96	-	Urban
9	Krystal Urban Guadalajara	140	100%	Urban
10	Krystal Monterrey	207	-	Urban
11	Ibis Irapuato	140	-	Urban
12	Krystal Grand Suites Insurgentes	150	50%	Urban
13	Cleviá Grand León	140	50%	Urban
	SUBTOTAL URBAN	**2,305**		
14	Krystal Resort Cancún	502	-	Beach
15	Krystal Resort Ixtapa	255	-	Beach
16	Krystal Resort Puerto Vallarta	530	-	Beach
17	Hilton Puerto Vallarta Resort	451	100%	Beach
18	Krystal Beach Acapulco	400	100%	Beach
19	Reflect Krystal Grand Punta Cancún	395	100%	Beach
20	Reflect Krystal Grand Los Cabos	454	50%	Beach
21	Reflect Krystal Grand Nuevo Vallarta	480	50%	Beach
	SUBTOTAL BEACH	**3,467**		
	TOTAL IN OPERATION	**5,772**		
22	Hyatt Regency Insurgentes Mexico City	250	50%	Urban
23	AC by Marriott Distrito Armida	168	-	Urban
24	Curio Collection Zacatecas	32	-	Urban
25	Hyatt Place Aguascalientes	144	-	Urban
26	DoubleTree by Hilton Toluca	142	-	Urban
27	Breathless Tulum Resort & Spa	300	25%	Beach
	SUBTOTAL UNDER CONSTRUCTION	**1,036**		
	TOTAL	**6,808**		

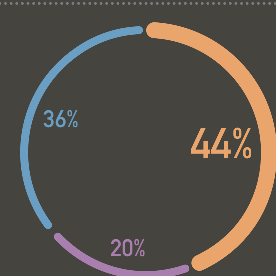
The following graphs show a summary of the composition of the hotel portfolio in terms of rooms operated and in development (including construction and conversion) at the close of 2018:

PROPERTY
(Number of rooms)



- *2,567 - 100% own rooms*
- *1,474 - 50% own rooms*
- *2,333 - Third-Party*
- *434 - Co-Investment*

BRAND
(Number of rooms)



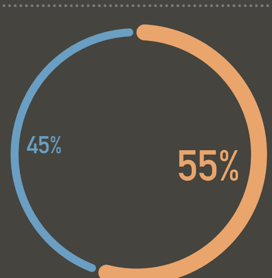
- *3,011 - Krystal*
- *1,329 - Reflect Krystal Grand*
- *2,468 - Others*

CATEGORY	MONTHS IN OPERATION	STABILIZED	CITY	STATE
Gran Turismo	+36	Yes	Guadalajara	Jalisco
4 star	+36	Yes	Monterrey	Nuevo León
4 star	+36	Yes	Ciudad Juárez	Chihuahua
4 star	+36	Yes	Cancún	Quintana Roo
5 star	+36	Yes	State of Mexico	State of Mexico
4 star	+36	Yes	Monterrey	Nuevo León
4 star	35	In process	Paraíso	Tabasco
4 star	33	In process	Mexico City	Mexico City
4 star	31	In process	Guadalajara	Jalisco
5 star	27	In process	Monterrey	Nuevo León
3 star	16	In process	Irapuato	Guanajuato
Gran Turismo	11	In process	Mexico City	Mexico City
Gran Turismo	1	In process	León	Guanajuato

5 star	+36	Yes	Cancún	Quintana Roo
5 star	+36	Yes	Ixtapa	Guerrero
5 star	+36	Yes	Puerto Vallarta	Jalisco
Gran Turismo	+36	Yes	Puerto Vallarta	Jalisco
4 star	+36	Yes	Acapulco	Guerrero
Gran Turismo	+36	Yes	Cancún	Quintana Roo
Gran Turismo	16	In process	Los Cabos	Baja California Sur
Gran Turismo	11	In process	Nuevo Vallarta	Nayarit

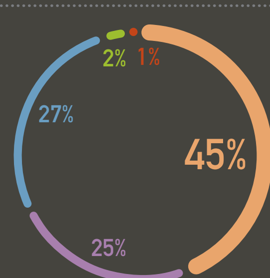
Gran Turismo	Estimated opening 2Q-20		Mexico City	Mexico City
4 star	Estimated opening 2H-19		Monterrey	Nuevo León
Boutique	Estimated opening 2H-19		Zacatecas	Zacatecas
4 star	Estimated opening 1Q-19		Aguascalientes	Aguascalientes
4 star	Estimated opening 1Q-19		Toluca	State of Mexico
Gran Turismo	Estimated opening 2H-21		Tulum	Quintana Roo

SEGMENT
(Number of rooms)



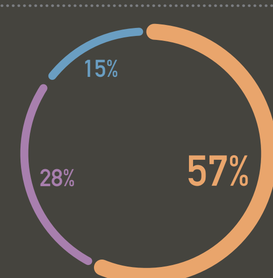
- 3,767 - Beach
- 3,041 - Urban

CATEGORY
(Number of rooms)



- 3,070 - Gran Turismo
- 1,709 - 5 Star
- 1,857 - 4 Star
- 140 - 3 Star
- 32 - Boutique

STABILIZED
(Number of rooms)



- 3,848 - Stabilized
- 1,924 - In maturation process
- 1,036 - In development

BRAND SEGMENTATION

REFLECT
KRYSTAL GRAND

CO-BRANDING WITH THE REFLECT BRAND

Experience a beautiful seaside vacation with a variety of restaurants, attractive amenities, friendly service, and a wide range of activities and entertainment so you can create moments that you will remember forever. With Unlimited-Luxury®, all of this and more is included – all you have to do is relax and enjoy.

KRYSTAL
GRAND

GRAN TURISMO KRYSTAL

We offer a Gran Turismo experience, with the highest-quality products and services for demanding travelers. Krystal Grand is a benchmark in every destination where it is located.

KRYSTAL
hotel & resort

TRADITIONAL KRYSTAL QUALITY

There are five-star Krystal hotels located in all of Mexico's premier destinations. This 35-year-old brand has undergone major renovations at its hotels in recent years, and has become a favorite among both Mexican and international travelers who like to experience the local character. Krystal offers a wide range of alternatives or relaxation, fun, and business.

KRYSTAL
URBANHOTELS

THE NEWEST ADDITION TO THE KRYSTAL FAMILY

Krystal Urban Hotels focuses on the increasingly demanding and productive business traveler. Guests want a modern experience, in irreplaceable locations, with personalized service. We provide a comfortable and functional product through which we allow our guests to make the very best use of their time.

KRYSTAL
BEACH

FAMILY VACATIONS

Krystal Beach is our brand that focuses most heavily on families. It offers an unforgettable experience to the littlest ones in the family. In the four-star segment, it is an extraordinary alternative at beach destinations.

REFLECT KRYSTAL GRAND

"Beachfront Vacations"

KRYSTAL GRAND

"Feel Special"

KRYSTAL HOTELS AND RESORTS

"Travel with Meaning"

KRYSTAL URBAN

"Redefine Business"

KRYSTAL BEACH

"Family Escape"

STRATEGIC ALLIANCE

Rosa María Ordaz Escobar

HOUSEKEEPING, 3 years of seniority

Winner of Best Employee 2018

KRYSTAL URBAN AEROPUERTO CDMX

Mexico City

Rosa Maria is being recognized for her commitment to the hotel, and for always working with a great attitude.

In our strategic alliance with AMResorts, a co-branding transition was implemented between the brands Reflect® Resorts & Spas and Krystal Grand® **for the hotels in Punta Cancún, Los Cabos and Nuevo Vallarta, which together have 1,329 rooms.** With this alliance we expect to increase dollar-denominated sales significantly at those hotels in the next few years.

In 2018, revenues per room increased

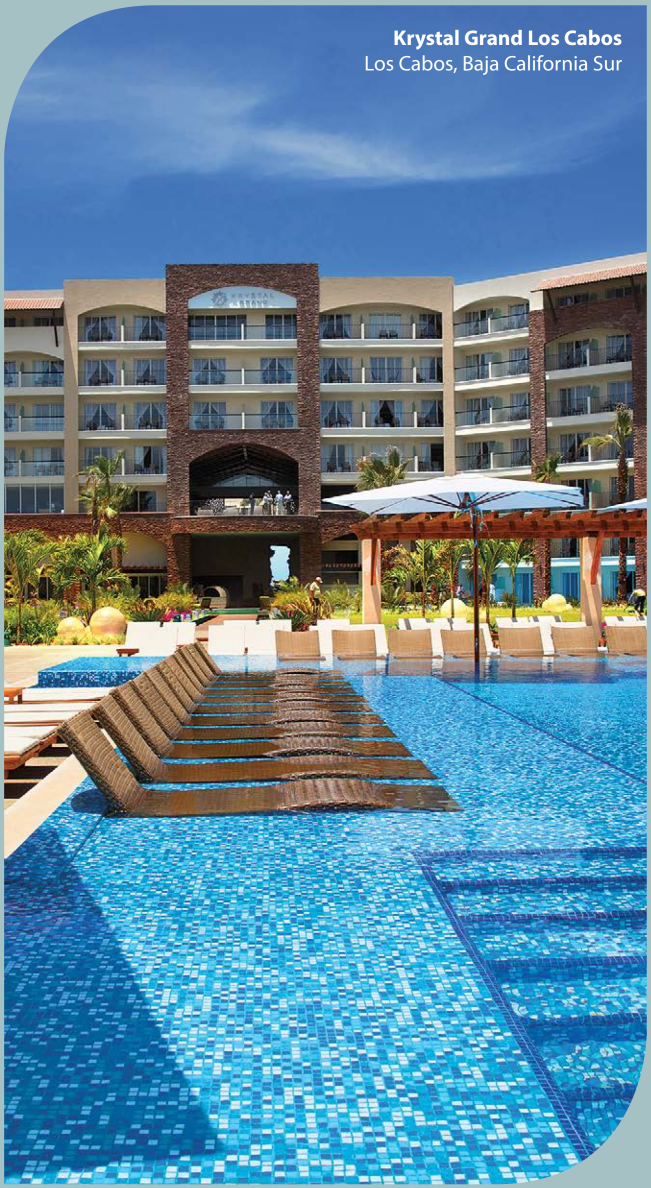
22.8%

driven by the opening of the hotels Reflect Krystal Grand and the performance of stabilized properties.

Revenues from food and beverages grew

53.2%

rising from Ps. 477.6 million in 2017, to Ps. 731.5 million in 2018.



Krystal Grand Los Cabos
Los Cabos, Baja California Sur

NEW OPENINGS

Julio César Cinco Flores

BELL BOY, 12 years of seniority

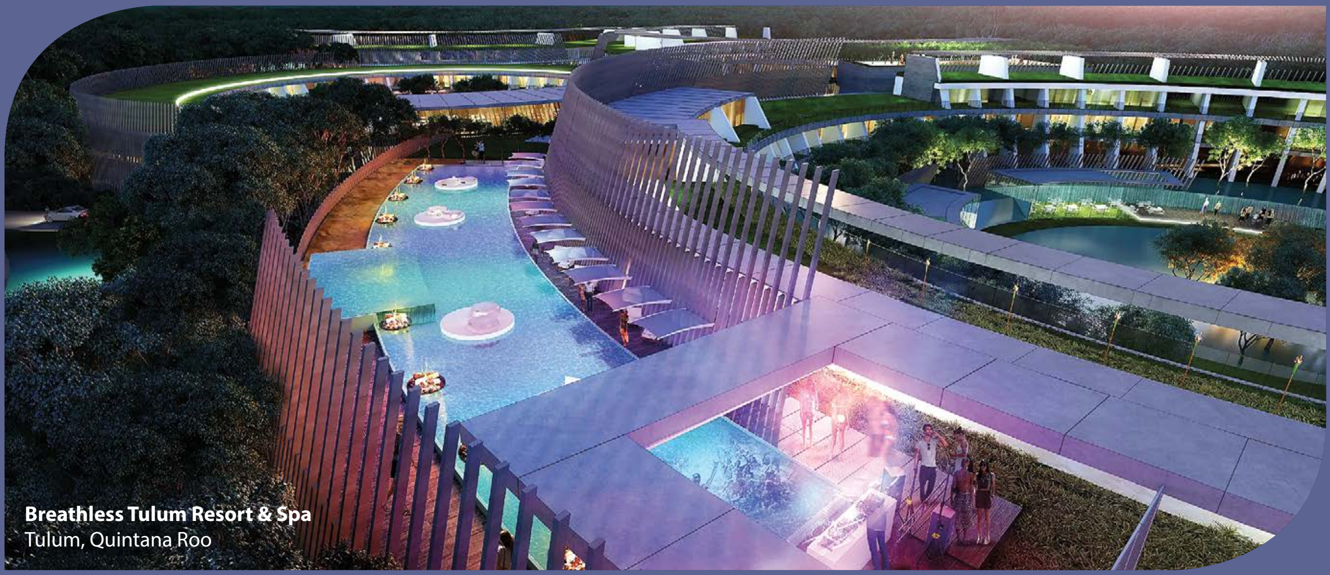
Winner of Best Employee 2018

KRYSTAL CANCÚN

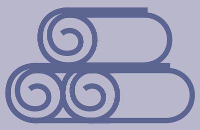
Cancún, Quintana Roo

Julio Cesar is being recognized for his more than 10 years with the Group, due to his dedication and consistency.

As part of our ongoing expansion plan, we acquired 50% of the Cleviá Grand León, and we announced the signing of a strategic alliance with a private group of investors and AMResorts. We will develop the hotel Breathless Tulum Resort & Spa in the Gran Turismo category, which will have 300 rooms. We have a 25% stake in this venture.



Breathless Tulum Resort & Spa
Tulum, Quintana Roo



At the end of 2018,

493

rooms had been added for a total of 5,772 rooms; this is a 9.3% increase over 2017.

Cleviá Grand León
León, Guanajuato

SOLIDITY THAT CREATES **TRUST**

Luz el Carmen Contreras Hernández

HOUSEKEEPING, 2 years of seniority

Winner of Best Employee 2018

HAMPTON PARAÍSO TABASCO

Tabasco

Luz is being recognized for her performance, dedication, camaraderie, and responsibility, and her excellent treatment of clients.

Hyatt Place Aguascalientes
Aguascalientes, Aguascalientes

Thanks to excellent performance in our administration of internationally renowned hotels, we signed new operating contracts with hotels DoubleTree by Hilton Toluca and Hyatt Place Aguascalientes, which will be inaugurated in the first quarter of 2019. We also announced the signature of a second contract with the Hyatt franchise, for the hotel Hyatt Regency Insurgentes Mexico City (previously Krystal Grand Insurgentes), which is expected to be in operation by the second quarter of 2020.

A SUSTAINABLE COMPANY

María Imelda Ponce Resendiz

HOUSEKEEPING, 13 years of seniority

Winner of Best Employee 2018

KRYSTAL SATÉLITE MARÍA BÁRBARA

Satélite, State of Mexico

Imelda is being recognized for the excellent comments she has received from guests, and for receiving the best evaluations for cleanliness, punctuality and attitude.

The performance of Grupo Hotelero Santa Fe would not be possible without the work, tenacity and imagination of its more than 3,500 employees: workers, managers, executives and directors who work hard day in and day out for the best results. Effort and dedication always in pursuit of our mission, our vision, and values focused on the Group's development and sustainable growth.

Winners of Employee of the Year 2018

Román Ricón *DRYWALLER* *Hilton Puerto Vallarta*	***María de la Luz Flores Martínez*** *BARTENDER* *Reflect Krystal Grand Los Cabos*
María Imelda Ponce Resendiz *HOUSEKEEPING* *Krystal Satélite María Bárbara*	***Maricela Peña Arriaga*** *HOUSEKEEPING SUPERVISOR* *Hilton Garden Inn Aeropuerto Monterrey*
Maybeth Galindo Ramos *SWIMMING POOL MAINTENANCE* *Krystal Grand Nuevo Vallarta*	***Miguel Ángel Nieto Castillo*** *COOK* *Krystal Urban Guadalajara*
Saturnino Apolonio Reyes *KITCHEN SUPERVISOR* *Krystal Monterrey*	***Rosa María Ordaz Escobar*** *HOUSEKEEPING* *Krystal Urban Aeropuerto Mexico City*
Delia Tellez Granda *HOUSEKEEPING* *Hilton Guadalajara*	***Julio César Cinco Flores*** *BELL BOY* *Krystal Resort Cancún*
Juan Carlos Dorantes Mayo *HEAD BUTCHER* *Krystal Resort Ixtapa*	***Gemina Cisneros Ramírez*** *HOUSEKEEPING* *Krystal Urban Cancún*
Antonio Escudero Acosta *BELL BOY* *Reflect Krystal Grand Punta Cancún*	***Juan Pedro Villanueva Villanueva*** *WAITER* *Krystal Urban Monterrey*
María Lourdes Roldan Moreno *HOUSEKEEPING* *Krystal Urban Ciudad Juárez*	***Luz el Carmen Contreras Hernández*** *HOUSEKEEPING* *Hampton Inn Paraíso Tabasco*
José Luis Villazana Nava *CHIEF STEWARD* *Krstal Beach Acapulco*	***Karina Berenice Guerrero*** *HOUSEKEEPING* *Ibis Irapuato*
Rosalio Sandoval Martínez *CLEANING ASSISTANT* *Krystal Resort Puerto Vallarta*	***Christian Iván Franco Ruiz*** *MAÎTRE D'* *Krystal Grand Suites Insurgentes*

Juan Carlos Dorantes Mayo

HEAD BUTCHER, 17 years of seniority

Winner of Best Employee 2018

KRYSTAL IXTAPA

Ixtapa, Guerrero

Juan Carlos is being recognized for his excellent attitude towards service, and his commitment to the Company and his fellow workers.

Starting in

2020

we will be reporting our sustainable performance using GRI methodology.

Krystal Grand Insurgentes Sur
Mexico City

OUR FOCUS ON SUSTAINABILITY

Grupo Hotelero Santa Fe has a strong commitment to sustainability, which has been validated year after year by adopting several national and international methodologies. These actions have resulted in the evolution of the Company's strategic decisions as it considers external social and environmental factors.

In 2018, expectations and horizons regarding our sustainable performance expanded, therefore we concluded a Materiality Study regarding the methodology proposed by Global Reporting Initiative (GRI). This not only allowed us to outline the relevant issues for the hotel sector in Mexico and for our Company, but it also allowed us to communicate and interact with the various parties involved, with the result being valuable learning experiences and knowledge gained that will help us in our drive towards ongoing improvement in the upcoming years.

Also as a result of this work, we defined the most important issues with their respective performance indicators, to which Grupo Hotelero Santa Fe will pay special attention in measuring impacts. Starting in 2020, we are committed to reporting our sustainable performance using GRI methodology, in coordination with the Global Compact in a unified report.

Today, Grupo Hotelero Santa Fe also has a Sustainability Model that was defined as part of the result of the Materiality Study, including the viewpoints of various stakeholders. This Model was subsequently validated by management, and contains ten relevant issues that will be pursued diligently in order to step into a new phase of maturity, allowing us to align criteria so that we can easily compare our performance every year.

Sustainability is strategic for the Company, not only allowing us to consolidate our ongoing presence in the market; it also encourages understanding the requirements in an interconnected world that expects financial results along with social equity and environmental protection. We have shared our pursuit of the goal of sustainable development with our partners, investors, employees, providers, and all of our various stakeholders.

THE MATERIALITY STUDY FOR SUSTAINABILITY

Materiality is the principle that determines which issues are sufficiently relevant to merit inclusion in the sustainability strategy of a company. These issues are determined based on the impacts to the

In 2018, expectations and horizons regarding our sustainable performance expanded, due to which we concluded a Materiality Study on the methodology proposed by **Global Reporting Initiative (GRI).**

company and in regard to the influence that stakeholders have on every part of our processes and operations, thus considering both internal and external factors in social, environmental and economic matters. The study's objectives also include:

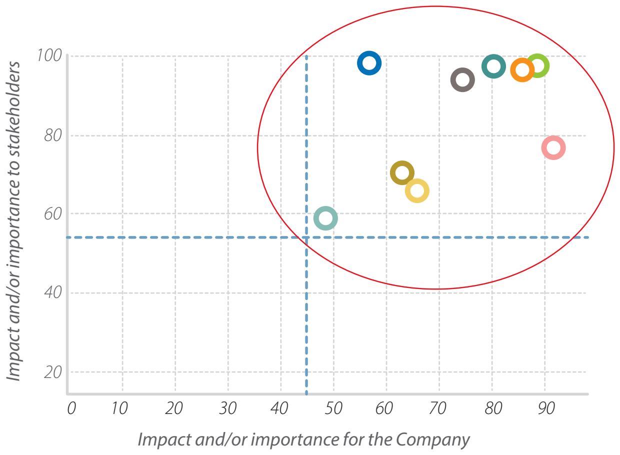
a) Focusing actions to create the best economic, social and environmental results

b) Benefiting the business' operation and performance

c) Having quantitative indicators that are comparable over time

This process has been organized into six stages that are shown in the following figure:

As the result of an exhaustive methodological process, Grupo Hotelero Santa Fe identified the ten material aspects (matters relevant to Sustainability) on which we will focus our strategy and results:



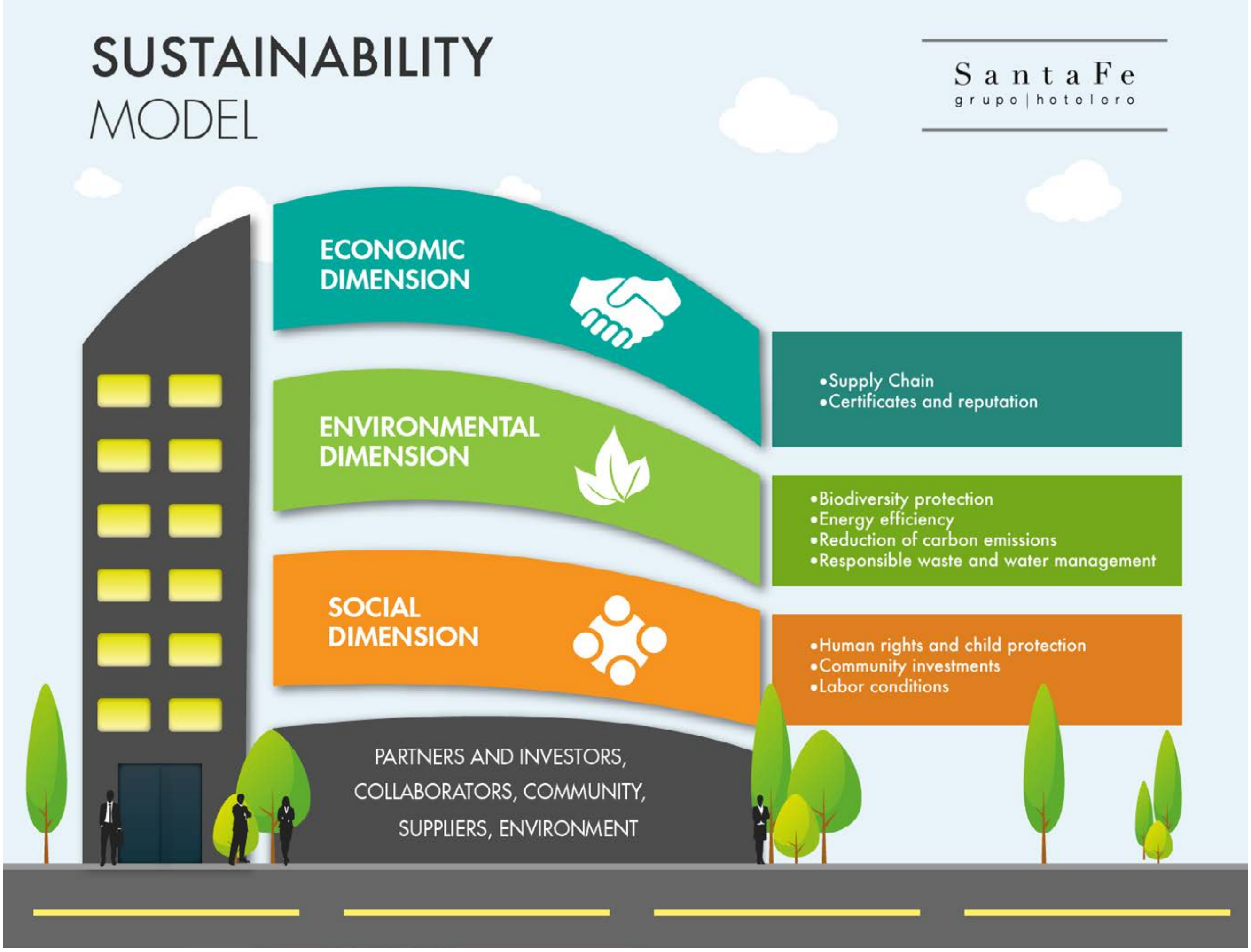
Material Aspects

- *Sustainable supply chain*
- *Working conditions*
- *Development of communities where we are located*
- *Carbon footprint*
- *Child labor and trafficking*
- *Generating and handling waste*
- *Protection of biodiversity*
- *Energy efficiency*
- *Use and protection of water*

Materiality is the principle that determines which issues are sufficiently relevant to merit inclusion in the sustainability strategy of a company. These issues are determined based on the impacts to the Company and in regard to the influence that stakeholders have on every part of our processes and operations.

