



## HOTEL reports 28% and 21% growth in Total Revenues and EBITDA respectively for 2Q18

Mexico City, July 19<sup>th</sup>, 2018 – Grupo Hotelero Santa Fe S.A.B. de C.V. (BMV: HOTEL) (“HOTEL” or “the Company”), announced its consolidated results for the second quarter (“2Q18”) ended June 30<sup>th</sup>, 2018. Figures are expressed in Mexican Pesos, are unaudited and are in accordance with International Financial Reporting Standards (“IFRS”) and may vary due to rounding.

### Highlights

- 2Q18 EBITDA<sup>1</sup> reached Ps. 133.1 million, a 21.3% increase compared to 2Q17 driven by revenue growth. 2Q18 EBITDA margin reached 28.2% compared to 29.8% in 2Q17.
- 2Q18 Total Revenue reached Ps. 472.2 million, a 28.2% increase compared to 2Q17, driven by the following increases: i) 22.7% in Room Revenue, ii) 55.0% in Food and Beverages Revenue, and iii) 10.7% in Other Hotel Revenue, which more than offset a 26.0% decline in Third-party Hotels’ Management Fees. We accomplished these growth rates even though this year holy week was in the first quarter compared to last year where it was in the second quarter.
- 2Q18 Net Income posted a loss of Ps. 77.8 million, compared to a gain of Ps. 74.1 million to 2Q17. The increase in operating income was offset by an FX loss and higher financing costs.
- 2Q18 Net operating cash flow was Ps. 144.4 million, an increase of 12.3% compared to the Ps. 128.6 million reported in 2Q17. This increase was driven by EBITDA growth.
- Net Debt/EBITDA (LTM) ratio was 3.4x at the end of 2Q18. Operating cash flow in U.S dollars represented 85.0% of total operating cash flow, thereby providing a natural hedge of the dollarized financial debt.
- HOTEL’s total portfolio at the end of 2Q18 reached 5,756 rooms in operation, an 9.3% increase compared to the 5,264 rooms at end of 2Q17.
- RevPAR<sup>2</sup> for the Company-owned hotels increased by 1.1% in 2Q18 compared to 2Q17, driven by a 4.3% growth in ADR<sup>2</sup> which more than offset a 1.9 percentage point decrease in Occupancy.
- HOTEL announces the following changes to the Company’s management team, effective July 20<sup>th</sup>, 2018:
  - The appointment of Francisco Zinser Cieslik as Executive Vice Chairman (not a member) of the Board. Francisco Zinser, who until now was CEO of the Company, is now designated Executive Vice Chairman (not a member) of the Board and will mainly focus on expansion, development and strategy for the Company, as well as corporate finance and investor relations.
  - The appointment of Francisco Medina Elizalde as CEO of the Company. Francisco Medina, who previously was the deputy CEO, will continue being in charge of the operation of the Company.

Figures in thousand Mexican Pesos	Second Quarter				6 months ended June 30			
	2018	2017	Var.	% Var.	2018	2017	Var.	% Var.
Total Revenue	472,176	368,336	103,841	28.2	1,047,145	755,377	291,768	38.6
EBITDA	133,096	109,745	23,350	21.3	358,730	260,391	98,339	37.8
EBITDA Margin	28.2%	29.8%	(1.6 pt)	(1.6 pt)	34.3%	34.5%	(0.2 pt)	(0.2 pt)
Operating Income	77,434	65,139	12,296	18.9	248,793	175,475	73,318	41.8
Net Income	(77,818)	74,147	-151,966	NA	127,131	259,073	-131,942	(50.9)
Net Income Margin	(16.5%)	20.1%	(36.6 pt)	(36.6 pt)	12.1%	34.3%	(22.2 pt)	(22.2 pt)
Operating Cashflow	144,434	128,577	15,857	12.3	340,091	285,256	54,835	19.2
Occupancy	61.0%	62.9%	(1.9 pt)	(1.9 pt)	67.0%	66.2%	0.8 pt	0.8 pt
ADR	1,393	1,336	57	4.3	1,446	1,415	31	2.2
RevPAR	849	840	9	1.1	969	937	32	3.4

Note: operating figures include hotels with 50%+ ownership.

<sup>1</sup>EBITDA is calculated by adding Operating Income, Depreciation and Total Non-recurring expenses.

<sup>2</sup>Revenue per Available Room (“RevPAR”) and Average Daily Rate (“ADR”).