Our Sustainability Model

Once the Materiality Study was concluded and we had the matrix of relevant issues, the Sustainability Model was put into graph form. This will make it easier to understand our objectives and results, as well as reports on Sustainability and our focus on communicating with stakeholders.



Sustainability Board and Committee

For strategic and operational management of sustainability plans, Grupo Hotelero Santa Fe has a Sustainability Managing Board and a Committee. The Sustainability Board is responsible for designing the strategy at the Organization's highest level. The Board also has four sub-committees: business ethics, quality of life, environmental, and community relations committee, which address the main sustainability themes.

OUR SUSTAINABILITY PERFORMANCE; AREAS WITHIN THE MODEL AND MATERIAL ISSUES

1. ENVIRONMENTAL AREA

In the Environmental Area of our Sustainability Model we have grouped together the material issues related to our impacts on the environment and to the use of natural resources. The vision of Grupo Hotelero Santa Fe is to reduce the impacts of our operations, and to contribute proactively to preserving and protecting the environment. These relevant issues include: protecting biodiversity, improving energy efficiency, reducing carbon emissions, and responsibly handling water and waste.

This provides us with a framework of reference that establishes environmental guidelines, which are the basis for the strategy and the programs to be developed every year. We also have the following:

Environmental and Sustainable Development Policy

This policy is focused on:

- Complying with regulations and laws on the matter
- Reducing energy consumption
- Decreasing waste
- Decreasing emission of contaminants
- Educating employees, providers, clients and other stakeholders about the importance of using good practices that help decrease our negative impact on the environment

Sustainability Policy

With these guidelines we establish our commitment to:

- Encourage the integral development of the communities in which we are present, and to contribute to sustainable development in the regions where we operate
- Facilitate and sponsor activities and projects to promote sustainability and individual development
- Apply best environmental practices, minimizing and offsetting the impacts of our operations

a. Material Environmental Matters

1.1 Protecting biodiversity

This area focuses on protecting flora and fauna, as well as other resources in the areas surrounding our hotel locations. As a result of the Materiality Study, this issue is expected to take on greater importance, and we will be defining the hotels located inside or near protected areas or areas of great biodiversity outside of protected areas. It is also expected to help determine if there are species that appear on the Red List of the IUCN (International Union for Conservation of Nature), and on national conservation lists where habitats are in areas affected by our operations.

Krystal Grand Nuevo Vallarta
Puerto Vallarta, Jalisco

José Luis Villazana Nava
CHIEF STEWARD, 5 years of seniority

Winner of Best Employee 2018
KRYSTAL BEACH ACAPULCO
Acapulco, Guerrero

José Luis is being recognized for being organized, proactive and punctual. He is known for his energy, dedication to work, and his enthusiasm in training new hires.

In 2018, some of the activities that we performed in this area are protection and conservation of sea turtles, clean-up of beaches, adoption of a beehive, and training and educational activities among employees and guests, among other items.

1.2 Energy efficiency

This material aspect mainly refers to monitoring and reducing electricity consumption by means of a strategy that will be implemented across the entire Group. Grupo Hotelero Santa Fe has been working on improving energy performance for more than two years, and we have made significant changes to consumption, focusing on savings and efficiency.

During the period this report covers, the pilot program for measuring electricity consumption was monitored (by the company Hunt SEM), beginning with Hotel Krystal Gran Punta Cancún. Thanks to the improved results, in 2018 eight new hotels were added to the program: Hilton Guadalajara, Krystal Urban Guadalajara, Krystal Acapulco, Krystal Ixtapa, Krystal Cancún, Krystal Urban Cancún, Hilton Puerto Vallarta and Krystal Puerto Vallarta (the latter two were implemented at the end of the year).

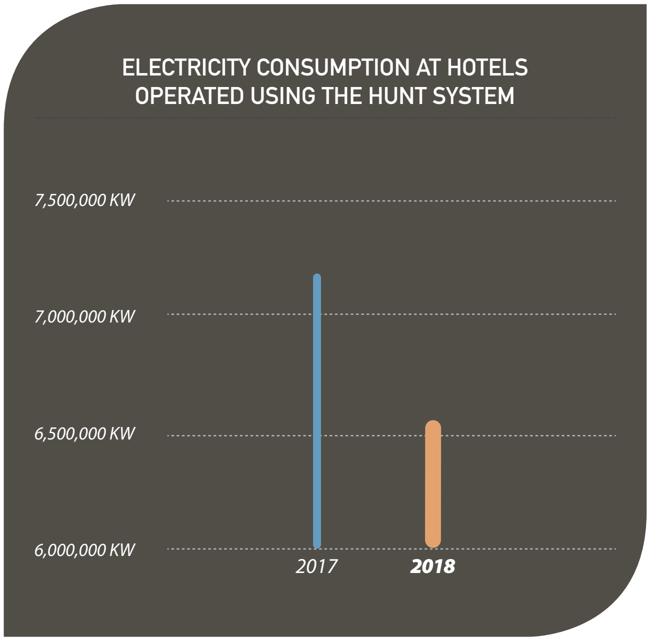
Following this implementation, we have been able to identify and control the equipment that consumes the most energy, and thus take actions to improve efficiency in the amount of energy that is consumed. As a result of improvements during operation of the monitoring system, we managed to reduce electricity consumption by an average of 8% over 2017.

The objective for 2019 is to continue implementing the monitoring system at hotels operated by GHSF, identifying points of improvement, and as a result attaining considerable savings that benefit both our operation and that reduce our environmental impact.

Another of the Group's objectives is to look for alternative sources (green or renewable) of electricity, thus we are working to contribute to reducing our environmental footprint.

a) Monitoring consumption at the Group level

One of the most important activities we performed this year was the implementation of a standardized monitoring procedure at the Group level, thanks to which we have exact data on monthly electricity consumption for each hotel. This lets us know how much electricity we consume, and thus establish adequate measures for reduction. Monitoring on the Hunt platform has shown us what our precise consumption is, so now we can pinpoint the best ways to save energy.



Grupo Hotelero Santa Fe has been working on improving energy performance for more than two years, and we have made significant changes to consumption, focusing on savings and efficiency.

Figure 1 shows the savings obtained by implementing the Hunt system, which covers the period from October to December 2018. During this time, seven of the nine hotels where the Hunt system has been implemented were tracked. The period of comparison in 2017 covers the same months.

Electricity consumption at hotels operated using the hunt system	*2017*	***2018***
	7,385,607 kWh	***6,790,592 kWh***

Total Electricity Consumption 2018
55,788,770 kWh

1.3 Responsible waste management

This area refers to waste management; it includes the impact on the environment and takes steps to minimize that impact. Our objective in this area is to reduce the amount of waste that goes to landfills, to increase recycling, and to separate out types of waste. During this reporting period we carried out several activities and initiatives, and we expect to continue developing a more complete strategy over the next several years. The most relevant activities of GHSF are: separation, monitoring and measurement of waste, donating food to food banks, creating biodiesel fuel by using oil waste, limited use of straws and plastics, recycling in offices, collecting batteries, responsible purchasing, and providing training in waste management.

1.4 Responsible use of water

This refers to the responsible use and management of water. This area is important both at the industry level and for international experts and organizations, due to the high use of this natural resource in the hotel sector. Based on the results of the study, in 2019 we drove initiatives to measure water consumption precisely, and we took steps to develop plans focused on recycling and reuse of this resource.
In recent years, as an initiative of the Group to save water, improvements have been made by installing taps, sprinkler systems, and other technologies to reduce water consumption.

2. SOCIAL AREA

In the social area of our Sustainability Model, we group together material issues regarding our employees, human and labor rights, the development of our people as the most valuable capital in our Company, as well as our contributions and development in the communities where our hotels are located.

2.1 Working conditions

At Grupo Hotelero Santa Fe we are focused on having a committed and trained workforce that has a feeling of belonging. We have therefore put into place several initiatives to improve people's well-being, ranging from our commitment to provide safe working conditions and offering benefits that exceed legal requirements, to providing specialized training to develop skills and people.

a) Policies in favor of human rights and labor rights

Hiring Policy

Through the many guidelines in the Human Resources area we have the ability to implement policies in favor of equality and diversity established in the Hiring Policy, considering the skills and experience of people as the overarching criteria.

Based on the results of the Materiality Study, in 2019 we drove initiatives to precisely measure water consumption, and we will take steps to develop plans focused on recycling and reusing this resource.

Karina Berenice Guerrero

HOUSEKEEPING, 3 months of seniority

Winner of Best Employee 2018

IBIS IRAPUATO

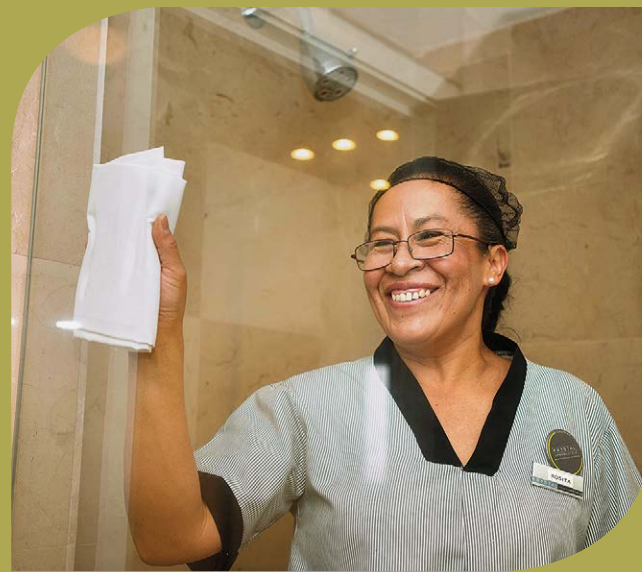
Irapuato, Guanajuato

Karina is being recognized for her positive attitude and willingness to help. She is willing to take the initiative, to help fellow workers in other areas, and she is very interested in learning and helping members of her team.

In

2018

we were recognized by Top Companies as a Super Company for Women 2018.



We are committed to providing equal opportunities to all employees and to anyone who wants to work with GHSF. We have the following tools to do this:

Code of Ethics and Conduct

This document establishes our focus on respect and the rights of individuals. It specifically states that "Grupo Hotelero Santa Fe does not discriminate on the basis of race, religion, sex, sexual orientation, age, nationality, civil status, disability or different abilities in regard to the appointment of board members, or in regard to recruitment, hiring, training, promotion, remuneration, benefits, penalties and other terms and conditions of employment."

Gender Equality Policy

At Grupo Hotelero Santa Fe we are clear about our objective to have a working culture in which values such as gender equality and non-discrimination are experienced across the board, highlighting the following objectives:

- To achieve through our processes the prevention, detection and handling of cases of mobbing, and sexual and labor harassment.
- To ensure the equality of opportunities between women and men, and non-discrimination in access to employment.
- To commit to promoting balance between work and family life.

In 2018 we were recognized by Top Companies as a Super Company for Women 2018, for complying with the following criteria:

- Benefits for women: the presence of practices, policies and human resources programs in regard to women. Also included were social responsibility issues, working conditions, temporary job organization, impartiality, compensation and benefits, organizational cohesion, satisfaction, conditions for improving productivity and leadership.
- Approval of an employee survey; approval score on a survey sent to employees, but filtering the results to include only women in positions of management up to directors.
- Presence of women in management and upper management.

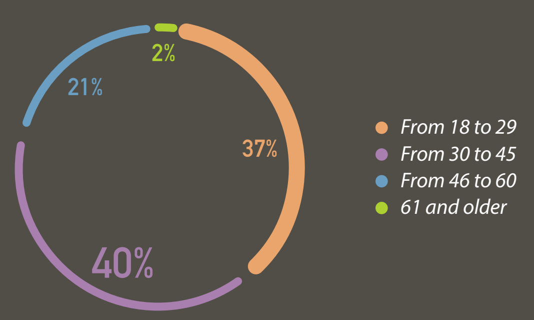
SÚPER EMPRESAS PARA MUJERES EXPANSIÓN TOP companies.

Policy of inclusion of older individuals or people with disabilities.

As part of our commitment to individuals' rights, at GHSF we promote inclusion and non-discrimination against older people or those with disabilities, thus we seek to provide equal opportunities and remuneration, with a firm commitment to promoting inclusive employment.

- The average annual number of employees in 2018 increased 8.05% over the prior year
- 60% of our employees are men, and 40% are women
- Turnover at our hotels is 9.10%
- 77% of our employees gave a positive evaluation to the working climate in our Group
- The highest percentage of approval obtained in the survey on working conditions came from Hotel Krystal Vallarta

TOTAL NUMBER OF EMPLOYEES BY AGE RANGE



2.2 Training

Training employees is a priority and a long-term objective of Grupo Hotelero Santa Fe. During the period this report covers, we have improved the courses we offer that sharpen the skills of our employees.

The Digital University of Grupo Hotelero Santa Fe - "GHSF UNIVERSITY," is a case of success that was recognized by Top Companies as a "best practice." This e-learning platform provides specialized knowledge and has shown extraordinary results with a total of 11,789 man-hours of training. The platform offers several subject areas that affect both the specific skills required in our sector, as well as complementary skills for personal development in ethical matters, handling stress, image, communication, etc. Some of the relevant activities in 2018 were training sessions held both through the platform and in person in matters of leadership, English courses, courses on wine, and training in human development, among others.

Our 2018 numbers:

- **21,192 courses completed by participants**
- **83,580 educational hours**
- **95,369 training hours**

TOP companies

2.3 Investment in the communities where we are present

Development and investment in local communities is one of our material goals. We want to invest in communities strategically, as

Training our employees is a priority and a long-term objective. During the period this report covers, we have improved the courses we offer that sharpen the skills of our employees.

we gradually moved towards our desired social impact. During the period this report covers, our hotels performed many activities in support of communities, such as donations to hospitals, the YCI program, support for indigenous communities, the Mayatlón, providing grants for school supplies, campaigns to recycle screw tops for a cause, and reforestation campaigns, among others.

3. ECONOMIC AREA

In this area we include issues related to the Group's reputation and its relationship with external stakeholders. Included in this area is the impact our financial results have, meaning the direct economic value created and distributed, information that is presented in the corresponding reports, and our commitment to the value chain, regarding which we are working towards sustainability.

a) Corporate Governance

It is of vital importance that Grupo Hotelero Santa Fe has solid corporate governance that will enable the sustained performance of the Company. Among our commitments are having committees that facilitate management and transparency of the organization, and that provide interested parties with audited information in a timely manner.

b) Code of Ethics

Our Code of Ethics is a strategic management document that supports the Company's values and serves as guidance for attaining responsible performance. The Code of Ethics contains the rules and conduct expected for every individual tied to the Company's operations.

c) Anti-Corruption Program

The anti-corruption program we have implemented is focused on the relevance of promoting a Code of Ethics for providers regarding the policy of gifts and invitations.

Through the program rolled out in 2018 by our auditing area, we trained and created purchasing committees at each of our hotels that will protect our operations from any type of bad practices linked to providers, notably the approval of providers, monitoring compliance with the Code of Ethics, and other instruments. Simultaneously, a new Code of Ethics was distributed to providers. This new Code establishes the rules that any individual or company in our chain of providers must adhere to in regards to ethical, social and environmental matters.

d) Honesty recognition program

As part of the values encouraged among our team, honesty is one with the greatest impact. We recognize employees who return any type of belonging forgotten by guests in any area of our hotels. It is this type of individual who, by their example and consistency, strengthen the values of our organizational culture.

e) Ethics and Compliance Hotline for employees and providers

As part of having an Integral Ethics System, we have an Ethics and Compliance Hotline that is handled by the company Deloitte, which has several means of communication to facilitate complaints both from employees as well as from providers in the event of possible violations to the Code of Ethics. These mechanisms that we have made available to our employees and providers are administered by a third party for confidentiality based on global best practices.

Cleviá Grand León
León, Guanajuato

AWARDS AND RECOGNITIONS

HIGH TECHNOLOGY

This award recognizes our commitment to offer all guests the latest in communication technology and connectivity.

THE HOTELS THAT HAVE BEEN AWARDED THIS PRIZE ARE:

- Hilton Puerto Vallarta
- Krystal Ixtapa
- Krystal Grand Cancún
- Krystal Puerto Vallarta
- Hilton Guadalajara

AAA 3 DIAMOND AWARD Y AAA 4 DIAMOND AWARD

Awarded by the American Automobile Association (AAA) to hotels and restaurants in the USA, Canada, Mexico and the Caribbean, the AAA Diamond Award certification guarantees that the establishment offers the highest standards of luxury, quality and high-level service.

THE HOTELS THAT HAVE BEEN AWARDED THIS PRIZE ARE:

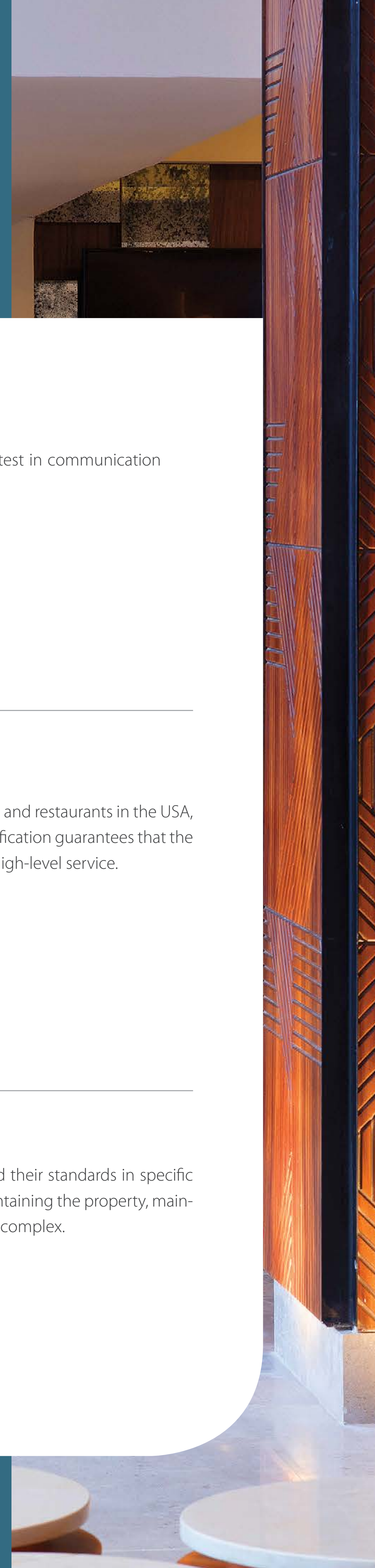
- Krystal Puerto Vallarta
- Hilton Puerto Vallarta
- Krystal Grand Punta Cancún
- Hilton Guadalajara

GOLD CROWN RCI

Gold Crown RCI awards properties that have fulfilled or exceeded their standards in specific areas, such as check-in and check-out procedures, hospitality, maintaining the property, maintaining rooms and cleanliness, and it evaluates the facilities at the complex.

THE HOTELS THAT HAVE BEEN AWARDED THIS PRIZE ARE:

- Krystal Puerto Vallarta
- Krystal Cancún




Krystal Grand Nuevo Vallarta
Puerto Vallarta, Jalisco

MANAGEMENT
TEAM

From left to right:

MAXIMILIAN ZIMMERMANN CANOVAS
Investor Relations Director

FRANCISCO ZINSER CIESLIK
Executive Vice President

LUIS GONZÁLEZ CERVANTES
Projects and Construction Director

CARLOS GERARDO ANCIRA ELIZONDO
Chairman of the Board of Directors

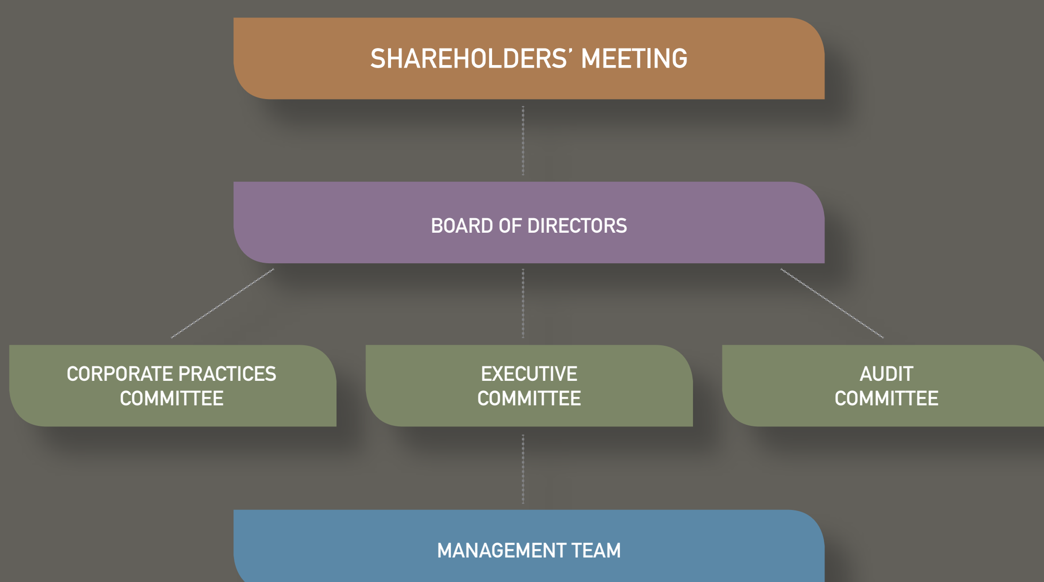
ENRIQUE MARTÍNEZ GUERRERO
Chief Financial Officer

FRANCISCO MEDINA ELIZALDE
Chief Executive Officer

RENÉ DELGADO CHAPMAN
Legal Director

CORPORATE GOVERNANCE

We are facing new challenges by evolving and reconfirming our commitment to improve our corporate governance. This helps create value for our shareholders and stakeholders through mechanisms with high monitoring and control standards, which allows us to continue to be a company that provides stability and certainty to the market.



BOARD OF DIRECTORS

CARLOS GERARDO ANCIRA ELIZONDO
Chairman

ROBERTO LANGENAUER NEUMAN
Board Member

GUILLERMO ANCIRA ELIZONDO
Board Member

ARTURO JOSÉ SAVAL PÉREZ
Board Member

FEDERICO MARTÍN DEL CAMPO FLORES
Board Member

DIEGO GUTIÉRREZ AGUAYO
Board Member

LUIS ALBERTO HARVEY MACKISSACK
Board Member

FRANCISCO JAVIER MOGUEL GLORIA
Independent Board Member

EDUARDO CHAILLO ORTIZ
Independent Board Member

EDUARDO DIAZ BALOGH
Independent Board Member

JERÓNIMO MARCOS GERARD RIVERO
Independent Board Member

AUDIT COMMITTEE

FRANCISCO JAVIER MOGUEL GLORIA
Chairman

EDUARDO CHAILLO ORTIZ
Member

EDUARDO DIAZ BALOGH
Member

CORPORATE PRACTICES COMMITTEE

ARTURO JOSÉ SAVAL PÉREZ
Chairman

EDUARDO CHAILLO ORTIZ
Member

JERÓNIMO MARCOS GERARD RIVERO
Member

DISCUSSION AND ANALYSIS
OF THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL RESULTS

Numbers in thousands of pesos

INCOME STATEMENT	2018	2017	% VAR
Room Revenue	1,105,587	900,505	22.8
Food and Beverages Revenue	731,512	477,621	53.2
Other Revenue from Hotels	157,305	123,407	27.5
Management Fees for Third-Party-Owned Hotels	70,537	79,962	(11.8)
Total Revenues	**2,064,941**	**1,581,496**	**30.6**
Operating Costs and Expenses	891,123	644,544	38.3
Sales and Administrative Expenses	468,381	384,742	21.7
Other Expenses	29,643	24,010	23.5
Depreciation and Amortization	196,367	144,173	36.2
Total Costs and Expenses	**1,585,514**	**1,197,470**	**32.4**
Total Non-Recurring Expenses	**28,872**	**48,962**	**(41.0)**
EBITDA	**675,794**	**528,200**	**27.9**
EBITDA Margin (%)	*32.7%*	*33.4%*	*(0.7 pt)*
Operating Income	**450,555**	**335,065**	**34.5**
Operating Income Margin (%)	*21.8%*	*21.2%*	*0.6 pt*
Net Financing Costs	**(137,535)**	**(60,520)**	**NA**
Income Tax	46,655	90,315	(48.3)
Net Income	**267,337**	**187,382**	**42.7**
Net Income Margin (%)	*12.9%*	*11.8%*	*1.1 pt*
Income from:			
Controlling Stakes	265,950	215,991	23.1
Non-Controlling Stakes	1,387	(28,609)	NA

REVENUES

The Company's Total Revenues increased 30.6%, from Ps. 1,581.5 million in 2017 to Ps. 2,064.9 million in 2018. The majority of that Ps. 483.4-million increase was due to the incorporation of new hotels into our portfolio of owned properties, as well as stabilization of hotels that are in the maturation phase.

Room Revenues in 2018 grew 22.8%. The number of our owned rooms in operation increased by 25.3%, which more than offset the 2.0% decrease in RevPAR. RevPAR was comprised of occupancy that was 2.1% lower than in 2017, and improvement of 1.3% in the year's ADR. In 2018, the portfolio of owned hotels in the maturation phase increased 31.5% in terms of number of rooms operated, with a 14.3% improvement in RevPAR. In turn, the portfolio of stabilized hotels increased 22.4% in number of rooms. RevPAR for stabilized hotels decreased 6.6%; RevPar was comprised of an increase of 0.5% in ADR and a 4.8% decrease in occupancy.

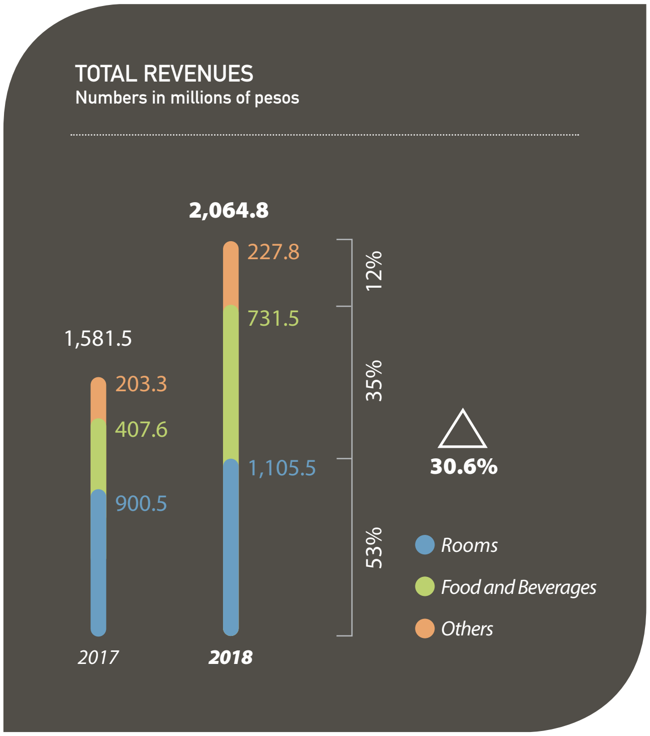
Revenues from Food and Beverages grew 53.2%, rising from Ps. 477.6 million in 2017 to Ps. 731.5 million in 2018. This growth was mainly driven by the hotels Krystal Grand Los Cabos and Krystal Grand Nuevo Vallarta, which are in the maturation phase.

The line Other Revenues from Hotels, which includes, among other items, event room rentals, parking revenues, laundry revenues, telephone and lease of business spaces, increased 27.5%, rising from Ps. 123.4 million in 2017, to Ps. 157.3 million in 2018.

Management fees for third-party-owned hotels decreased 11.8% compared to 2017.

The portfolio of managed hotels remained in line with 2017 in terms of number of rooms. For these hotels, RevPAR decreased 3.5%, which was comprised of a decrease of 1.0% in ADR and a 1.7% decrease in occupancy.

The Company sees an opportunity to continue its growth plans through operating contracts with third parties, mainly with the Krystal® brand, without significantly impacting its operating structure.



COSTS AND EXPENSES

The Company's Total Costs and Expenses increased by 32.4%, from Ps. 1,197.5 million in 2017, to Ps. 1,585.5 million in 2018. This increase was mainly due to the incorporation of new hotels into our portfolio of owned properties, as well as the stabilization of hotels that are in the maturation phase. As a percentage of total revenues, Total Costs and Expenses represented 76.8% in 2018, in comparison with 75.7% in 2017.

The Company's Total Revenues increased 30.6%, from Ps. 1,581.5 million in 2017 to Ps. 2,064.9 million in 2018. The majority of that Ps. 483.4-million increase was mainly due to the incorporation of new hotels into our portfolio of owned properties, as well as stabilization of hotels that are in the maturation phase.

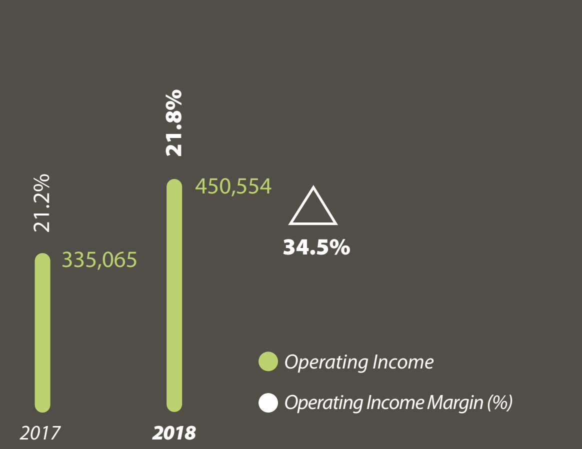
OPERATING INCOME

Operating Income increased 34.5% from Ps. 335.1 in 2017 to Ps. 450.5 in 2018. The Operating Margin increased from 21.2% of Total Revenues in 2017, to 21.8% in 2018, due to the incorporation of new hotels into our portfolio of owned properties.

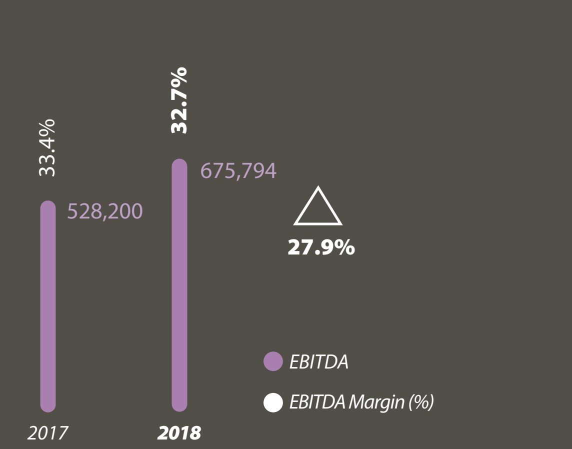
EBITDA

EBITDA adjusted for non-recurring expenses in 2018 was Ps. 675.8 million in 2018, compared to Ps. 528.2 million in 2017, which is an increase of 27.9%. EBITDA Margin decreased from 33.4% in 2017 to 32.7% in 2018 due to the incorporation of new hotels into the portfolio.

OPERATING INCOME
Numbers in millions of pesos



EBITDA
Numbers in millions of pesos



Numbers in thousands of pesos

INTEGRATION OF EBITDA	2018	2017	% VAR
Operating Income	450,554	335,065	34.5
(+) Depreciation and Amortization	196,367	144,173	36.2
(+) Expenses related to Expansion and Opening of New Hotels [5]	26,017	42,321	(38.5)
(+) Other Non-Recurring Expenses [6]	2,856	6,641	(57.0)
EBITDA	675,794	528,200	27.9
EBITDA Margin	*32.7%*	*33.4%*	*(0.7 pt)*

5 Expenses for expansion and opening new hotels includes expenditures disbursed by the New Developments area, which are related to acquisitions and the search for acquisition opportunities.
6 Other Non-Recurring Expenses includes expenses for liquidations and advisory services related to taking possession of acquired hotels.

NET FINANCING COST

Net Financing Cost in 2018 posted a loss of Ps. 137.9 million, compared to a loss of Ps. 60.5 million in 2017, which is Ps. 77.0 million more in losses. That difference was mainly due to a higher level of debt, which raised net interest expense.

NET INCOME

The Company's Net Income increased from Ps. 187.4 million in 2017 to Ps. 267.3 million in 2018, which is Ps. 79.9 million more in 2018, or a 42.7% improvement. Net Income Margin increased from 11.8% in 2017 to 12.9% in 2018, mainly due to higher operating income, which offset a higher financial cost.

CASH FLOW SUMMARY

Cash flow from operations in 2018 was Ps. 668.6 million, compared to Ps. 518.5 million in 2017, a 28.9% increase mainly due to the growth in Net Income.

CASH FLOW SUMMARY

Numbers in thousands of pesos

CASH FLOW	2018	2017	% VAR
Cash flow from operating activities			
Net income	267,337	187,382	42.7
Depreciation and amortization	196,367	144,173	36.2
Income tax	46,655	90,315	(48.3)
Unrealized gain (loss) in foreign currency exchange	(33,418)	(47,655)	(29.2)
Interest expense, net	157,718	94,214	67.4
Other financial costs	7,243	3,376	NA
Minority interest	(972)	(3,152)	(69.2)
Cash flow before variations in working capital	**621,128**	**452,023**	**37.4**
Working capital	47,440	66,468	(28.6)
Net cash flows from operating activities	**100,518**	**1,028,236**	**NA**
Non-recurring lines	(295,765)	(51,251)	NA
Net cash flows from non-recurring items	**372,804**	**467,240**	**(20.2)**
Net cash flows from investment activities	607,616	(1,759,269)	NA
Net cash flows from financing activities	321,887	1,343,933	NA
Net (decrease) increase from cash and cash equivalents	**185,211**	**1,443,582**	**(87.2)**
Cash and cash equivalents at the start of the period	288,015	1,731,587	(83.4)
Total cash at the end of the period	**102,804**	**288,015**	**(64.3)**

BALANCE SHEET

Cash and Cash Equivalents

At the end of 2018, the Company's cash and cash equivalents were Ps. 237.6 million, comprised of Ps. 102.8 million in cash and cash equivalents, and Ps. 134.8 million in restricted cash related to debt. Of that position, 69.9% is dollar-denominated.

Accounts Receivable and Other Current Assets

This line increased by 26.1%, rising from Ps. 185.7 million in 2017 to Ps. 234.2 million in 2018. This increase was mainly due to the incorporation of new hotels into the portfolio.

BALANCE SHEET

Numbers in thousands of pesos

BALANCE SHEET	2018	2017	VAR $	% VAR
Cash and cash equivalents	102,804	288,015	(185,211)	(64.3%)
Accounts receivable and other current assets	234,168	185,687	48,481	26.1%
Tax credits	403,667	344,154	63,049	18.3%
Deposit in trust for hotel acquisitions	-	24,176	(24,176)	(100.0%)
Total current assets	**744,176**	**842,032**	**(97,856)**	**(11.6%)**
Restricted cash	134,755	103,655	31,099	30.0%
Property, plant and equipment	8,172,734	6,510,002	1,662,731	25.5%
Non-productive fixed assets (work in progress)	509,376	1,080,229	(570,853)	(52.8%)
Other entries for non-current assets	614,365	490,382	123,983	25.3%
Total non-current assets	**9,431,229**	**8,184,269**	**1,246,960**	**15.2%**
Total assets	**10,175,405**	**9,026,301**	**1,149,104**	**12.7%**
Current debt maturities	254,802	168,361	86,441	51.3%
Other current liabilities	462,691	358,603	104,088	29.0%
Total current liabilities	**717,492**	**526,964**	**190,529**	**36.2%**
Long-term debt	2,740,161	2,342,279	397,883	17.0%
Other non-current liabilities	873,667	817,998	55,669	6.8%
Total non-current liabilities	**3,613,828**	**3,160,277**	**453,551**	**14.4%**
Total shareholders' equity	**5,844,085**	**5,339,061**	**505,024**	**9.5%**
Total liabilities and shareholders' equity	**10,175,405**	**9,026,301**	**1,149,104**	**12.7%**

Numbers in thousands of pesos

CAPEX FOR FISCAL YEAR 2018	AMOUNT	TOTAL
Hotels in development	803,937	82.6%
Improvements and adaptations to own hotels	79,904	8.2%
Ordinary CAPEX	89,477	9.2%
Total Capex	**973,319**	**100.0%**

Property, Plant and Equipment

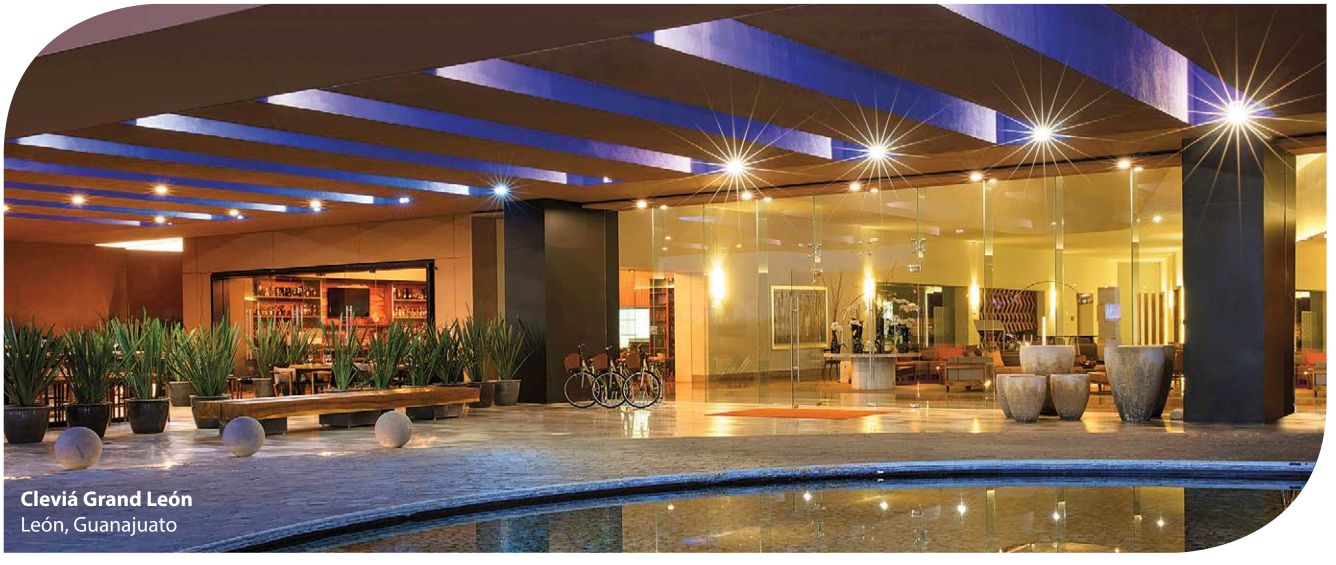
This item increased by 25.5%, rising from Ps. 6,510.0 million in 2017, to Ps. 8,172.2 million in 2018. The increase was mainly due to construction of the Hyatt Regency Mexico City Insurgentes, the acquisition of 50% of Cleviá Grand León, and construction of the Hacienda by Hilton at Hilton Vallarta.

Net Debt and Maturities

At the end of 2018, the Company's Net Debt was Ps. 2,757.4 million. The Company's Total Debt, 86%, is denominated in dollars, with an average financing cost of 5.7%, with the remaining 14.0% denominated in pesos, with a weighted average cost of capital of 11.67%.

To continue with its growth plans, the Company will continue balancing its debt between pesos and dollars. Both the peso-denominated and dollar-denominated debts are hedged against increases in the reference rate (TIIE and LIBOR), valued at 8.5% and 4.5%, respectively during the fiscal year.

According to IFRS, the numbers in dollars were converted to pesos using the exchange rate published by the Official Gazette of Mexico on December 31, 2018, which was 19.6566 pesos per dollar.



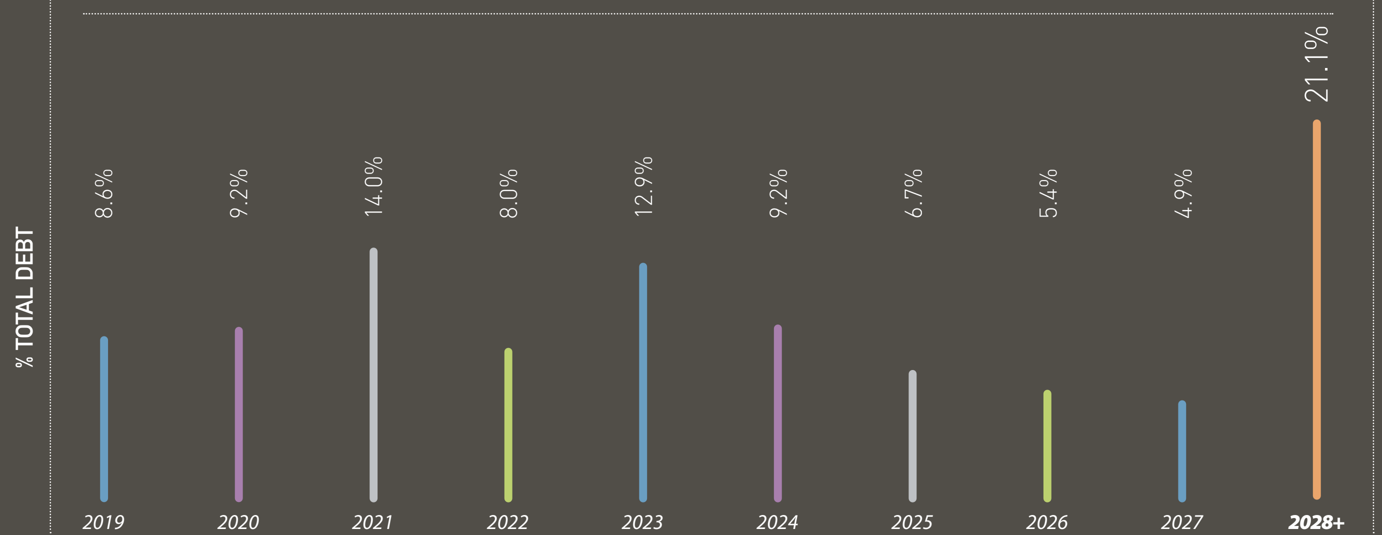
Cleviá Grand León
León, Guanajuato

Numbers in thousands of pesos

DEBT*	PESOS	DOLLARS	TOTAL
Short term	35,969	218,833	254,802
Long term	422,749	2,317,412	2,740,161
Total	**458,718**	**2,536,245**	**2,994,963**
% Total	*15.3%*	*84.7%*	*100.0%*
Average rate of financial liabilities	*11.67%*	*5.70%*	*6.61%*
Cash and cash equivalents	54,744	48,080	102,824
Restricted cash	16,821	117,914	134,735
Cash and cash equivalents**	**71,565**	**165,994**	**237,559**
Net debt	**387,153**	**2,370,251**	**2,757,404**
Net debt / EBIDTA (rolling 12 months at December 31, 2018)			4.1x

* Includes interest from payments and the effect of financial instruments related to bank loans.
** Includes restricted cash related to bank loans.

DEBT MATURITY PROFILE OF GRUPO HOTELERO SANTA FE
As at December 31, 2018



Krystal Hotels & Resort María Bárbara
Satélite, State of Mexico

CONSOLIDATED FINANCIAL STATEMENTS

GRUPO HOTELERO SANTA FE, S. A. B. DE C. V. AND SUBSIDIARIES

December 31, 2018 and 2017

CONTENT

INDEPENDENT AUDITORS' **REPORT**

The Board of Directors and Stockholders of
Grupo Hotelero Santa Fe, S. A. B. de C. V.

(Thousands of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Grupo Hotelero Santa Fe, S. A. B. de C. V. and subsidiaries (the "Group" or "GHSF"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, the consolidated statements of income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Hotelero Santa Fe, S. A. B. de C. V. and subsidiaries as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

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Business combinations ($250,250)

(See note 6 to the consolidated financial statements)

Key audit matter	How the matter was addressed in our audit
As mentioned in note 6 to the accompanying consolidated financial statements, during 2018, the Group entered into two business combinations by acquiring shares of the equity as follows: (i) on August 18, 2018, the Group acquired control (50% of the equity) of Grupo Inmobiliario 1991, S. A. de C. V. for $ 132,000; (ii) on August 24, 2018 acquired control (50% of the equity) of an hotel under the name of Hotel Clevia Grand Hotel for $128,250. The Group determined that at the date of the acquisitions it exercises control over both businesses. Management assessed that these acquisitions qualify as a business combination and determined the fair value of the identifiable net assets acquired as well as the assumed liabilities that arose from the same acquisitions. The fair value of the assets acquired mainly from property, furniture and equipment was determined by independent appraisal experts because the inputs and assumptions to determine fair value	As part of our audit procedures: (1) We evaluate the assumptions of the Group's Management to conclude that it exercises control. We obtained and read the agreements between shareholders and the operating agreements. We assess whether the Group's accounting treatment for the aforementioned acquisitions is in accordance with applicable accounting standards, including assessing whether the Group has the ability to control its subsidiaries, exposure or right to variable returns from their involvement and the ability to use their power to influence the amount of their returns. 2) We evaluate the accounting treatment by the Group's management to the acquisitions as business combinations. We evaluate the procedure of Management and its specialists to determine and identify the fair

require significant judgments and estimates. For the rest of the assets acquired and the liabilities assumed such as accounts receivable and payable, Management made its best estimate to determine the fair values on the aforementioned dates. Due to the importance of the acquisitions, the judgments and assumptions to determine the existence of control and the relevance of the significant judgments and estimates made by the Management in recognizing the assets acquired and liabilities assumed derived from such acquisitions, we consider this matter as a key Audit Matter.	value of the identifiable net assets, mainly to determine the fair value of the property, furniture and equipment acquired, throughout the validation of the assumptions and values originated, and the participation of our specialists. We inspect the supporting documentation used by the Management to determine the fair values of the other assets and liabilities assumed (accounts receivable and accounts payable). We reviewed the valuation of the non-controlling interest and, We recalculate the determination of goodwill.

Impairment testing of goodwill ($354,815 of goodwill)

(See note 7 to the consolidated financial statements)

Key audit matter	How the matter was addressed in our audit
The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The goodwill derives from the acquisition of Inmobiliaria Hotelera del Bajío SF, S. A. de C. V., Grupo Inmobiliario 1991, S. A. de C. V., ICD Sitra, S. A. de C. V., Sibra Vallarta, S. A. de C. V., and Inmobiliaria en Hotelería Cancún, S. de R. L. de C. V. y Moteles y Restaurantes Maria Bárbara, S. de R. L. de C. V. All these acquisitions are considered as Cash Generating Units ("CGU"). The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less costs for sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures in this area included, among other: - Involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGUs operate; - Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; - Evaluating the adequacy of the consolidated financial statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report to be filed with the National Banking and Securities Commission (CNBV) and the Mexican Stock Exchange, ("the Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be available to us after the date of this auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Cárdenas Dosal S. C.

F. José Sánchez González

Mexico City, February 22, 2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018 and 2017
(Thousands of Mexican pesos)

	NOTE	2018	2017
ASSETS			
Current assets:			
Cash and cash equivalents	8	$ 102,804	288,015
Accounts receivable	9	170,882	135,187
Due from related parties	10	10,255	9,467
Other receivables	11	410,252	353,136
Inventories	12	29,052	15,454
Prepaid expenses		20,930	16,598
Deposit for hotel acquisition	6	-	24,176
Total current assets		**744,175**	**842,033**
Non-current assets:			
Restricted cash	8	134,755	103,655
Property, furniture and equipment, net	13	8,682,110	7,590,232
Other assets	14	20,436	20,377
Investment in associated companies	3(k)	120,324	35,970
Deferred tax assets	18	118,790	101,982
Goodwill	6	354,815	332,053
Total non-current assets		**9,431,230**	**8,184,269**
Total assets		**$ 10,175,405**	**9,026,302**

	NOTE	2018	2017
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current instalments of long-term debt	15	$ 254,802	168,361
Trade accounts payable	16	186,464	109,544
Other liabilities	16	191,448	145,610
Accruals	16	29,890	46,935
Due to related parties	10	10,541	15,924
Advances from customers		44,347	40,590
Total current liabilities		**717,492**	**526,964**
Non-current liabilities:			
Long-term debt, excluding current instalments	15	2,740,161	2,342,279
Employee benefits	17	5,473	4,179
Deferred tax liabilities	18	867,715	813,090
Other liabilities		479	729
Total non-current liabilities		**3,613,828**	**3,160,277**
Total liabilities		**4,331,320**	**3,687,241**
Stockholders' equity:	19		
Controlling interest:			
Capital stock		3,454,707	3,454,707
Stock repurchase reserve		(41,367)	(13,145)
Additional paid-in capital		80,000	80,000
Legal reserve		190,493	190,493
Retained earnings		864,903	598,953
Total controlling interest		**4,548,736**	**4,311,008**
Non-controlling interest		1,295,349	1,028,053
Total stockholders' equity		**5,844,085**	**5,339,061**
Total liabilities and stockholders' equity		**$ 10,175,405**	**9,026,302**

The notes from page 9 to 136 are integral part the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2018 and 2017
(Thousands of Mexican pesos, except for earning per share)

	NOTE	2018	2017
Revenues:			
Rooms		$ 1,105,587	900,505
Food and beverages		731,512	477,621
Other	10	227,842	203,370
Total revenue		**2,064,941**	**1,581,496**
Departmental costs and expenses:			
Rooms		223,853	181,134
Food and beverages		414,042	284,930
Other		31,590	23,337
Total departmental costs and expenses		**669,485**	**489,401**
Departmental income		**1,395,456**	**1,092,095**
Indirect expenses:			
Administrative	10	280,945	248,089
Advertising and sales		189,787	138,903
Maintenance and energy costs		221,638	155,143
Total indirect expenses		**692,370**	**542,135**
Profit before property expenses and depreciation		**703,086**	**549,960**
Property expenses and depreciation:			
Property tax		7,188	7,077
Insurance		22,454	16,933
Depreciation	13	195,057	140,216
Amortization of other assets		1,310	3,957
Preoperative expenses		13,300	24,031
Expansion expenses		12,717	18,290
Other		505	4,390
Total property expenses and depreciation		**252,531**	**214,894**
Operating income		**450,555**	**335,066**

	NOTE	2018	2017
Financial cost:			
Interest expense, net	10	(137,916)	(77,584)
Foreign exchange gain (loss), net		7,624	20,440
Other financial costs		(7,243)	(3,377)
Financial cost, net		**(137,535)**	**(60,521)**
Equity in earnings from associated companies			
Permanent investments		972	3,152
Profit before income tax		**313,992**	**277,697**
Income taxes:	18		
Current		102,286	65,709
Deferred		(55,631)	24,606
Total income taxes		**46,655**	**90,315**
Net income		**$ 267,337**	**187,382**
Income (loss) attributable to:			
Controlling interest		265,950	215,991
Non-controlling interest		1,387	(28,609)
		$ 267,337	**187,382**
Basic earnings per share	19 (h)	**$ 0.55**	**0.38**

The notes from page 9 to 136 are integral part the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2018 and 2017
(Thousands of Mexican pesos)

	Note	Capital stock	Stock repurchase reserve
Balances as of December 31, 2016		**$ 3,454,707**	**(23,468)**
Repurchase of shares	19(c)	-	10,323
Initial recognition of non controlling interest		-	-
Net income		-	-
Balances as of December 31, 2017		**3,454,707**	**(13,145)**
Repurchase of shares	19(c)	-	(28,222)
Initial recognition of non controlling interest		-	-
Net income		-	-
Balances as of December 31, 2018		**$ 3,454,707**	**(41,367)**

Additional paid - in capital	Legal reserve	Retained earnings	Total controlling interest	Non-controlling interest	Total stockholders' equity
80,000	**190,493**	**382,962**	**4,084,694**	**60,240**	**4,144,934**
-	-	-	10,323	-	10,323
-	-	-	-	996,422	996,422
-	-	215,991	215,991	(28,609)	187,382
80,000	**190,493**	**598,953**	**4,311,008**	**1,028,053**	**5,339,061**
-	-	-	(28,222)	-	(28,222)
-	-	-	-	265,909	265,909
-	-	265,950	265,950	1,387	267,337
80,000	**190,493**	**864,903**	**4,548,736**	**1,295,349**	**5,844,085**

The notes from page 9 to 94 are integral part the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017
(Thousands of Mexican pesos)

	2018	2017
Cash flows from operating activities:		
Net income	$ 267,337	187,382
Adjustment for:		
Depreciation	195,057	140,216
Amortization of other assets	1,310	3,957
Income taxes	46,655	90,315
Items related to financing activities		
Unrealized foreign exchange gain	(33,418)	(47,655)
Interest income	(19,802)	(16,630)
Interest expense	157,718	94,214
Other financial costs	7,243	3,376
Investment in associated companies	(972)	(3,152)
	621,128	**452,023**
Accounts receivable	(35,695)	(50,399)
Due from related parties	(788)	4,323
Other receivables	40,091	(112,608)
Inventories	(13,598)	(6,875)
Prepaid expenses	(4,332)	(3,251)
Trade accounts payable	76,920	35,951
Other liabilities	(479,028)	(1,306,423)
Accruals	(17,045)	(14,717)
Due to related parties	(5,383)	12,536
Advances from customers	3,757	15,216
Income taxes	(86,803)	(54,324)
Employee benefits	1,294	312
Net cash provided by operating activities	**100,518**	**(1,028,236)**

	2018	2017
Cash flows from investing activities:		
Acquisition of property, furniture and equipment	(319,796)	(1,181,420)
Business acquisition (net of cash received)	(246,841)	(606,506)
Other assets	(1,575)	24,633
Deposits for hotel acquisition	24,176	(12,606)
Investment in financial instruments	(83,382)	-
Interest received	19,802	16,630
Net cash used in investing activities	**(607,616)**	**(1,759,269)**
Cash flows from financing activities:		
Change in restricted cash	(31,100)	(36,169)
Non-controlling interest contributions	28,429	610,226
Repurchase of shares	(28,222)	10,323
Proceeds from loans	685,973	1,266,557
Payments of loans	(176,392)	(415,443)
Interest paid	(156,801)	(91,561)
Net cash provided by financing activities	**321,887**	**1,343,933**
Net decrease in cash and cash equivalents	**(185,211)**	**(1,443,572)**
Cash and cash equivalents at beginning of year	288,015	1,731,587
Cash and cash equivalents at December 31	**$ 102,804**	**288,015**

The notes from page 9 to 98 are integral part the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017
(Thousands of Mexican pesos

These consolidated financial statements have been translated from the Spanish language original and for the convenience of foreign / English-speaking readers.

1. REPORTING ENTITY

Mexico City. GHSF is domiciled at Juan Salvador Agraz No. 65, 20th floor, Colonia Santa Fe Cuajimalpa, zip code 05348, Mexico City.

The main activity of the Group is acquire, under any legal title, shares, interests, participations, among other, of any type of corporations, both domestic and foreign, and invest in its equity, as well as participate in their management, liquidation, spin-off and merger. The Group was incorporated on November 24, 2006 and began operations on January 1, 2010.

Initial public offering change of corporate name and subsequent public offering

On September 11, 2014, through a public offering of shares in Mexico, Grupo Hotelero Santa Fe, S. A. B. de C. V. increased its capital stock, issuing 75,000,000 ordinary, and nominative shares, without par value. (See note 19(a)). For this purpose, the Group adopted the stock exchange regime of variable capital stock, for which the Group was denominated "Grupo Hotelero Santa Fe, Sociedad Anónima Bursátil de Capital Variable" or its abbreviation "S. A. B. de C. V." The net proceeds obtained from the initial public offering, were used approximately 80% for future hotel acquisitions and 20% for general corporate purposes, including the capital expenditures fund. At the date of the initial public offering, approximately 25% of the shares were distributed amongst the public investor.

As mentioned in note 19(a), on June 17, 2016, through a subsequent public offering of shares in Mexico and Chile, Grupo Hotelero Santa Fe, S. A. B. de C. V. increased its capital stock, issuing 215,584,530 ordinary and nominative shares without par value. After this transaction, the outstanding shares amount to 491,084,530. The net proceeds from the subsequent public offering increased the capital stock and will be used for the development and acquisition of hotels. At the date, approximately 46% of the total shares of the Company are distributed amongst the public investor.

The principal activities of the Group's main consolidated subsidiaries are as follow:

- Hotelera SF, S. de R. L. de C. V. (Hotelera SF), whose main activity is to provide management services, hotel operation and any type of hotel service. All of its revenues are derived from management and hotel operation contracts. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Servicios en Administración Hotelera SF, S. de R. L. de C. V. (SAH SF), whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Grupo Hotelero SF México, S. de R. L. de C. V. (SFM), whose main activity is to own a hotel located in Acapulco, Guerrero, Mexico, which operates 400 rooms, under the brand name "Krystal Beach Acapulco". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on December 1, 2011, and began operations on April 24, 2014.

- Administración SF del Pacífico, S. de R. L. de C. V., whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on April 9, 2013 and began operations on April 25, 2013.

- Servicios e Inmuebles Turísticos, S. de R. L. de C. V. (SIT), whose main activity is to own a hotel located in Guadalajara, Jalisco, Mexico, which operates 450 rooms under the brand name "Hilton". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. SIT is a subsidiary of GHSF since March 1, 2010.

- Administración SF Occidente, S. de R. L. de C. V. (ASF Occidente), whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Inmobiliaria en Hotelería Leon Santa Fe, S. de R. L de C. V. its main activity is to acquire under, any legal title shares, interests, participations, among other of any type of commercial companies both national and foreign and invest in its equity; it was incorporated on September 18, 2015, and began operations on March 2015.

- Corporación de Servicios Los Ángeles Vallarta, S. A. de C. V., whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties; it was incorporated on November 24, 2016 and began operations on January 2018.

- Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R. L. de C. V. (IH Ciudad Juárez), whose main activity is to acquire, under any legal title, shares, interests, participations, among other, of any type of corporations, both domestic and foreign, and invest in its equity, as well as participate in their management, liquidation, spin-off and merger. IH Ciudad Juárez is the holding Company of Chartwell Inmobiliaria de Juárez, S. de R. L. de C. V. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R. L. de C. V. (IH Guadalajara), whose main activity is to acquire, under any legal title, shares, interests, among other, of any type corporations, both domestic and foreign and invest in its equity, as well as participate in their management, liquidation, spin off and merger. IH Guadalajara is the holding Company of Servicios e Inmuebles Turísticos, S. de R. L. de C. V. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Chartwell Inmobiliaria de Juárez, S. de R. L. de C. V. (CI Juárez), whose main activity is to own a hotel located in Ciudad Juarez, Chihuahua, Mexico, which operates 120 rooms, under the brand name "Krystal Business Ciudad Juárez". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. CI Juárez is a subsidiary of GHSF since March 1, 2010.

- Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R. L. de C. V. (IH Monterrey), whose main activity is to acquire, under any legal title, shares, interests, among other, of any type corporations, both domestic and foreign and invest in its equity, as well as participate in their management, liquidation, spin off and merger. IH Monterrey is the holding Company of Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V. (CI Monterrey), whose main activity is to own a hotel located in Monterrey, Nuevo León, Mexico, which operates 150 rooms, under the brand name "Hilton Garden Inn". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. CI Monterrey is a subsidiary of GHSF since March 1, 2010.

- Administración SF del Norte, S. de R. L. de C. V. (ASF Norte), whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on January 8, 2010, and began operations on March 1, 2010.

- Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. (IH Vallarta), whose main activity is to own a hotel located in Puerto Vallarta, Jalisco, México, which operates 259 rooms, under the brand name "Hilton". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on May 23, 2011, and began operations on October 1, 2012.

- Corporación Integral de Servicios Administrativos de Occidente, S. de R. L. de C. V. (CISAO), whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on February 7, 2012 and began operations on February 9, 2012.

- Inmobiliaria en Hotelería Cancún Santa Fe, S. de R. L. de C. V. (IHC), whose main activity is to own a hotel located in Cancún, Quintana Roo, Mexico, which operates 395 rooms, under the brand name "Krystal Grand Punta Cancún". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on May16, 2013, and began operations on September 24, 2013.

- Administración SF de Quintana Roo, S. de R. L. de C. V. (ASFQROO) whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on June 20, 2013, and began operations on October 1, 2013.

- Inmobiliaria Hotelera Cancún Urban, S. de R. L. de C. V. (IHCU), whose main activity is to own a hotel located in Cancún, Quintana Roo México, which operates 246 rooms, under the brand name "Krystal Urban Cancún". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on October 21, 2014, and began operations on December 16, 2014.

- Servicios Administrativos Urban Cancún, S. de R. L. de C. V. (SAUC), whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on November 3, 2014, and began operations on December 16, 2014.

- SF Partners II, S. de R. L. de C. V. (SFP), whose main activity is to own a hotel located in Guadalajara, Jalisco México, which operates 140 rooms, under the brand name of "Krystal Urban Guadalajara". SFP is a subsidiary of GHSF since March 24, 2014.

- Administración y Operación SF, S. de R. L. de C. V., whose main activity is to provide management services, hotel operation and any type of hotel service. It was incorporated on December 4, 2014. As of December 31, 2017, it has not started operations.

- Moteles y Resturantes María Bárbara, S. A. de C. V. (MRMB), whose main activity is to own a hotel located in the State of México, in the municipality of Naucalpan, which operates 215 rooms under the brand name "Krystal Satélite María Bárbara". MRMB is a subsidiary of GHSF since May 7, 2015.

- Servicios Administrativos Tlalnepantla, S. A. de C. V. whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on April 14, 2015; and began operations on July 1, 2015.

- Inmobiliaria MB Santa Fe, S. A. de C. V. (IHMB), whose main activity is to acquire, under any legal title, shares, interests, participations, among other, of any type of corporations, both domestic and foreign, and invest in its equity, as well as participate in their management, liquidation, spin-off and merger. IHMB is the holding Company of Moteles y Restaurantes María Barbara, S. A. de C. V., and it was incorporated on March 4, 2015, and began operations on the same date.

- Hotelera Inmobiliaria Hotel Insurgentes 724, S. A. P. I. de C. V., (IH Insurgentes), whose main activity is to own a hotel currently under construction located in Mexico City. It was incorporated on May 15, 2015 and began the construction on January 22, 2016.

- ICD Sitra, S. A. de C. V., whose main activity is to own a hotel located in San Jose del Cabo, Baja California Sur, which is leased to its subsidiary Promotora Los Angeles Cabos, S. A. de C. V.; Control was acquired on February 21, 2017.

- Promotora Los Angeles Cabos, S. A. de C. V., whose main activity is operating a hotel located in San Jose del Cabo, Baja California Sur, México that operates 454 rooms under the brand name "Krystal Grand Los Cabos". The operation of the hotel is carried out by Hotelera SF which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income; it was incorporated on November 24, 2016 and began operations on March 1, 2017.

- Servicios Ángeles SJC, S. A. de C. V., whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It was incorporated on November 24, 2016 and began operations on March 1, 2017.

- Sibra Vallarta, S. A. de C. V., whose main activity is to own a hotel located in Nuevo Vallarta, Nayarit, which is leased to its subsidiary Arrendadora Vallarta, control was acquired on February 21, 2017

- Arrendadora los Angeles Vallarta, S. A. de C. V. (Arrendadora Vallarta), whose main activity is to operate a hotel with 480 rooms located in Nuevo Vallarta, Nayarit, Mexico. The operation of the hotel is carried out by Hotelera SF which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on November 24, 2016, and began operations on May 1, 2017.

- CER diecinueve 91, S. de R. L. de C. V., whose main activity is to provide food and beverage services for clients of "Krystal Grand Suites Insurgentes 1991" and the general public; it was incorporated on July 4, 2017 and began operations on September 13, 2017.

- Inmobiliaria K Suites 1991, S. A. P. I. de C. V., (IKS), until September 2018, its main activity was to own a complex of suites located in Mexico City, which operates 150 suites, under the concept of renting furnished spaces and under the brand name "Krystal Grand Suites Insurgentes 1991". As of this date, its activity was transferred to Grupo Inmobiliario 1991, S. A. de C. V. which acquired all the rights and obligations that IKS had. The operation of the suites is carried out by Hotelera S.F. which has management and hotel operation contracts that requires payment of a fee over the revenues and an incentive fee over the operating income; it was incorporated on May 11, 2016 and began operations on September 13, 2017.

- Servicios Administrativos Suites 1991, S. de R. L. de C. V., whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties; it was incorporated on June 26, 2017 and began operations on October 1, 2017.

- Inmobiliaria Hotelera del Bajío, S. A. de C. V. (IHB) its main activity is to own a hotel which operates140 rooms, located in the city of León, Guanajuato, under the brand name "Clevía Grand Hotel".

  The operation of "Clevía" is carried out by Hotelera S.F. which has management and hotel operation contracts that requires payment of a fee over the revenues and an incentive fee over the operating income. It was acquired on August 24, 2018.

- Servicios en Administración Hotelera M.P.S.F., S. de R. L. de C. V. (50%), its main activity is to provide management services, hotel operation and any type of hotel service to its related parties. It began operations on August 9, 2018.

- Inmobiliaria Hotelera de la Peninsula, S. A. de C. V., its main activity is to own a hotel that is under renovation in the city of Merida Yucatan, it was incorporated on November 27, 2017.

- Inmobiliaria en Hotelería Querétaro S.F., S. A. de C. V., its main activity is to own a hotel in the city of Querétaro Qro. It was incorporated on October 10, 2018, and will begin to operate in 2019.

- Grupo Inmobiliario 1991, S.A., as of August 18, 2018, the main activity is to own a complex of suites, located in Mexico City, through a shareholders agreement, between the shareholders of (IKS) and the shareholders of Grupo Inmobiliario 1991, where this one will remain operating 150 suites under the concept of renting furnished spaces and under the brand name "Krystal Grand Suites Insurgentes 1991".

2. BASIS OF PREPARATION

a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB). The designation IFRS includes all standards issued by the IASB and related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

On February 22, 2019, Francisco Medina Elizalde, Chief Executive Officer, Enrique Gerardo Martínez Guerrero, Chief Financial Officer and Legal Representative and José Alberto Santana Cobián, Chief Administration Officer, authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporations Law (LGSM) and the Group's bylaws the individual companies that were incorporated in the consolidated financial statements of the group, shareholders have the power to amend the financial statements consolidated after their issuance.

Note 3 includes details of the accounting policies of the Group.

This is the first set of annual financial statements of the Group in which IFRS 15 "Revenue from Ordinary Activities from Contracts with Customers" and IFRS 9 "Financial Instruments" has been applied.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, with the exception of certain properties, furniture and equipment, which were recorded at their deemed cost as of February 28, 2010 (date of transition to IFRS) and the date of the acquisition mentioned in note 6. The deemed cost of such properties furniture and equipment was determined by appraisals performed by independent appraises (fair value) at that date.

c) Functional and reporting currency

The accompanying consolidated financial statements are presented in Mexican pesos ("$" or "MXP"), Mexico's national currency, which is the Group's functional currency and the reporting currency in which these consolidated financial statements are presented. When reference is made to dollars or "USD", it means dollars of the United States of America. All financial information presented in pesos has been rounded to the nearest thousand amount. The exchange rate of the Mexican peso against the dollar, at December 31, 2018 and 2017 was $19.65 and $19.74, respectively. At February 22, 2019 the exchange rate was $19.18.

d) Use of estimates and judgments

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

We base our judgments, estimates, and assumptions on historical and forecast information, as well as regional and industry economic conditions in which we or our customers operate, changes to which could adversely affect our estimates. Although we believe we have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our assets, liabilities, revenues, and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Notes 3(f) iii and 13 - Useful lives of property, furniture and equipment
- Notes 9 - Allowance for doubtful receivables
- Notes 3(k) and 17 - Measurement of labor obligations
- Notes 3(s) and 18 - Deferred tax assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the consolidated financial statements at December 31, 2018 is included in the following notes:

- Notes 3(u) and 23 - Contingencies

e) Measurement of fair values

A number of the Group's policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This include a valuation team that has overall responsibility for overseeing all significant fair value measurement, including Level 3 fair values, and reports directly to the chief financial officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuation meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuation should be classified. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an assets or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 20 - Financial instruments and risk management

f) Scope of consolidation

The consolidated financial statements include all entities that are directly controlled by the Group

All Group entities prepare their financial statements as of December 31, 2018, applying the same accounting policies and valuation criteria in accordance with IFRS. Intercompany transactions and balances relating to consolidated entities have been eliminated.

The following table summarizes the changes in the number of entities included in the consolidated financial statements.

Entities consolidated in the financial statements:

	Entities
December 31, 2016	**28**
Additions	6 (1)
December 31, 2017	**34**
Additions	5 (1)
December 31, 2018	**39**

(1) Companies included in the Group during 2018, were added through the business acquisition mentioned in note 7.

g) Income statement presentation

Given that the Group is a service entity, ordinary costs and expenses are presented based on their nature, as the information so reported is clearer. In addition, departmental income, profit before property expenses and depreciation and operating income lines items are included, which results from decreasing operating income, cost and departmental expenses, indirect expenses and property expenses and depreciation. The presentation of these concepts are considered to provide a better understanding of the economic and financial performance of the Group and in accordance with the standards of the Group industry.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been consistently applied by the Group entities unless otherwise indicated.

(a) Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method as of the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group; (I) has power over the investee (II) has exposure, or rights, to variable returns from its involvement with the investee and (III) has the ability to use its power over the investee to affect the amount of the Group returns. The voting rights of the owners that are currency executable or convertible are considerate in the evaluation of control.

The Group measures the goodwill at the acquisition date as follows:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interest in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire, less
- the net amount recognized (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain on purchase is recognized immediately as income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. These amounts are generally recognized in profit or loss.

Transaction costs, other than those associated with the issuance of debt or equity securities, incurred by the Group in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingency consideration are recognized in profit or loss of the year.

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interest are accounted for as transactions with shareholders and therefore, no goodwill is recognized as a result of these transactions. Adjustments to non-controlling interests arising from transactions not involving loss of control are based on the proportionate amount of the net assets of the subsidiary, the effects are recognized in the stockholders' equity.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commenced until the date that the control ceases.

The accounting policies of subsidiaries have been homologated as required to conform to the accounting policies adopted by the Group.

Group's management determined that it has control over its subsidiaries when:

1) It has power over the investee.
2) It has exposure or rights to variable returns from its involvement with the investee.
3) It has the ability to use its power over the investee to affect the amount of the Group returns.

The equity interests of the principal subsidiaries of the Group are as follows:

GHSF Subsidiaries	Ownership	Main activity
Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R. L. de C. V.	100%	Property management
Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R. L. de C. V.	100%	Property management
Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R. L. de C. V.	100%	Property management
Inmobiliaria MB Santa Fe, S. A. de C. V.	100%	Property management
Grupo Hotelero SF de México, S. de R. L. de C. V.	100%	Hotel management
Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V.	100%	Hotel management
Servicios e Inmuebles Turísticos, S. de R. L. de C. V.	100%	Hotel management
Chartwell Inmobiliaria de Juárez, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria en Hotelería Cancún Santa Fe, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria Hotelera Cancún Urban, S. de R. L. de C. V.	100%	Hotel management
SF Partners II, S. de R. L. de C. V.	100%	Hotel management
Moteles y Restaurantes María Barbara, S. A. de C. V.	100%	Hotel management
Hotelera SF, S. de R. L. de C. V.	100%	Hotel operation
Administración y Operación SF, S. de R. L. de C. V.	100%	Personnel services
Servicios en Administración Hotelera SF, S. de R. L. de C. V.	100%	Personnel services
Administración SF del Norte, S. de R. L. de C. V.	100%	Personnel services
Administración SF Occidente, S. de R. L. de C. V.	100%	Personnel services
Corporación Integral de Servicios Administrativos de Occidente, S. de R. L. de C. V.	100%	Personnel services
Administración SF del Pacífico, S. de R. L. de C. V.	100%	Personnel services
Administración SF de Quintana Roo, S. de R. L. de C. V.	100%	Personnel services
Servicios Administrativos Urban Cancún, S. de R. L. de C. V.	100%	Personnel services
Servicios Administrativos Tlalnepantla Santa Fe, S. de R. L. de C. V.		
Corporación de Servicios los Ángeles Vallarta, S. A. de C. V.	100%	Personnel services

GHSF Subsidiaries	Ownership	Main activity
Inmobiliaria en Hotelería León Santa Fe, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria en Hotelería Insurgentes 724, S. A. P. I. de C. V.	50%	Hotel management
Inmobiliaria K Suites 1991, S. A. P. I. de C. V.	100%(1)	Hotel management
Servicios K Suites 1991, S. de R. L. de C. V.	100%(1)	Personnel services
Sibra Vallarta, S. A. de C. V.	50%(2)	Property management
ICD Sitra, S. A. de C. V.	50%(2)	Property management
Promotora Los Ángeles Cabos, S. A. de C. V.	50%(2)	Hotel management
Servicios Ángeles SJC, S. A. de C. V.	50%(2)	Personnel services
Arrendadora Ángeles Vallarta, S. A. de C. V.	50%(2)	Hotel management
CER diecinueve, S. de R. L. de C. V.	100%(2)	Consumer services
Servicios en Administración Hotelera M.P.S.F., S. de R. L. de C. V.	50%(3)	Personal Services
Inmobiliaria Hotelera de la Península, S. A. de C. V.	50%(3)	Hotel management
Inmobiliaria en Hotelería Querétaro S. F., S. A. de C. V.	50%(3)	Hotel management
Grupo Inmobiliario 1991, S. A. de C. V.	50%(3)	Hotel management
Inmobiliaria en Hotelería Bajío, S. A. de C. V.	50%(3)	Hotel management

(1) Company consolidated since 2016
(2) Company consolidated since 2017
(3) Company consolidated from 2018

(iv) Balances and transactions eliminated on consolidation

Intercompany balances and transactions as well as any unrealized gain (loss) arising from intercompany transactions, have been eliminated in the preparation of the consolidated financial statements.

Unrealized gains arising from transactions with equity method investees are eliminated against the investment to the extent of the Group interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Transactions in foreign currency are translated to the respective functional currencies of the Group entities at the exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate prevailing at that date. The foreign exchange gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for payments and effective interest during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reported period. Foreign exchange differences arising from the conversion are recognized in the profit or loss.

(c) Non-derivative - financial instruments

(i) Recognition and initial measurement

The financial assets and liabilities - including accounts receivable and payable - are initially recognized when these assets are originated or acquired, or when these liabilities are issued or assumed, both contractually.

Financial assets and financial liabilities (unless it is a trade receivable or payable without a significant financing component) are initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to their acquisition or issue, when in the subsequent are measured at their amortised cost. An account receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets - policy applicable from January 1, 2018

Upon initial recognition, a financial asset is classified as measured at: amortized cost, at fair value with changes in other comprehensive income, or at fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period after the change in the business model has occurred.

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

- the financial asset is held within a business model whose objective is to hold the financial assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are only payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through changes in other comprehensive income if meets both of the following conditions and is not classified at fair value through income:

- the financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In the initial recognition, an equity investment that is not held for trading, the Group may make an irrevocable election at the time of initial recognition of subsequent changes in fair value in other comprehensive income. This choice is made individually for each investment.

All financial assets not classified as measured at amortised cost or at fair value with changes in other comprehensive income as described above, are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value with changes in other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model evaluation: policy applicable from January 1, 2018

The Group makes an assessment of the purpose of the business model in which a financial asset is held at a portfolio level, since this is what best reflects the way the business is managed and information is provided to management. The information includes:

– the policies and objectives for the portfolio and the operation of those policies in practice. These include whether

Management's strategy focuses on earnings contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;

– how the performance of the portfolio is evaluated and reported to the Group´s management;
– the risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, how those risks are managed;
– how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
– the frequency, volume and timing of sales in previous periods, the reasons for such sales and expectations of future sales activity.

Transfers of financial assets to a third party in transactions that do not qualify for derecognition are not considered sales for this purpose, in a manner consistent with the Group´s continuous recognition of assets.

Financial assets which are held for trading, and whose performance is evaluated on a fair value basis are measured at fair value with changes in profit or loss.

Financial assets: Assessment whether contractual cash flows are only payments of principal and interest: policy applicable from January 1, 2018

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

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

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features: and
– terms that limit the Group´s claim to cash flows from specified assets (for example, "non-recourse" features).

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

Financial assets: subsequent measurement and gains and losses - policy applicable from January 1, 2018

Negotiable financial instruments (IFN)	These assets are subsequently measured at fair value. Profits and net losses, including any interest or dividend income, are recognized in income.
Financial instruments to collect the principal and interest (IFCPI)	These assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced by loss impairment. The interest income, gains and losses by conversion of foreign currency and deterioration are recognized in income. Any gain or loss on decline in accounts is recognized in results.
To collect or sell financial instruments (IFCV)	These assets are subsequently measured at fair value. The interest income calculated under the effective interest method, gains and losses by foreign currency conversion and degradation are recognized in income. Other gains and net losses are recognized in other comprehensive income (VRCORI). At the time of the decrease in accounts, gains and losses accumulated in other comprehensive results are reclassified in results.

Financial assets: policy applicable before January 1, 2018

The company classified its financial assets in one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at fair value with changes through profit or loss, and within this category as:
- trading purposes;
- derivatives hedging instruments;
- designated as at fair value through profit or loss.

Financial assets: subsequent measurement and gains and losses - policy applicable before January 1, 2018

Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including interest income in results.
Held to maturity Financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available for sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in other comprehensive results within stockholders. When these assets were decommissioned in accounts, profit or accumulated losses recognized in other comprehensive results on the stockholders, it is hence to results.

Financial liabilities: classification, subsequent measurement, gains and losses

In the case of financial liabilities, they are initially recognized at fair value, and are subsequently measured at amortized cost or changes in fair value through profit or loss. A financial liability is classified through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange differences are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets

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

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, or canceled, or expire. The Group also derecognize a financial liability when its conditions are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the new conditions at fair value is recognized.

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

(iv) Offsetting

An asset and a financial liability will be subject to offsetting and the net amount presented in the statement of financial position, when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting - policy applicable from January 1, 2018 (same as in 2017)

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract, and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. After initial recognition, derivative financial instruments are measured at fair value, and changes are usually recognized in profit or loss.

(d) Inventories

Inventories are recorded at cost or net realizable value, whichever is lower. The cost of inventories is determined by the average cost method, which includes the expenses incurred for the acquisition of inventories.

The net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Prepaid expenses

Include mainly prepaid insurance with less-than-a-year maturity and is amortised over the contractual period. The prepaid expenses are recognized as an expense in the income statement when the service or asset are received.

(f) Property, furniture and equipment

(i) Recognition and measurement

Property furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The land is measured at its cost. The assets acquired in business combinations are recognized under fair value method (see note 6).

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, and other costs directly attributable to bringing the asset to useable conditions such as financing costs of qualifying assets. Acquired computer programs that are integral to the functionality of the related fixed assets are capitalized as part of that equipment.

Gains and losses on the sale of an item of property, furniture and equipment are determined by comparing the proceeds from the sale against the carrying value of property, furniture and equipment and are recognized within "other operating income and expenses" in profit or loss.

The operating equipment relates mainly to crockery, glassware, cloth fabrics and cutlery whose expenditure took place at the beginning of the hotel's operation. The costs to replace them are directly charged to the results of the year in which they occur. The operating equipment is not subject to depreciation, as it represents approximately the permanent investment in this regard.

A component of property, furniture and equipment, and any significant part of it initially recognized, is derecognized at the time of disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on the sale of an item of property, furniture and equipment are determined by comparing the proceeds from the sale against the carrying value of property, furniture and equipment, and are recognized within "other operating income and expenses" in the consolidated statement of income.

(ii) Subsequent costs

The replacement cost of an item of property, furniture and equipment (except for the replacement of the operating equipment) is recognized in the carrying value when it is probable that future economic benefits of such item flows to the Group and its cost can be reliably determined. The net book value of the replaced part is derecognized. The costs of day to day operation of property, furniture and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated on the amount subject to depreciation, which is the cost of an asset, or other amount to replace at cost, less its residual value.

When parts of the property, furniture and equipment have different useful lives, they are recorded and depreciated as a separate component of the property, furniture and equipment.

Depreciation is recognized in profit or loss using the straight-line method in accordance with the estimated useful lives of each component of an item of property, furniture and equipment, as this better reflects the expected pattern of consumption of future economic benefits included in the asset. Land is not depreciated.

The estimated remaining average useful lives of significant items of property, furniture and equipment are as follows:

	Useful Lives
General construction	62 to 66 years
Building hallway	52 to 56 years
Services construction	42 to 46 years
Complementary facilities	43 to 52 years
Elevators	12 to 16 years
Air conditioner	2 to 6 years
Forniture	2 to 6 years
Transportation equipment	1 to 3 years
Computer equipment	1 to 2 years

The depreciation method, useful lives and residual values are reviewed at each year and adjusted, if necessary.

(g) Goodwill

Goodwill represents future economic benefits arising from other acquired assets that are not individually identifiable or separately recognized. Goodwill is subject to impairment testing at the end of the reporting period and when there is an indication of impairment.

(h) Impairment

Financial instruments and contract assets-

The Group recognises losses allowances for estimated credit losses on;

– financial assets measured at amortised cost

The Group measures loss allowances at an amount equal to lifetime of the asset, except for the following, which is measured as the amount of the expected credit losses of twelve months:

– debt instruments that is determined that they have a low credit risk as at the date of the financial statements; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables always are measured at an amount equal to lifetime.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating the expected credit losses, the Group considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Group's historical experience and an informed credit assessment and including forward-looking information.

The Group assumes that the credit risk of a financial asset has increased significantly if it´s more than 30 days past due.

The Group considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held): or

– the financial asset has a more than 90 days past due.

The Group considers that a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Credit losses expected over the lifetime are the credit losses that result from all possible events of default during the expected life of a financial instrument, about past events, current conditions and forecasts of future economic conditions.

Twelve months expected credit losses are part of the expected credit losses during the lifetime of the asset arising from events of non-compliance that are possible within 12 months after the date of the financial statements (or a shorter period if the instrument has a life of less than 12 months). The maximum period considered in the estimation of the expected credit losses is the maximum contract period during which the company is exposed to credit risk.

Measurement of expected credit losses

The expected credit losses are the average weighted by the probability of credit losses and are measured as the present value of cash shortfalls (i.e, the difference between the cash flow owed to the Company in accordance with the contract and the cash flows it expects to receive).

The expected credit losses are discounted using the effective interest rate of the financial asset.

(i) Other assets

They mainly include extraordinary fees with a defined useful life and are recorded at their acquisition value. Amortization is calculated using the straight-line method over a maximum period of 10 to 15 years. Additionally, as of December 31, 2018, certain recoverable assets are included as described in note 14.

(j) Investment in associated companies

On December 4, 2018, GHSF entered into an agreement to acquire shares with Grupo HECFA S.A. de C.V., in order to develop and build a hotel under the brand name "Breathless", located in the municipality of Tulum, Quintana Roo, through the company called Sunset Tulum S. A. de C. V., in which GHSF holds 25% of the shares of the company.

On June 12, 2013, GHSF entered into a contract with OMA logistics, S. A. de C. V., in order to develop, build and operate a brand "Hilton Garden Inn" hotel at the airport in the city of Monterrey, through the creation of a new entity demined Consortium Hotel Monterrey airport, S. P. I. de C. V., which GHSF participates in 15% of the capital of the new company, without exerting control. Such investment is recorded at cost.

(k) Employee benefits

(i) Short-term employee benefits

The Group's obligations for short-term employee benefits are valued on an undiscounted basis and charged to expense as the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash or profit sharing plans, if the Group has a present legal or constructive obligation to pay such amounts as a result of prior services rendered by the employee, and the obligation can be reliably estimated.

(ii) Defined benefit plan

The Group's obligations regarding seniority premiums that by law must be awarded under certain conditions are calculated by estimating the amount of future benefits earned by employees in exchange for their services in the current and past periods. That benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on government bonds to 10 years who have maturity dates approximating the maturity of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

(iii) Termination benefits

Termination benefits are recognized as an expense when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer that is made to encourage voluntary redundancy. Termination benefits for voluntary retirement are recognized as an expense only if the Group has made an offer of voluntary redundancy, it is probable that the offer is accepted, and the number of acceptances can be reliably estimated.

(l) Share-based payment

The Group has established a payment program based on shares of its equity for certain employees, recognizing an operating expense in the consolidated income statement and an increase in stockholders' equity, during the vesting period, at fair value of the equity instruments granted. The vesting period ranges from one to three years.

The plan grants shares to executives, net of taxes withheld, who meet the plan criteria and remain within the Group through the vesting period as disclosed in note 19(c).

(m) Accruals

An accruals is recorded if, as a result of a past event, the Group has a present legal or constructive obligation that can be reasonably estimated, and it is likely to require an outflow of economic benefits to settle the obligation.

(n) Revenue recognition

Initially, the Group has applied IFRS 15 beginning January 1, 2018. Note 4 presents information on the Group's accounting policies for contracts with customers and the effect of the initial application of IFRS 15.

(o) Departmental costs

Departmental costs represent the cost directly related to lodging revenues, food and beverages and other operating income. Costs primarily include personnel costs (salaries, wages and other employees-related costs), consumption of inventories, food and beverages.

The cost of food and beverage inventory represents the replacement cost of such inventories at the time of sale, plus, if any, by reductions in the replacement cost or net realizable value of inventories during the year.

(p) Advertising expenses

Advertising costs are expensed as incurred.

(q) Leases

Lease payments

Payments made under operating leases are recognized in profit or loss based on the straight-line method over the term of the lease.

Determining whether an arrangement includes a lease

When subscribing a contract, the Group determines whether such contract is or contains a lease. A specific asset is the subject of a lease if the execution of the contract depends on the specific use of the asset and the contract has the right to use the related asset.

(r) Finance income and costs

Finance income consists of interest income on invested funds. Interest income is recognized as income as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings and bank commissions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis in the income statement.

(s) Income taxes

The income tax includes current tax and deferred tax. Current tax and deferred tax are recognized in income, except when it relates to a business combination or items recognized directly in equity, as part of the other comprehensive income.

The income tax is the tax expected to be paid or received per each of the Group entities individually. Current income tax payable for the year is determined in conformity with legal and tax requirements for companies in Mexico, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recorded individually by each Group entity according to the asset and liability method, which compares the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, thus recognizing deferred taxes (assets and liabilities) for the temporary differences between these values.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that does not affect neither the accounting or tax result, and differences relating to investments in subsidiaries to the extent that the Group has the ability to control the timing of the reversal and is unlikely to reverse in the foreseeable future. In addition, no deferred taxes are recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are reviewed at the reporting date and are reduced to the extent that realization of the related tax benefit is no longer probable.

(t) Employee Statutory Profit Sharing (ESPS)

ESPS payable for the year is determined in accordance with current tax regulations. Under current tax legislation, companies are required to share 10% of its taxable income to its employees. It is presented under indirect expenses, within "Administrative", in the income statement.

(u) Contingencies

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the combined financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

(v) Segment information

Segment results that are reported by the Group's senior management (the operating decision makers) include items that are directly attributable to a segment, as well as those that can be allocated on a reasonable basis. For those expenses that cannot be directly assigned to the hotels (Urban and Resort), such as salaries, office rent, other administrative expenses, among other, are presented in the Operator segment.

(w) Earnings per share

The Group reports basic earnings per share (EPS) corresponding to its ordinary shares. Basic EPS is computed by dividing net income or loss available to common shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted by its own shares held.

4. ACCOUNTING STANDARDS NOT ADOPTED

(a) New standards not yet adopted

A number of new standards and amendments to standards and interpretations are applicable for annual periods beginning January 1, 2019, and have not been applied in the preparation of these consolidated financial statements. The Group does not plan to early adopt these standards.

- **IFRS 16 Leases**

IFRS 16 introduces a single lease accounting model for lessees. A lessee recognizes a right-of-use asset that represents its right to use the underlying asset and a lease liability that represents its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. The accounting of the lessors continues to be similar to the current standard, that is, the lessors continue to classify the leases as operating or financial leases.

IFRS 16 replaces the current lease guidance including IAS 17 Leases, IFRIC 4 Determination of whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluation of the Substance of Transactions with the Legal Form of a Lease.

The rule is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from contracts with customers, on the date of initial application of IFRS 16 or earlier.

The Group determined that there is no significant impact on its financial statements derived from the adoption of this standard.

- **IFRIC 23 Uncertainty over tax treatments**

The interpretation will begin as of January 1, 2019, this interpretation refers to the accounting for income taxes in relation to uncertainties that affects the application of IAS 12.

This interpretation establishes:

- When an entity must consider separately an uncertainty in the treatment of taxes
- The premises considered by an entity, which may arise in a review of the respective authorities.
- The manner in which an entity determines its tax result, including tax bases, losses or tax credits pending use and tax rates.

The Group must determine if it evaluates each uncertainty event separately or as group of events. The Group will apply this interpretation as of January 1, 2019, although no significant impacts are expected in its adoption.

(b) New standards or amendments to adopted standards

A series of new standards, modifications to standards and interpretations are applicable to annual periods beginning after the 1st. January 2018, and have been applied in the preparation of these consolidated financial statements are those shown in the following sheet.

The Group has initially applied IFRS 15 and IFRS 9 as of January 1, 2018. Some other new standards also were applicable as of January 1, 2018, but did not have a significant effect on the Group's financial statements.

Due to the transition methods chosen by the Group when applying these standards, the comparative information included in these financial statements has not been restated to reflect the requirements of the new standards.

- **IFRS 15 Revenue from contracts with customers**

IFRS 15 establishes a complete conceptual framework to determine whether revenues from ordinary activities should be recognized, timing of recognition and in what amount. It replaced standard NIC 18 Revenue from Ordinary Activities, standard NIC 11 Construction Contracts and related interpretations. Under IFRS 15, revenues are recognized when the customer obtains control of the goods or services. The determination of the timing of the transfer of control - at a particular time or over time - requires judgment.

Due to the characteristics of the Group's income, the change in the aforementioned regulations did not represent an impact on the Company's figures. Consequently, the information presented for 2017 has not been restated - that is, it is presented, as previously reported, under IAS 18, IAS 11 and the related interpretations. Additionally, the disclosure requirements of IFRS 15 have not generally been applied to comparative information.

The Company recognized as an asset the costs related to obtaining contracts from customers and amortizes the costs based on the contract period (see Note 14), so the change in the regulations did not have a significant impact on the accounting policies of the Company´s Group.

(i) Revenues (room, food and beverage and other)

Under IAS 18, revenues from rooms, food, beverages and other were recognized as services were provided over time.

Advances from clients that are presented as current liabilities correspond to collections received for future reservations and for which the hosting service has not been provided. These advances are recognized as income at the time these services are rendered.

Under IFRS 15, revenues from these services are recognized as they are provided. The degree of completion to determine the amount of income to be recognized is evaluated on the basis of reviewing the work performed.

(ii) Income from rents

Under IAS 17 and IFRS 15, rental income is recognized on a straight-line basis over the lease term and is presented under other operating income.

Revenue from hotel management

Under IAS 18, revenues from the provision of administrative services and hotel operations and any other services related to the hotel industry were recognized as they were provided. These revenues are presented in the operating income caption in other, in the consolidated statement of income.

Under IFRS 15, revenues from these services are recognized as they are provided. The degree of completion to determine the amount of income to be recognized is evaluated on the basis of reviewing the work performed.

(iii) Loyalty program

The Group operates, through some of its hotels, a loyalty program called "Krystal Rewards" that allows its customers to accumulate points called Krystales and then exchange them for services. The equivalent amount of these points are deducted from the income for hosting services and recognized as a deferred liability. The fair value of the Prizes are determined based on Management's estimates. These Krystal points expire at 3 years.

Under IAS 18, the income associated with the loyalty program was recognized when customers redeemed their points and the costs associated with redemption were also recognized when customers redeemed their points.

Under IFRS 15, revenues from these services are recognized as they are provided. The degree of completion to determine the amount of revenue to be recognized is evaluated on the basis of reviewing the work performed.

Disaggregation of income from ordinary activities from contracts with customers

In the following table, revenues from ordinary activities from contracts with customers are disaggregated by type of hotel and main types of income.

			2018		
		Urban	Resort	Operator and Holding	Consolidated
Revenues:					
Room	$	472,470	633,117	-	1,105,587
Food and beverage		169,773	561,739	-	731,512
Other		24,694	107,766	95,382	227,842

			2017		
		Urban	Resort	Operator and Holding	Consolidated
Revenues:					
Room	$	421,288	479,217		900,505
Food and beverage		149,275	328,346		477,621
Other		20,863	79,769	102,738	203,370

- **IFRS 9 Financial instruments**

IFRS 9 establishes the requirements for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial items. This standard replaces standard IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to Standard IAS 1 Presentation of Financial Statements that require the impairment of financial assets to be presented in a separate line in the statement of income for the period. Previously, the Group's approach was to include the impairment of commercial debtors in other expenses. Derived from the assessment made by the Company's management regarding the impairment of financial instruments (mainly accounts receivable), it was identified that the effects related to the adoption of IFRS 9 are not significant. Consequently, the comparative information included in these financial statements has not been restated to reflect the requirements of the new standards.

In addition, the Group has adopted consequential amendments to IFRS 9 Financial Instruments:

i. Classification and measurement of financial assets and financial liabilities:

IFRS 9 includes three main classification categories for financial assets: measured at amortised cost, at fair value through changes in other comprehensive income (VRCORI), and at fair value through profit or loss (VRCR). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous categories of IAS 39 from held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts in which the principal is a financial asset within the scope of the standard are never separated. Instead, the classification of the hybrid financial instrument taken as a whole is evaluated.

IFRS 9 largely preserves the existing requirements of IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets and liabilities or on their measurement or classification.

5. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk

This note presents information on the Group's exposure to each of the aforementioned risks, the objectives, policies and processes of the Group for risk measurement and management, as well as the Group's capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of the Group. Management is responsible for developing and monitoring compliance with established policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's operating activities.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management framework in relation to the risks by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Group's accounts receivable from customers.

Receivables from customers, related parties and other receivables

The Group's exposure to credit risk is affected mainly by the individual characteristics of each customer. The Group's services are provided to a large number of customers without significant concentration in any one of them.

The Group's management has implemented a credit policy under which each new customer is analyzed individually for creditworthiness before offering the standard terms and conditions of payment and delivery. The review carried out by the Group includes external ratings, when available, and in some cases bank references. For each client purchase limits are set, representing maximum open amount. Customers, who do not meet the Group's credit reference, can only perform operations through prepayment or cash.

The Group creates a provision for impairment losses that represents its best estimate of the losses expected with respect to accounts receivable and other receivables. The main factors of this allowance are a specific loss component that relates to individually significant exposures and is classified in other revenues in the statements of income.

Investments

The Group limits its exposure to credit risk by investing only in "money table" investments, which are highly liquid and low risk.

Guarantees

It is the Group's policy to provide financial guarantees only to subsidiary companies owned at least 90%.

At December 31, 2018, there is a secured loan with BBVA Bancomer, S. A. Institución de Banca Multiple being guarantors subsidiaries: Servicios de Inmuebles Turisticos, S. de R. L. de C. V. and Chartwell Inmobiliaria Monterrey, S. de R. L. de C. V. (see note 15).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation (see note 20).

Typically the Group ensures sufficient cash available to cover anticipated operating expenses for a period of 30 days, which includes the payment of its financial obligations; the above excludes the potential impact of extreme circumstances that are not reasonably foreseeable, such as natural disasters, for which the Group has taken out insurance coverage.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, prices and economic situation, factors that the population face may affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, while yields are optimized.

Currency risk

The Group is exposed to currency risk primarily by providing services and loans denominated in a currency other than the functional currency of the Group, which is the "Mexican peso". The foreign currency in which these transactions are denominated is the U.S. dollar.

Interest on loans is denominated in the currency of the loan which is U.S. the dollar.

For other monetary assets and liabilities denominated in foreign currency, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currency exchange spot trading to cover unforeseen events in the short term.

Interest rate risk

Fluctuations in interest rates primarily impact loans, changing either their fair value or future cash flows. Management does not have a formal policy to determine how much of the Group's exposure should be at a fixed or variable rate. However, at the time of obtaining new loans, management uses its judgment to decide whether it considers that a fixed or variable rate would be more favorable to the Group during the specified period until its maturity.

The Group's policy is to hedge the reference rate for its bank loans in accordance with market conditions. Currently the Group maintains a current position in interest rate options (Libor and TIIE), which provides a limit to the rates to be paid over the bank loans with variable interest rates.

Equity management

Management seeks to maintain an adequate equity base to meet the Group's operating and strategic needs and maintain the confidence of market participants. This is achieved through effective cash management, monitoring the income and profitability of the Group, and long-term investment plans that primarily finance the Group's cash flows. With these measures, the Group aims to achieve a constant growth of profits.

6. BUSINESS ACQUISITIONS

Assets acquired and liabilities assumed

Identifiable assets acquired and liabilities assumed in the business combination were as is shown in the next page.

On August 18, 2018, GHSF, through a shareholders meeting, it was agreed a capital contribution in Grupo Inmobiliario 1991, S. A. de C. V. for $132,000 through capitalization of doubt that the Company maintained with Inmobiliaria K Suites 1991, S. A. P. I. de C. V. with this capitalization GHSF acquired 50% of the company.

In the property owned by Grupo Inmobiliario 1991, the hotel "Krystal Grand Suites 1991" is currently located with 150 rooms and operated by a subsidiary of GHSF.

The acquisition of the aforementioned hotel was financed through resources from a bank loan obtained by a subsidiary of the Group.

Business combinations are accounted using the acquisition method as of the acquisition date, which is the date on which control is transferred to the Group. Management determined that it has control mainly because: i) it has power over Grupo Inmobiliario 1991, S. A. de C. V, ii) exposure or right to variable returns from their involvement in Grupo Inmobiliario 1991, S. A. de C. V., and iii) ability to use their power over Grupo Inmobiliario 1991, S. A. de C. V. to influence the amount of their returns.

As a result of the recognition of the acquisition described above based on IFRS 3 "Business Combination", the Group recognized a goodwill net of deferred tax of $22,762 using the acquisition method as of the acquisition date, which is the date on which the control is transferred to the Group.

	Fair values recognized at the time of acquisition
Current assets:	
Cash and cash equivalents	$ 235
Account receivables and other accounts receivable	46,369
Non-current assets:	
Property, furniture and equipment	597,237
Other non-current assets	44
Current liabilities:	
Trade accounts payable and other accounts payable	(331,961)
Non-current liabilities:	
Deferred taxes	(93,448)
Net assets acquired	**218,476**
Less: non- controlling interest [1]	109,238
Less: consideration paid in cash	(132,000)
Goodwill	**$ (22,762)**

(1) The non-controlling interest was valued at the acquisition date by multiplying the non- controlling interest by the fair value of the net assets acquired.

The identifiable assets acquired and the liabilities assumed due to business acquisitions, were recognized in the consolidated financial statements when transaction occurred.

The Group incurred acquisition costs of $1,943 in relation to external legal fees and due diligence costs. These costs have been included in the expansion costs.

For the four months ended December 31, 2018, Grupo Inmobiliario 1991, S. A. de C. V., contributed to the Group's results $21,204, of revenues and contributed a net profit of $13,559. If the acquisition would have made on January 1, 2018, Management estimates that consolidated revenues for the year would have been $2,128,553, while the consolidated net income for the year would have been $308,013. To determine these amounts, Management assumed that the adjustments that arose at the acquisition date would have been the same if the acquisition had taken place on January 1, 2018.

On August 24, 2018, GHSF entered into a share subscription contract in which GHSF subscribed a capital increase in the capital of Inmobiliaria Hotelera del Bajío S. F., S. A. de C.V. (IHB) of $128,250 pesos reaching a total of $256,503, obtaining 50% of the capital shareholding.

With the resources obtained through, the Company acquired on that date a property, furniture and equipment in the city of Leon Guanajuato, where a hotel with 140 rooms is located, which works under the name of Hotel Clevia Grand Hotel and is operated by GHSF.

The acquisition of the aforementioned hotel was financed with resources from a bank loan obtained by one of the Group's subsidiaries.

Business combinations are accounted using the acquisition method as of the acquisition date, which is the date on which control is transferred to the Group. Management determined that it has control mainly because: i) has power over IHB, ii) exposure or right to variable returns from their involvement IHB and iii) ability to use their power over IHB to influence the amount of their returns.

As a result of the recognition of the acquisition described above based on IFRS 3 "Business Combination", the Group did not recognize a goodwill since the assets obtained were at fair value.

	Fair values recognized at the time of acquisition
Current assets:	
Cash and cash equivalents	$ 13,166
Account receivables and other accounts receivable	50,838
Non-current assets:	
Property, furniture and equipment	369,902
Current liabilities:	
Trade accounts payable and other accounts payable	(177,422)
Net assets acquired	256,484

	Fair values recognized at the time of acquisition
Less: non-controlling interest (2)	128,242
Less: consideration paid in cash	(128,242)
Goodwill	**$ -**

(2) The non-controlling interest was valued at the acquisition date by multiplying the non-controlling interest percentage by the fair value of the net assets acquired.

The identifiable assets acquired and the liabilities assumed due to business acquisitions, were recognized in the consolidated financial statements when transactions occurred.

The Group incurred acquisition costs of $480 in relation to external legal fees and due diligence costs. These costs have been included in the expansion costs.

For the four months ended December 31, 2018 IHB contributed to the Group's results $6,342, of revenues and contributed a net loss of $4,610. If the acquisition would have made on January 1, 2018, Management estimates that consolidated revenues for the year would have been $2,083,967, while the consolidated net income for the year would have amounted to $253,507. In order to determine these amounts, management assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had taken place on January 1, 2018.

On February 21, 2017, GHSF entered into a share subscription contract, in which GHSF subscribed a capital increase in the variable part of the capital of ICD Sitra, S. A. de C. V. ("Sitra"), obtaining 50% of the capital shareholding.

The assets of Sitra include a hotel which operates 454 rooms in the Gran tourism category. The operation of the hotel will be carried out by GHSF, under the brand "Reflect Krystal Grand" named "Krystal Grand Los Cabos".

In addition, on February 28, 2017, GHSF entered into a share subscription contract, in which GHSF subscribed a capital increase in the variable part of the capital of Sibra Vallarta, S. A. de C. V. ("Sibra"), obtaining 50 % of shareholding.

The assets of Sibra include a hotel which operates 480 rooms in the Gran tourism category. The operation of the hotel will be carried out by GHSF under the brand "Reflect Krystal Grand" named "Krystal Grand Vallarta".

The acquisition of the aforementioned hotels was financed through resources from the Subsequent Public Offering of shares in Mexico and Chile which took place on July 7, 2016. (See note 1).

Business combinations are accounted using the acquisition method as of the acquisition date, which is the date on which control is transferred to the Group. Management determined that GHSF has control mainly because: i. GHSF has power over Sitra and Sibra, ii. exposure or right to variable returns from their involvement in Sitra and Sibra and iii. ability to use their power over Sitra and Sibra to influence the amount of their returns.

On February 21, 2017, GHSF entered into a share subscript.

As a result of the recognition of the acquisition described above based on IFRS 3 "business combination", the Group recognized a goodwill net of deferred tax of $224,059 using the acquisition method as of the acquisition date, which is the date on which the control is transferred to the Group.

	Fair values recognized at the time of acquisition
Current assets:	
Cash and cash equivalents	$ 3,720
Accounts receivable and other accounts receivable	81,814
Non-current assets:	
Property, furniture and equipment	3,096,097
Other non-current assets	6,023
Current liabilities:	
Trade accounts payable and other accounts payable	(1,393,314)
Non-current liabilities:	
Debt	(297,483)
Deferred taxes	(724,523)
Net assets acquired	772,334
Less non-controlling interest (1)	386,167
Less consideration paid in cash	(610,226)
Goodwill	**$ (224,059)**

(1) The non-controlling interest was valued at the acquisition date by multiplying the non-controlling interest percentage by the fair value of the net assets acquired.

The identifiable assets acquired and liabilities assumed due to business combinations were recognized in the consolidated financial statements when transactions occurred.

The Group incurred acquisition costs of $5,152 in relation to external legal fees and due diligence costs. These costs have been included in the expansion costs.

For the ten months ended December 31, 2017, SITRA and SIBRA contributed to the Group's results $142,174 and $63,919 of revenue and contributed a net loss of $27,423 and $25,998. If the acquisition would have made on January 1, 2017, management estimates that consolidated revenues would have been $1,622,715, while the consolidated net income for the year would have been $176,697. To determine these amounts, management assumed that the fair value adjustments that arose at the acquisition date would have been the same if the acquisition had taken place on January 1, 2017.

7. BUSINESS SEGMENTS INFORMATION

a) Segmentation basis

The Group has three operating segments, which are classified by type of service and due to the similarity of its economic characteristics:

- Urban Services
- Resort Services
- Operator and Holding

The Urban segment refers to city hotels, the Resort segment refers to beach hotels, and the Operator and Holding segment refers to the operation segment of third-party hotels and administrative services.

The performance of the operating segments is measured based on the total revenues and the operating income of each operating segment, management considers this information is the most appropriate for evaluation the results. The financial information related to each of the operating segments is detailed as follows:

			2018	
	Urban	Resort	Operator and Holding	Consolidated
Total operating revenues	$ 666,937	1,302,623	95,381	2,064,941
Depreciation and amortization	72,518	108,248	15,601	196,367
Operating profit (loss)	202,804	363,211	(115,461)	450,555
Consolidated net income (loss)	173,228	191,788	(97,680)	267,337

			2017	
	Urban	Resort	Operator and Holding	Consolidated
Total operating revenues	$ 591,425	887,333	102,738	1,581,496
Depreciation and amortization	57,055	75,816	11,302	144,173
Operating profit (loss	201,478	255,030	(121,442)	335,066
Consolidated net income (loss)	132,935	104,612	(50,165)	187,382

The financial situation for the last two years is shown below:

			2018	
	Urban	Resort	Operator and Holding	Consolidated
Total assets	$ 3,495,064	5,779,495	904,846	10,175,405
Total liabilities	1,176,811	3,064,239	90,270	4,331,320

	2017			
	Urban	Resort	Operator and Holding	Consolidated
Total assets	$ 2,622,317	5,651,437	752,548	9,026,302
Total liabilities	748,661	2,866,090	72,490	3,687,241

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	2018	2017
Cash	100,201	278,861
Temporary investments	2,603	9,154
Total cash and cash equivalents in current assets	102,804	288,015
Long term restricted cash (1)	134,755	103,655
Total cash and cash equivalents	**$ 237,559**	391,670

(1) Restricted cash comprises of certain deposits to guarantee the payment of bank loans.

9. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2018	2017
Guests and agencies	$ 161,153	120,848
Other	13,468	18,112
	174,621	138,960
Less estimate for doubtful accounts	3,739	3,773
Total accounts receivable	**$ 170,882**	135,187

Note 20 discloses the Group's exposure to credit and currency risks and impairment losses related to accounts receivable from customers.

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) Control relationships

At December 31, 2018, the equity of Grupo Hotelero Santa Fe, S. A. B. de C. V. is as follows:

- Casa de Bolsa Ve por Más, S. A. de C. V., Grupo Financiero Ve Por Más, División Fiduciaria as a trustee of F/154 (the "Control Trust"), 53.8833% of the capital.
- The remaining 46.1167% is held by the public investors.

The final control of Grupo Hotelero Santa Fe, S. A. B. de C. V. is held by the Control Trust.

(b) Remuneration to key management personnel

Management's key members received the following remuneration during each of the following years, which are included in personnel costs. (See note 21).

	2018	2017
Short-term benefits	$ 36,073	32,332

(c) Transactions with other related parties

The transactions with other related parties are as follows:

(i) Revenue

	Transaction value	
	2018	2017
Management fee base:		
Hotelera Chicome, S. A. de C. V.	$ 11,898	11,746
Promotora Turística Mexicana, S. A. de C. V.	6,459	4,049
Hotelera Caracol, S. A. de C. V.	4,694	4,439
Servicios Integrales Pin, S. A. de C. V.	390	-
Yaman, S. A. de C. V.	276	-
WSC CKD Krystal Grand Reforma F/10057	-	5,993
Consorcio Hotelero Aeroportuario Monterrey, S. A. P. I. de C. V.	-	2,726
Incentive fees:		
Hotelera Chicome, S. A. de C. V.	$ 14,978	15,733
Promotora Turística Mexicana, S. A. de C. V.	8,741	4,711
Hotelera Caracol, S. A. de C. V.	4,890	4,510
Servicios Integrales Pin, S. A. de C. V.	315	-
Yaman, S. A. de C. V.	127	-

	Transaction value	
	2018	2017
WSC CKD Krystal Grand Reforma F/01057	-	8,765
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V.	-	4,239
Corporate and international advertising revenues:		
Hotelera Chicome, S. A. de C. V.	$ 9,617	9,215
Promotora Turística Mexicana, S. A. de C. V.	4,761	1,907
Hotelera Caracol, S. A. de C. V.	2,425	2,089
Servicios Integrales Pin, S. A. de C. V.	124	-
WSC CKD Krystal Grand Reforma F/10057	-	1,295
One-time operating fee:		
Operadora Inca S. A. de C. V.	$ 7,252	-
Servicios Hoteleros Metropolitanos, S. A. de C. V.	2,697	-
Operadora de Hoteles de Pachuca, S. A. de C. V.	180	-
Other income:		
Promotora Turística Mexicana, S. A. de C. V.	$ 2,411	926
Hotelera Chicome, S. A. de C. V.	1,026	1,352
WSC CKD Krystal Grand Reforma F/01057	1,649	1,069
Hotelera Caracol, S. A. de C. V.	462	819
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V.	-	287
Servicios Corporativos Krystal Cancún, S. A. de C. V.	38	38
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	38	38
Servicios Corporativos Krystal Ixtapa, S. A. de C. V.	38	38
Yaman, S. A. de C. V.	22	-
Operadora de Hoteles de Pachuca, S. A. de C. V.	$ 1,090	-
Operadora Inca S.A. de C.V.	341	-
Servicios Hoteleros Metropolitanos, S. A. de C. V.	187	-
Servicios Integrales Pin, S. A. de C. V.	2	-

(ii) Expenses

Promotora Turística Mexicana, S. A. de C. V.	$ 8,978	10,665
WSC CKD Krystal Grand Reforma F/01057	-	765
Expenses for administrative services:		
Grupo Circum, S. A. de C. V.	$ 7,714	7,584
Servicios Administrativos Chartwell, S. A. de C. V.	3,396	4,216
Expenses for development services:		
Grupo Circum, S. A. de C. V.	$ 4,935	6,403

	Transaction value	
	2018	2017
Leases:		
Inmobiliaria de la Parra, S. de R. L. de C. V.	$ 6,084	5,864
WSC CKD Krystal Grand Reforma F/01057	-	402

(iii) Transfer pricing policies

As for the pricing agreed, related party transactions, are comparable to those that would be used with or between independent parties in comparable transactions.

The due from and to related parties balances are as follows:

Due from	**2018**	2017
Hotelera Chicome, S. A. de C. V.	$ 4,842	5,550
Promotora Turística Mexicana, S. A. de C. V.	2,447	-
Hotelera Caracol, S. A. de C. V.	1,810	2,188
Consorcio Hotelero Aeroportuario Monterrey, S. de R. L. de C. V.	635	827
Grupo Inmobiliario 1991, S. A.	-	580
Servicios Integrales PIN, S. A. de C. V.	274	300
Servicios Corporativo Krystal Ixtapa, S. A. de C. V.	14	11
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	7	4
Servicios Hoteleros Monterrey, S. A. de C. V.	4	3
Nexxus Capital Private Equity Fund III, L. P.	2	2
Comercializadora MP, S. A. de C. V.	2	2
Administración S.F. Reforma, S. de R. L. de C. V.	218	-
Due from related parties	**$ 10,255**	9,467
Due to		
Grupo ICD Sitra, S. A. de C. V.	$ 10,467	15,146
Operadora Inca, S. A. de C. V.	61	10
Comercializadora MP, S. A. de C. V.	7	-
Servicios Corporativos Krystal Cancun, S. A. de C. V.	6	-
Promotora Turística Mexicana, S. A. de C. V.	-	768
Due to related parties	**$ 10,541**	15,924

Note 20 discloses the Group's exposure to credit and liquidity risks related to due from balances with related parties.

11. OTHER RECEIVABLES

Other accounts receivable is summarized as follows:

	2018	2017
Recoverable value added tax	$ 333,785	288,255
Recoverable income taxes	69,153	46,259
Sundry debtors	6,675	8,982
Recoverable cash, deposits tax	413	413
Recovered flat rate business tax	226	226
Other	-	9,001
	$ 410,252	353,136

Note 20 discloses the Group's exposure to credit risk related to other accounts receivable.

12. INVENTORIES

Inventories are comprised as follows:

	2018	2017
Foods	$ 6,434	5,235
Other operating supplies	16,218	5,493
Beverages	6,400	4,726
	$ 29,052	15,454

13. PROPERTY, FURNITURE AND EQUIPMENT

The rollforward of property, furniture and equipment is shown in the next page.

	Land	Operating equipment	Buildings	Furniture & equipment	Construction in progress	Total
Investment:						
Balance at December 31, 2016	$ 600,416	39,929	2,525,096	442,479	409,134 (1)	4,017,054
Additions	-	7,865	239,740	46,324	887,586	1,181,515
Disposals	-	(4,978)	(2,951)	(1,639)	(2,270)	(11,838)

	Land	Operating equipment	Buildings	Furniture & equipment	Construction in progress	Total
Acquisition effect	1,169,185	-	1,776,882	138,538	11,492	3,096,097
Transfer	-	3,193	238,433	13,614	(255,240)	-
Balance at December 31, 2017	$ 1,769,601	46,009	4,777,200	639,316	1,050,702	8,282,828
Investment:						
Balance at December 31, 2017	$ 1,769,601	46,009	4,777,200	639,316	1,050,702	8,282,828
Additions	-	18,352	99,303	99,528	381,434	598,617
Disposals	-	(74)	-	(2,869)	(286,986)	(289,929)
Acquisition effect	93,023	27,942	736,534	109,640	-	967,139
Balance at December 31, 2018	$ 1,862,624	92,229	5,613,037	845,615	1,145,150	9,558,655
Accumulated depreciation:						
Balance at December 31, 2016	$ -	-	373,874	190,248	-	564,122
Depreciation	-	-	91,319	48,896	-	140,215
Disposals	-	-	(9,423)	(2,318)	-	(11,741)
Balance at December 31, 2017	$ -	-	455,770	236,826	-	692,596
Accumulated depreciation:						
Balance at December 31, 2017	$ -	-	455,770	236,826	-	692,596
Depreciation	-	-	133,730	61,327	-	195,057
Disposals	-	-	(11,108)	-	-	(11,108)
Balance at December 31, 2018	$ -	-	578,392	298,153	-	876,545
Carrying values:						
Balance at December 31, 2017	$ 1,769,601	46,009	4,321,430	402,490	1,050,702	7,590,232
Balance at December 31, 2018	$ 1,862,624	92,229	5,034,645	547,462	1,145,150	8,682,110

At December 31, 2018 and 2017, the estimated cost to complete construction in process projects amounts $654,736 and $1,018,767, respectively.

(1) The constructions in process correspond to remodeling of Krystal Urban Monterrey, Hilton Guadalajara, Reflect Krystal Grand Los Cabos, Reflect Krystal Grand Nuevo Vallarta, Reflect Krystal Grand Cancún and the construction of the hotel Krystal Residences and Suites (IHI).

At December 31, 2018 and 2017, there are no impairment losses on the value of long-lived assets, evaluated in accordance with the provisions of IAS 36 "Impairment of long-lived Assets".

14. OTHER ASSETS

The other assets are integrated as follows:

	2018	2017
Extraordinary Fees (1) (2) (3)	$ 13,675	14,720
Other	6,761	5,657
	$ 20,436	20,377

(1) On March 13, 2017, Hotelera SF entered into an operation and hotel management agreement with Servicios Integrales PIN, S. A. P. I. de C. V., to operate 140 rooms hotel in the city of Irapuato, Gto. The aforementioned under the franchise of a well-known international brand, in which it is stated the payment of an extraordinary fee (key money) amounting to $7,000 in consideration for being chosen by the hotel owner to operate for an initial term of 15 years which will be the amortization period. As of December 31, 2018, the amortization was $350.

(2) On March 17, 2016, Hotelera SF entered into an operation and hotel management agreement with Inca Inmobiliaria Monterrey S. A. de C. V., owner of the Hotel "Krystal Monterrey", in which it is stated the payment of an extraordinary fee amounting to $ 6,000, in consideration for being chosen by the hotel owner to operate for initial term of 10 years, which will be the amortization period. At December 31, 2018 and 2017, amortization was $600 and $300, respectively.

(3) On December 22, 2015, Hotelera SF, entered into a management and hotel operation agreement with Servicios Hoteleros Metropolitanos S. A. de C. V. (owner of the hotel "Krystal Urban Aeropuerto Ciudad de México"), which stipulated the payment of an extraordinary fee amounting to $3,600 in consideration for being chosen by the owner of the hotel to operate it for a term of 10 years which will be the amortization period. At December 31, 2018 and 2017, amortization was $360 and $270, respectively.

15. SHORT AND LONG-TERM DEBT

The Group's debt is summarized as follows:

	2018	2017
Unsecured loan originated by BBVA Bancomer, S. A. up to USD 29,000,000 to Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R. L de C. V. and Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R. L. de C. V., which bear interest at 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments, beginning June 29, 2011, maturing in 10 years. The last payment of USD 8,700,000 corresponds to 30% of the total debt	$ 276,409	331,006
Unsecured loan originated by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. up to USD 22,000,000, which bear interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments, beginning on October 31, 2014 maturing in 10 years. The last payment of USD 6,600,000 corresponds to 30% of the total debt.	311,189	346,554
Carried forward	$ 587,598	677,560

	2018	2017
Brought forward	$ 587,598	677,560
Unsecured loan originated by BBVA Bancomer, S. A. to Grupo Hotelero SF de México, S. de R. L. de C. V. for $120,000, which bear interest that results from adding 2.95% (two point ninety-five percentage points) to the defined TIIE rate in the contract and in the absence of this, by reason of an annual interest rate that results from adding 2.95% (two point ninety-five percentage points) to the CETES rate, payable in 40 quarterly installments beginning on February 29, 2016 , maturing in 10 years. The last payment of $36,000 pesos corresponds to 30% of the total debt.	94,153	102,769
Unsecured loan originated by BBVA Bancomer, S. A. to Inmobiliaria in Hotelería Cancún, S. de R. L. de C. V. for USD 18,300,000, which bear interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 39 quarterly installments, beginning June 28, 2014, maturing in 10 years. The last payment of USD 5,490,000 corresponds to 30% of the total debt.	237,043	270,405
Unsecured loan originated by Banco Ve por Más, S. A. to Inmobiliaria Hotelera Cancún Urban, S. de R. L. de C. V. for $100,000 which bear interest at the ordinary rate that results from adding 3.2 percentage points to the TIIE, paying in 25 quarterly installments beginning on May 19, 2017 maturing in 6 years.	79,583	91,250
Unsecured loan originated by Banco Santander Mexico to SF Partners II, S. de R. L. de C. V. for $85,000 which bear interest at the ordinary rate resulting f rom adding 2.95 percentage points to the rate (TIIE) payable in 79 monthly payments beginning December 16, 2016, maturing in 7 years. The last payment of $25,500 corresponds to 30% of the total debt.	65,929	75,083
Brought forward	$ 1,064,306	1,217,067
Credit granted by the Electric Energy Savings Trust to Grupo Hotelero SF de México S. de RL for the purchase of CHILLER for $5,356 which bear interest at a fixed rate of 8.06% payable to 36 monthly installments beginning on September 18, 2016.	1,128	2,694
Loan granted by Banco Mercantil del Norte, S. A. to Motels with pledge and mortgage guarantee and Restores María Bárbara, S. A. de C. V. for $ 110,000 which bear interest at the 28-day TIIE rate plus 3.0 percentage points. Payable in 15 annual exhibitions due May 30, 2031.	104,900	110,000
Loan with pledge and mortgage guarantee granted by SABCAPITAL, S. A. of C. V., SOFOM, E. R. for $31,500,000 USD. To ICD Sitra, S. A. de C. V., with a grace period for the payment of the principal of 12 months. Which bear interest at the 90 day LIBOR rate plus 2.95 percentage points payable on 45 quarterly exhibits due November 14, 2029.	607,925	621,665

	2018	2017
Loan with pledge and mortgage guarantee granted by SABCAPITAL, S. A. de C., V., SOFOM, E.R. for $ 28,800,000 USD., to Sibra Vallarta, S. A. de C. V. which bear interest at the 90-day LIBOR rate plus 2.95 percentage points payable at 46 quarterly exhibits due on December 5, 2029.	556,046	568,380
Simple credit granted by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Cancún, S. de R. L. de C. V. up to USD 8,000,000, which bear interest at 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments, beginning October 30 2018, maturing in 10 years. The last payment $2,540,000 corresponds to 30% of the total debt.	154,501	-
Brought forward	$ 2,488,806	2,519,806
Simple credit with collateral and mortgage guarantee granted by SABCAPITAL, S. A. de C. V., up to USD13,000,000, to Grupo Inmobiliario 1991, S. A. de C. V., which bear interest at 90-day LIBOR rate plus 2.95 percentage points payable on 40 quarterly installments maturing on November 30, 2028. The last payment for 2,600,000 corresponds to 20% of the total payment of the debt.	255,535	-
Simple credit granted by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. up to $7,000,000, which bear interest at the 90-day LIBOR rate plus 3.10 percentage points payable in 36 quarterly installments, beginning January 31, 2020 due to 10 years. The last payment for $2,277,380 corresponding to 32% of the total debt.	137,596	-
Simple credit and substitution agreement that celebrates Group Financiero BanRegio to IHB, which bear interest at the 90-day (TIIE) plus 3 percentage points due to May 20, 2026. The last payment of $13,712,915 pesos correspond to 11% of the total debt.	123,380	-
Accrued interest payable	14,662	13,745
Less issuance costs	(25,019)	(22,911)
Total debt	2,994,963	2,510,640
Less current installments	254,802	168,361
Long-term debt, excluding current maturities	$ 2,740,161	2,342,279

Below is a reconciliation between the debt balances and the effluent flows presented in the year:

2018

	Beginning balance	Loans received during 2018	Payments of principal	Interest paid	Total cash transaction	Other financial cost	Unrealized foreign exchange	Accrued interest	Business acquisitions	Final balance
Long debt	$ 2,510,640	685,974	(176,393)	(156,801)	2,863,420	7,243	(33,418)	157,718	-	2,994,963

2017

	Beginning balance	Loans received during 2018	Payments of principal	Interest paid	Total cash transaction	Other financial cost	Unrealized foreign exchange	Accrued interest	Business acquisitions	Final balance
Long debt	$ 1,402,623	1,266,557	(415,443)	(91,561)	2,162,176	3,376	(47,655)	94,214	298,529	2,510,640

Interest expense on loans for the years ended December 31, 2018 and 2017 was $157,718 and $94,214, respectively.

At December 31, 2018 and 2017, the distribution among the entities in relation with the unsecured loan granted by BBVA Bancomer, S. A. up to USD 29,000,000 (which are guaranteed by Servicios e Inmuebles Turísticos, S. de R. L. de C. V. and Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V.), is shown below:

	US dollars
Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R. L. de C. V.	26,300,000
Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R. L. de C. V.	2,700,000
	29,000,000

The bank loans establishes certain restrictive covenants, the most significant of which are:

- Provide audited financial statements within 210 calendar days after the fiscal year end.
- Provide within sixty calendar days after the end of each semester, internal unaudited financial statements.
- Inform within the next ten business days of any event that could affect or impair the current financial situation of the business or incur in any of the causes of anticipated termination under in the contract, informing the actions and measures that will be taken on the matter.
- Comply with certain financial ratios.
- Do not transmit or transfer neither the shareholding (whether from merger, acquisition, spinoff or transfer) nor the property, with certain exceptions.

- Not incurring interest- bearing liabilities, whose amounts may affect the payment obligations established in the contract.

- Do not grant loans or guarantees to third parties that may affect the payment obligations established in the contract.

As of December 31, 2018, the Group did not fulfill some of the restrictive covenants. However, Management obtained a waiver from the bank on December 28. As a result, the loan was not due as of December 31, 2018.

Note 20 discloses the Group's exposure to liquidity and currency risks related to short and long-term debt.

16. TRADE ACCOUNTS PAYABLES, OTHER LIABILITIES AND ACCRUED LIABILITIES

Accumulated suppliers and liabilities are integrated as shown below:

	2018	2017
Suppliers	$ 186,464	109,544
Other liabilities	191,448	145,610
Accruals	29,890	46,935
	$ 407,802	302,089

Note 20 discloses the Group's exposure to liquidity risk related to suppliers and accumulated liabilities.

17. EMPLOYEE BENEFITS

The cost of the obligations and other elements of the seniority premium plans were determined based upon calculations prepared by independent actuaries at December 31, 2018 and 2017.

Below is the amount of the benefit obligation of the plans at December 31, 2018 and 2017, and the present value of benefits obligations of the plans at those dates.

	2018	2017
Seniority premium	$ 5,473	4,179

(a) Movements in the present value of defined benefit obligations (DBO)

	Seniority premium	
	2018	2017
DBO at January 1,	$ 4,179	3,867
Benefits paid by the plan	(242)	(162)
Current service cost	594	512
Finance cost	16	223
Actuarial gains	926	(261)
DBO at December 31	$ 5,473	4,179

(b) Recognized expense in profit or loss

	Seniority premium	
	2018	2017
Current service cost	$ 594	512
Finance cost	347	223
Actuarial gains	(304)	(261)
	$ 637	474

The net cost of the period was recognized in 2018 and 2017 in indirect administrative expenses in the consolidated statements of income.

(c) Actuarial assumptions

The main actuarial assumptions at the reporting date (expressed as weighted averages) are as follows:

	2018	2017
Discount rate	9.15%	7.75%
Future salary increases	5.13%	4.64%

18. INCOME TAXES (IT)

The IT Law effective since January 2014, imposes an IT rate of 30% beginning 2014 and thereafter.

(a) Reconciliation of effective tax rate

Income tax attributable to income before income taxes differed from the amounts resulting by applying the Mexican statutory rates of 30% of IT to profit before income taxes, as a result of the items which are shown below:

	IT	
	2018	2017
Computed "expected" tax expense	$ 94,198	83,309
Increase (reduction) resulting from:		
Fiscal effects of inflation, net	(31,130)	(20,360)
Non-deductible expenses	4,670	7,014
Recognition of previously unrecognized deferred assets	(21,083)	20,125
Other, net	-	227
Income tax expense	**$ 46,655**	90,315

(b) Deferred income tax assets and liabilities recognized

Deferred income tax assets and liabilities are presented below:

	IT	
	2018	2017
Deferred tax assets:		
Tax loss carryforwards	$ 81,129	158,552
Accruals	8,117	34,385
Advances from customers	358	8,822
Allowance for doubtful accounts	954	108
Deductible employee statutory profit sharing (ESPS)	337	213
Employee benefits	329	1,221
Total deferred tax assets	91,224	203,301

	IT	
	2018	2017
Deferred tax liabilities:		
Property, furniture and equipment	818,470	815,387
Prepaid expenses	2,973	9,694
Other assets	18,706	89,328
Total deferred tax liabilities	840,149	914,409
Deferred tax asset, net neto	$ (748,925)	(711,108)

	IT 2018	2017
Deferred tax assets in the consolidated statements of financial position	$ 118,790	101,982
Deferred tax liabilities in the consolidated statements of financial position	867,715	813,090
Deferred tax asset, net	$ (748,925)	(711,108)

Deferred income tax assets and liabilities have been presented in the consolidated statement of financial position, based upon the grouping of each legal entity included in the consolidation, because taxes effects cannot be offset between the different entities, due to the fact that there is no legal mechanism that allows it.

(c) Activity in temporary differences

	January 1, 2018	Recognized in results	Acquisition of business	December 31, 2018
Property, furniture and equipment	$ (815,387)	90,365	(93,448)	(818,470)
Tax loss carryforwards	158,552	(77,423)	-	81,129
Accruals	34,385	(26,268)	-	8,117
Advances from costumers	8,822	(8,464)	-	358
Allowance for doubtful accounts	108	846	-	954
Employee benefits	1,221	(892)	-	329
Deductible ESPS	213	124	-	337
Prepaid expenses	(9,694)	6,721	-	(2,973)
Other assets	(89,328)	70,622	-	(18,706)
	$ (711,108)	55,631	(93,448)	(748,925)

	January 1, 2017	Recognized in results	Acquisition of business	December 31, 2017
Property, furniture and equipment	$ (86,228)	(4,636)	(724,523)	(815,387)
Tax loss carryforwards	117,750	40,802	-	158,552
Accruals	18,495	15,890	-	34,385
Advances from costumers	6,562	2,260	-	8,822
Allowance for doubtful accounts	378	(270)	-	108
Employee benefits	1,160	61	-	1,221
Deductible ESPS	220	(7)	-	213
Prepaid expenses	(7,313)	(2,381)	-	(9,694)
Other assets	(13,003)	(76,325)	-	(89,328)
	$ 38,021	(24,606)	(724,523)	(711,108)

The deferred tax assets not yet recognized in the consolidated financial statements of the Group are shown below:

	2018	2017
Tax loss carryforwards	$ 242,049	148,015

At December 31, 2018, tax loss carryforwards expire as follows:

Year	Tax loss carryforwards
2020	$ 62
2021	3,072
2022	7,133
2023	18,465
2024	112,796
2025	149,289
2026	126,036
2027	60,249
2028	35,372
	$ 512,474

19. STOCKHOLDERS' EQUITY AND RESERVES

The main features of the accounts included the Group stockholders' equity are described below:

(a) Initial public offering

At the Ordinary and Extraordinary Shareholders' Meeting held on September 3, 2014, it was agreed to change the legal regime of the Company to a Stock Exchange Company of Variable Capital. In addition it was approved to go public through a mixed public offering of shares in Mexico of up to 75,000,000 shares ($750,000 ($681,809 net of offering expenses and taxes)), which took place on September 11, 2014.

After the public offer, the capital stock was comprise of 275,500,000 common shares, registered, with no nominal value, Series "II", 207,500,000 corresponding to the founders and 68,000,000 to the public.

(b) Subsequent public offering

At the Extraordinary Shareholders' Meeting held on June 15, 2016, it was agreed to make a public offering of shares in Mexico and Chile for up to 215,625,000 shares, of which 215,584,530 were issued ($1,832,469 ($1,787,961, net of offering expenses and taxes)), which took place on June 17, 2016.

After the subsequent offering, the capital stock is comprised of 491,084,530 ordinary shares, with no par value, 264,612,635 corresponding to the founders and 226,471,895 to the public investors.

(c) Repurchase of shares

At the Ordinary and Extraordinary General Shareholders' Meeting held on September 3, 2014, it was agreed to set up the Company's shares repurchase program up to a maximum amount equivalent to the total balance of the Company's retained earnings, including retained earnings from prior years. The Mexican National Banking and Securities Commission allows the companies to acquire in the market their own shares with a charge to retained earnings.

The total repurchased shares at December 31, 2018, is 3,803,286 shares, equivalent to 0.77% of the total shares of the Company's capital stock.

Of the repurchased shares, 1,526,733 are related to the fund for the share-based payment plan of the Company's executives, which was implemented in 2016 and $2,276,553 corresponding to the repurchase fund. The market value of the shares at December 31, 2018 is 8.29 and at December 31, 2017 is 10.28 per share. The repurchased shares available for sale have been recorded as a decrease of the capital stock.

(d) Share-based payment

The Group has a trust with the purpose of acquiring its own shares for the share-based payment to certain Group executives. The main features of the plan is a three-year term, the start date of the plan was the April 1, 2016 and will release 20%, 30% and 50% of the shares on the first, second and third anniversary respectively.

To participate in the share-based payment plan, the executive must be at least one year in the Group, be recommended by the executive committee and remain in the Group on the date of each anniversary. This plan allows incorporations into their validity which must comply with the same conditions. The Group's board of directors authorizes and assigns plan shares at least once a year to certain executives who are eligible under the policies. The fair value for each share allocated in the share plan is equal to the average market price of the share at the date of allocation.

The shares of the trust for the share-based payment at December 31, 2018 is 1,526,733 shares whose market value at December 31, 2018 was $8.29 pesos per share. According to the plan, an expense amounting to $7,463 was recognized and net effect of taxes of $4,744 was credited to the stock repurchase reserve.

(e) Additional paid in capital

Represents the difference in excess between the subscribed shares and the nominal value derived from the capital contribution increase made on February 26, 2010 by Grupo Hotelero Santa Fe, S. A. B. de C. V.

(f) Restrictions on stockholders' equity

The net income for the year is subject to the separation of a 5%, to the legal reserve until it reaches one fifth of the capital stock. (See note 20(g)).

Stockholder contributions restated as provided for by the tax law may be refunded to stockholders tax-free, to extend that such contributions equal or exceed stockholders' equity.

Retained earnings on which no income taxes have been paid, are subject to income taxes in the event of distribution, at the rate of 30%, payable by the Company; consequently, the stockholders may only receive 70% of such amounts.

(g) Legal reserve

At December 31, 2018 and 2017, the legal reserve amounts to $190,493, such amount has not reached the required amount by amount Mexican Corporation Law.

(h) Basic earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of shares outstanding during the period. The weighted average number of shares at December 31, 2018 and 2017, is as shown below:

	Number of shares	
	2018	2017
January 1,	488,069,638	487,277,367
Shares repurchase	788,394	792,271
Shares sold	-	-
Final balance number of shares	487,281,244	488,069,638
Weighted average number of shares	487,784,821	487,935,188
Earnings per share	0.55	0.38

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Credit risk or counterparty

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Group's receivables from customers and investment securities. To mitigate this risk, the Group estimates the exposure of credit risk on financial instruments.

(b) Credit risk exposure

The carrying value of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	Carrying amount	
	2018	2017
Accounts receivable	$ 170,882	135,187
Due from related parties	10,255	9,467
Other accounts receivable	410,252	353,136
	$ 591,389	497,790

The maximum exposure to credit risk for accounts receivable at the reporting date by geographic region is as follows:

	Carrying amount	
	2018	2017
Domestic	$ 122,265	96,057
Foreign	48,617	39,130
	$ 170,882	135,187

Below is the maximum exposure to credit risk for accounts receivable at the reporting date, by type of customer:

	Carrying amount	
	2018	2017
Business groups	$ 33,260	64,868
Wholesale	137,622	61,851
Retail	-	8,468
	$ 170,882	135,187

Impairment loss

The following is the classification of accounts receivable based on their age at December 31, 2018 and 2017:

	Gross **2018**	Impairment **2018**	Gross 2017	Impairment 2017
Current	$ 129,596	-	108,707	-
Past due from 0 to 30 days	20,554	-	16,242	-
Past due from 31 to 120 days	14,684	-	8,160	-
Past due over 120 days	9,787	(3,739)	5,850	(3,773)
	$ 174,621	**(3,739)**	138,959	(3,773)

The movement in the provision for impairment of accounts receivable from customers during the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Balance at the beginning of the year	$ 3,773	1,258
Decrease and write-offs	(34)	2,515
Balance at the end of year	**$ 3,739**	3,773

	Fair value **2018**	Fair value 2017
Effect in thousands of Mexican pesos		
Interest rate options (TIIE 91)		
BBVA Bancomer	$ 1,031	1,543
Interest rate options (LIBOR 3M)		
BBVA Bancomer	1,576	1 92
	$ 2,607	1,735

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty to meet its obligations related to financial liabilities. The Group seeks as far as possible, monitor these obligations, under both normal and stressed scenarios, without incurring unacceptable losses or risking damage to the Group's reputation.

The contractual maturities of financial liabilities at the end of the reporting period are shown as follows, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2018	Carrying amount	Contractual cash flows	1 year	2 years	3 years	More than 3 years
Non-derivative financial liabilities						
Short and long-term debt	$ 2,994,963	4,216,840	423,174	464,527	599,856	2,729,284
Trade accounts payable	186,464	186,464	186,464	-	-	-
Accrued liabilities	191,448	191,448	191,448	-	-	-
	$ 3,372,874	**4,594,752**	**801,086**	**464,527**	**599,856**	**2,729,284**

2017						
Short and long-term debt	$ 2,510,640	3,090,338	252,780	326,125	317,695	2,193,737
Trade accounts payable	109,544	109,544	109,544	-	-	-
Accrued liabilities	145,610	145,610	145,610	-	-	-
	$ 2,765,794	3,345,492	507,934	326,125	317,695	2,193,737

Market risk

Market risk is the risk that changes in market prices, such as interest rates, stock prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. In order to mitigate the market risks, the Group enters into derivative financial instruments, which, if not are formally designated for hedging, are accounted as for held-for-trading.

Exposure to currency risk

The Group's exposure to currency risk is shown below:

	Thousands of dollars	
	2018	2017
Accounts receivable	$ 3,954	2,314
Guaranteed bank loans	(129,028)	(108,334)
Trade accounts payable	(1,648)	(527)
Net exposure	**$ (126,722)**	(106,547)

The peso exchange rate in relation to the dollar at December 31, 2018 and 2017 was $19.6566 and $19.7354, respectively. At February 22, 2019, the exchange rate was $19.18.

Exposure to currency risk from derivative financial instruments

The Group is exposed to currency risk in its derivative financial instruments, since they are denominated in US dollars while the functional currency of the Group is the Mexican peso.

The Group does not have financial instruments to hedge currency fluctuations.

Exposure to currency risk

The following is a summary of the currency risk exposure arising from derivative financial instruments, originally agreed in US dollars:

Effect in thousands USD	2018	2017
Interest rate option (LIBOR 3M)		
BBVA Bancomer	80	9

The dollar exchange rates used during the year are shown below:

	2018	2017
Mexican peso	$ 19.6566	19.7354

Sensitivity analysis

A strengthening of the Mexican peso, as indicated below, against the US dollar as of December 31, 2018 and 2017 would have increased (decreased) the net income in the amounts shown. This analysis is based on the changes in the peso-dollar exchange rate that the Group considers will be reasonably possible at the end of the period covered by the report. The analysis assumes that all other variables, especially interest rates, remain constant.

2018	Gain
USD (1.1% of strengthening)	$ 1,252

2017	
USD (1.7% of strengthening)	$ 771

A weakening of the Mexican peso against the US dollar as of December 31, 2018 and 2017 would have had the same effect, but opposite, in the above currencies, in the amounts shown, on the basis that the other variables remain constant.

As of December 31, 2018, the Group had no hedging instruments against currency risk.

Sensitivity analysis of foreign exchange rate on derivative financial instruments:

A strengthening or weakening of the US dollar at the end of the year could affect the valuation of the financial instruments denominated in this currency, causing an increase or decrease of profit or loss. This analysis is based on changes in the MXP / USD exchange rate under six different scenarios (+/- $1.50, $ + / - $1.00 and +/- $0.5). The analysis assumes that all other variables remain constant and the scenarios represent changes in these exchange rate fluctuations of derivative instruments.

		Increase			Decrease	
Effect in thousands of MXP	Δ $ 1.5	Δ $ 1.0	Δ $ 0.5	∇ $ 0.5	∇ $ 1.0	∇ $ 1.5
December 31, 2018						
Sensitivity to foreign exchange rate on options (LIBOR 3M)	$ 138	92	46	(46)	(92)	(138)

		Increase			Decrease	
Effect in thousands of MXP	Δ $ 1.5	Δ $ 1.0	Δ $ 0.5	∇ $ 0.5	∇ $ 1.0	∇ $ 1.5
December 31, 2017						
Sensitivity to foreign exchange rate on options (LIBOR 3M	$ 30	20	10	(10)	(20)	(30)

Sensitivity analysis of the exchange rate of financial liabilities denominated in non-functional currency:

A strengthening or weakening of the US dollar, at the end of the year, could affect the recognition of financial liabilities denominated in this currency. This analysis is based on the changes that the MXP / USD exchange rate could undergo under six different scenarios (+/- $ 1.50, $ + / - 1.00 and +/- $ 0.5). The analysis assumes that all other variables remain constant and the scenarios represent the changes in the face of these fluctuations in the exchange rate of financial liabilities.

		Increase			Decrease	
Effect in thousands of MXP	Δ $ 1.5	Δ $ 1.0	Δ $ 0.5	∇ $ 0.5	∇ $ 1.0	∇ $ 1.5
December 31 2018						
Sensitivity to foreign exchange on financial liabilities in USD	$ (193,541)	(129,028)	(64,514)	65,514	129,028	193,541

	Increase			Decrease		
Effect in thousands of MXP	Δ $ 1.5	Δ $ 1.0	Δ $ 0.5	∇ $ 0.5	∇ $ 1.0	∇ $ 1.5
December 31, 2017						
Sensitivity to foreign exchange on financial liabilities in USD	$ (168,064)	(112,042)	(56,021)	56,021	112,042	168,064

Interest rate risk

Fluctuations in interest rates impact primarily loans changing either their fair value or future cash flows. The administration does not have a formal policy to determine how much of the Group's exposure should be to fixed or variable rate. However, when borrowing new loans, management uses its judgment to decide whether to consider that a fixed or variable rate would be more favorable to the Group, until maturity.

Profile

At the reporting date of approval of the consolidated financial statements, the interest rate profile of financial instruments is as follows:

	Carrying amount	
	2018	2017
Variable rate instruments		
Financial liabilities in USD	$ (2,536,245)	(2,138,009)
Financial liabilities in Mexican pesos	(458,718)	(372,630)
	$ (2,994,963)	(2,510,640)

Risk of interest on financial derivative instruments:

The Group is exposed to interest rate risk on derivative financial instruments, to possible fluctuations in the short and long-term interest rates.

Exposure to interest rate risk

In the next page is a summary of the exposure to interest rate risk on derivative financial instruments.

	Fair value	
	2018	2017
Effect in thousands of Mexican pesos		
Interest rate options (TIIE 91) BBVA Bancomer	$ 1,031	1,543
Interest rate options (LIBOR 3M) BBVA Bancomer	1,576	192
	$ 2,607	1,735

Sensitivity analysis of fair value for variable rate instruments

A fluctuation of 100 basis points (bp) in interest rates at the reporting date would have increased or decreased the results of the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Results:

	Increase of 100 basis points	Decrease of 100 basis points
2018		
Variable rate debt	$ 36,169	36,169
2017		
Variable rate debt	$ 16,512	16,512

Sensitivity analysis of interest rate on derivative financial instruments

An increase or decrease in the interest rate, at year-end, could affect the valuation of financial instruments; and, therefore, impact the gains or losses of the year. This analysis is based on changes in the LIBOR interest rate could suffer under 6 different scenarios (+/- 5, +/- 10 and +/- 15 basis points). The analysis assumes that all other variables remain constant and represent the change that would suffer in the event of fluctuations in the scenarios mentioned:

		Increase			Decrease	
Effect in thousands of MXP	Δ 150 pb	Δ 100 pb	Δ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2018						
Interest rate						
options (TIIE 91)	$ 2,623	1,682	782	(534)	(895)	(1,062)

Interest rate sensitivity

		Increase			Decrease	
Effect in thousands of MXP	Δ 150 pb	Δ 100 pb	Δ 50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2017						
Interest rate						
options (TIIE 91)	$ 2,358	1,420	652	479	815	1,039

Interest rate sensitivity

	Increase			Decrease		
Effect in thousands of MXP	Δ 150 pb	Δ 100 pb	Δ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2018						
Interest rate options (LIBOR)	$ 380	249	122	(118)	(233)	(343)

Interest rate sensitivity

	Increase			Decrease		
Effect in thousands of MXP	Δ 150 pb	Δ 100 pb	Δ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2017						
Interest rate options (LIBOR)	$ 332	200	90	(73)	(132)	(179)

Sensitivity analysis of interest rate of financial liabilities at a variable rate

An increase or decrease in the interest rate during the year could affect the recognition of financial liabilities denominated in a variable rate; and therefore, impact the gains or losses of the year. This analysis is based on changes to the Libor interest rate under 6 different scenarios (+/- 5, +/- 10 and +/- 15 basis points) and the TIIE interest rate under 6 different scenarios (+/- 50 , +/- 100 and +/- 150 basis points) for interest paid in the year. The analysis assumes that all other variables remain constant.

	Increase			Decrease		
Effect in thousands of MXP	Δ 150 pb	Δ 100 pb	Δ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2018						
Interest rate sensitivity of financial liabilities MXN	$ (1,496)	(1,020)	(522)	546	1,119	1,720

	Increase			Decrease		
Effect in thousands of MXP	Δ 150 pb	Δ 100 pb	Δ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2018						
Interest rate sensitivity of inancial liabilities USD	$ (2,845)	(1,904)	(956)	963	1,934	2,913

	Increase			Decrease		
Effect in thousands of MXP	∆ 150 pb	∆ 100 pb	∆ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2017						
Interest rate sensitivity of financial liabilities MXN	$ (1,883)	(1,284)	(656)	688	1,410	2,168

	Increase			Decrease		
Effect in thousands of USD	∆ 150 pb	∆ 100 pb	∆ 50 pb	∇ 50 pb	∇ 100pb	∇ 150 pb
December 31, 2017						
Interest rate sensitivity of financial liabilities USD	$ (1,875)	(1,256)	(631)	636	1,278	1,926

Accounting classification and fair value of derivative financial instruments

Fair value and amortised cost

The fair value of the financial assets and liabilities, together with the amortized cost:

	Carrying amount	Fair value
Balance at December 31, 2018		
Interest rate options (TIIE 91)		
BBVA Bancomer	$ 1,031	1,031
Interest rate options (LIBOR 3M)		
BBVA Bancomer	1,576	1,576
Total derivative financial instruments	**$ 2,607**	**2,607**
Balance at December 31, 2017		
Interest rate options (TIIE 91)		
BBVA Bancomer	$ 1,543	1,543
Interest rate options (LIBOR 3M)		
BBVA Bancomer	192	192
Total derivative financial instruments	$ 1,735	1,735

Interest rate used in determining fair value

The interest rates that were used to discount estimated cash flows, where applicable, are based on the yield curve plus an appropriate credit spread, and were as follows:

	2018	2017
Derivatives – LIBOR rate	2.69%-2.81%	1.69%-2.01%
Derivatives - TIIE rate	8.56%-8.98%	7.51%-7.81%

The above rates take into consideration discounts until maturity, being the latest maturity on Jul 31, 2025 (term of due 2,404 days as of December 31, 2018).

Fair value hierarchy

The Group determines the fair value using the following hierarchy that reflects the significance of the inputs used in making such measurements.

- Level 1: Quoted prices (unadjusted) in active markets for an identical instrument.
- Level 2: 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). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less active, or other valuation techniques where all significant input are directly or indirectly observable from the market data.
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes factors that are not based on observable data and unobservable factors can have a significant effect on the valuation of the instrument. This category incudes instruments that are valued based on quoted prices for similar instruments that require adjustments or significant unobservable assumptions to reflect differences between the instruments.

The following table analyzes financial instruments at fair value at reporting dates, showing the level in the hierarchy that classifies the fair value measurement:

	Level 1	Level 2	Level 3
December 31, 2018			
Interest rate options (TIIE 91)	$ -	1,031	-
Interest rate options (LIBOR 3M)	-	1,576	-
Total derivative financial instruments	**$ -**	**2,607**	**-**

		Level 1	Level 2	Level 3
Bank loans in USD	$	-	2,528,918	-
Bank loans in Mexican pesos		-	472,213	-
Total bank loans	**$**	**-**	**3,001,131**	**-**
December 31, 2017				
Interest rate options (TIIE 91)	$	-	-	-
Interest rate options (LIBOR 3M)		-	172	-
Total derivative financial instruments	**$**	**-**	**172**	**-**
Bank loans in USD	$	-	2,211,203	-
Bank loans in Mexican pesos		-	389,082	-
Total bank loans	**$**	**-**	**2,600,285**	**-**

21. PERSONNEL COSTS

The main items comprising the personnel costs are as follows:

	2018	2017
Salaries and other related costs	$ 327,424	288,018
Christmas bonus	16,372	13,619
Annual bonus	4,574	12,026
Compensations	9,873	10,885
	$ 358,243	324,548

22. OPERATING LEASES

(a) Leases as lessee

The Group leases the facilities of its offices under an operating lease scheme. Normally, leases are for an initial period of 5 years, with the option to renew the lease after that date. Lease payments are generally increased annually to reflect market rental prices.

The future minimum lease payments subject to cancellation is as shown below:

	2018	2017
Less than one year	$ 7,337	7,692
Between one and five years	14,664	9,639
	$ 22,001	17,331

During the years ended December 31, 2018 and 2017, the amount of $14,967 and $7,123 was recognized, respectively, as an expense in results with respect to operating leases.

(b) Leases as lessor

The Group leases portions of its properties under the operating lease scheme. Future minimum lease revenue not subject to cancellation are as follows:

	2018	2017
Less than one year	$ 17,618	10,604
Between one and five years	88,095	53,022
	$ 105,713	63,626

During the years ended December 31, 2018 and 2017, $11,146 and $8,260, respectively, were recognized as rental revenue in the consolidated statement of income.

23. CONTINGENCIES

Litigation

Some of the Group's subsidiaries are involved in various suits and claims arising from the normal course of their operations, which are expected to have no material adverse effect on its financial position and results of operations.

Tax contingencies

In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could request additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

24. COMMITMENTS

(a) On June 17, 2013, Hotelera SF, entered into a hotel management and operation contract with the owner of a property in the state of Tabasco, which is required to carry out, as of the date of start of operations, administration and operation of the hotel, which will be marketed under the brand "Hampton Inn & Suites"

(b) On December 22, 2015, Hotelera SF entered into a hotel management and operation contract with Servicios Hoteleros Metropolitanos, S. A. de C. V., in which it is obliged to carry out, from the same date, the administration and operation of the hotel, which will be marketed under the brand "Krystal Urban" under the trade name "Krystal Urban Aeropuerto Ciudad de México".

(c) On March 17, 2016, Hotelera SF entered into a hotel management and operation contract with Operadora Inca, S. A. de C. V. to operate a hotel in the city of Monterrey under the Krystal brand beginning that date.

(d) On December 15, 2017, Hotelera SF entered into a hotel management and operation contract with Operadora de Hoteles Pachuca S. A. de C. V. to operate a hotel in the city of Pachuca under the Krystal brand, beginning that date.

(e) On January 18, 2017, Hotelera SF entered into a hotel management and operation contract with Desarrollos Urbanísticos IVC S. A. de C. V. to operate a hotel under the AC by Marriot brand, the start of operations is expected in 2019.

(f) On March 13, 2017, Hotelera SF entered into a hotel management and operation contract with Servicios Integrales PIN S. A. de C. V. to operate a hotel in the city of Irapuato under the Ibis brand, beginning that date.

(g) As indicated in note 13 to December 31, 2018, the Group has certain commitments related to the construction and improvements in certain of its hotels.

(h) On January 15, 2014, Hotelera SF, entered into a hotel management and operation contract with the Consoricio Hotelero Aeropuerto Monterrey, S. A. P. I of C. V. to operate a hotel in the city of Monterrey, NL, under the Hilton Garden brand.

25. SUBSEQUENT EVENTS

(i) On January 25, 2019, GHSF, through one of its subsidiaries, obtained a loan by USD7,000,000 at a Libor rate plus 3.10 for a 10-year period with increasing quarterly amortizations and a final amortization of USD2,277,380 equivalent to 32.5 % of credit

(ii) On February 12, 2018, Grupo Hotelero Santa Fe entered into an operating contract for a 144-room hotel in Aguascalientes, owned by a third party. It is expected to start operations on March 2019.

26. RELEVANT FINANCIAL INFORMATION (UNAUDITED) - CALCULATION OF ADJUSTED EBITDA

The Adjusted EBITDA represents the result of recurring transactions before taxes, comprehensive finance cost, depreciation, amortization and non-recurring transactions with the purpose of presenting the consolidated results of Grupo Hotelero Santa Fe, S. A. B. de C. V.

	2018	2017
Operating income	$ 450,552	335,065
Depreciation and amortization	196,367	144,173
Hotel acquisition and opening expenses	26,017	42,321
Other non-recurring indirect expenses	2,856	6,641
Adjusted EBITDA	**$ 675,792**	528,200

This information is presented for additional analysis and does not represent information required under IFRS; therefore, it is not deemed essential for the proper interpretation and presentation of the consolidated financial position, the consolidated results of its operations or its consolidated cash flows.

EBITDA (Earnings before interest, taxes, depreciation and amortization).

INFORMATION FOR INVESTORS

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The information presented in this report contains certain forward-looking statements and information regarding Grupo Hotelero Santa Fe, S.A.B. de C.V. and its subsidiaries (jointly, the "HOTEL" or the "Company") which are based on the understanding of its administrators, as well as on assumptions and information currently available to the Company. These statements reflect the current vision of the HOTEL regarding future events, and are subject to certain risks, uncertainties and assumptions. There are many factors that might cause the results, performance, or actual earnings of the Company to be materially different with respect to any future results, performance or achievements of the HOTEL that might be included, expressly or implicitly, in those forward-looking statements, including, among others: changes in general economic and/or political conditions, governmental and commercial changes at the global level and in the countries where the Company conducts business, changes in interest rates and inflation, exchange rate volatility, changes in the demand and regulation of products sold by the Company, changes in the price of raw materials and other inputs, changes in business strategy, and several other factors. If one or more of these risks or uncertain factors were to materialize, or if the assumptions used are incorrect, actual results may vary materially from those described herein as forward-looking, assumed, estimated or expected. The HOTEL does not intend, nor does it assume any obligation, to update these forward-looking statements.

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