## Comments from the Chief Executive Officer

Mr. Francisco Zinser, stated:

HOTEL posted solid results in the first half of 2018, although Revenue and EBITDA growth rates ended below guidance, as results for the second quarter came in lower than expected, due to external and internal factors. Regarding external factors, we observed a reduced number of tourist arrivals in both resort and urban destinations. During the quarter, resort destinations were affected by a decrease in tourist traffic from the US attributable to a higher perception of insecurity in the run-up to general elections in Mexico. On the other hand, in terms of local travel, we had a negative effect of holy week which was in the first quarter this year compared to second quarter of last year, combined with practices of certain companies reducing their expenditures during pre-electoral times affected urban destinations. We expect that both factors will have a minimal to null effect on our results towards year-end, considering their transitory nature.

In terms of internal factors, the later-than-expected opening date of “*The Hacienda*” at *Hilton Puerto Vallarta* and the delayed remodeling of rooms at the *Krystal Grand Puerto Vallarta* weighted on our results for the second quarter. “*The Hacienda*” at *Hilton Puerto Vallarta*, which has 192 rooms, opened in June instead of its originally scheduled opening date in April. The remodeling of 216 rooms at the *Krystal Grand Nuevo Vallarta* was delayed, however 60% of these rooms are already in operation since early July and the rest will be ready by September this year. We believe that the negative impacts in the quarter are mostly transitory in nature and we expect to observe the gradual positive effects related to our partnership with AMResorts during the 2H18.

In relation to the Tourism sector in Mexico, according to figures from the Mexican Tourism Industry (Sectur), Mexico’s international visitors spent on average 5% less in the first five months of 2018 compared to the same period last year.

A month ago, we announced the signing of a strategic alliance with AMResorts. As a result, a co-branding was implemented between Reflect® Resorts & Spas brand and Krystal Grand® brand for the hotels in *Punta Cancun*, *Los Cabos* and *Nuevo Vallarta* which jointly account for 1,329 rooms. Through this strategic alliance, which started on July 1<sup>st</sup>, 2018, we expect to significantly boost sales of our three hotels, in addition to the opportunity to expand this partnership to more properties. It is important to note that AMResorts is responsible for the commercialization, sales and marketing of the properties, enabling the Company to attain a higher growth on international sales, and therefore, higher foreign currency denominated sales percentage, as well as better customer acquisition thanks to Apple Leisure Group’s distribution network, one of the largest global operators for leisure travel to Mexico. Furthermore, HOTEL maintains the ownership and control of operations of the Hotels. This strategic alliance gives us access to a more direct, diversified and profitable distribution channels which, combined with our proven capability as the best hotel operator in Mexico, will enhance the results of these properties.

Moving on to our quarterly results, Total Revenue was Ps. 472.2 million and EBITDA was Ps. 133.1 million, up 28% and 21%, respectively, compared to the figures recorded in 2Q17. Regarding company-owned hotels, RevPAR increased by 1.1%, driven by a 4.3% increase in ADR which more than offset a 1.9% decrease in occupancy due to the abovementioned factors.

In HOTEL, we remain committed to become the leading hotel company in Mexico. The extraordinary management team and associates we have assembled and the strategy we have outlined will allow us to continue growing efficiently and profitably in the long run. As always, we are thankful for the trust and support of our shareholders.

## Portfolio of Properties

No.	Property	Total Rooms	Ownership	Type	Category	Months in Operation	Stabilized	City	State
1	Hilton Guadalajara	450	100%	Urban	Grand Tourism	>36	Yes	Guadalajara	Jalisco
2	Hilton Garden Inn Monterrey	150	100%	Urban	4 stars	>36	Yes	Monterrey	Nuevo Leon
3	Krystal Urban Cd. Juarez	120	100%	Urban	4 stars	>36	Yes	Ciudad Juarez	Chihuahua
4	Krystal Urban Cancun	246	100%	Urban	4 stars	>36	Yes	Cancun	Quintana Roo
5	Krystal Satelite Maria Barbara	215	100%	Urban	5 stars	>36	Yes	Estado de Mexico	Estado de Mexico
6	Hilton Garden Inn Monterrey Aeropuerto	134	15%	Urban	4 stars	34	In Process	Monterrey	Nuevo Leon
7	Hampton Inn & Suites Paraiso Tabasco	117	-	Urban	4 stars	33	In Process	Paraiso	Tabasco
8	Krystal Urban Aeropuerto Ciudad de Mexico	96	-	Urban	4 stars	30	In Process	Mexico City	Mexico City
9	Krystal Urban Guadalajara	140	100%	Urban	4 stars	28	In Process	Guadalajara	Jalisco
10	Krystal Monterrey	207	-	Urban	5 stars	24	In Process	Monterrey	Nuevo Leon
11	Krystal Pachuca	124	-	Urban	4 stars	17	In Process	Pachuca	Hidalgo
12	Ibis Irapuato	140	-	Urban	3 stars	13	In Process	Irapuato	Guanajuato
13	Krystal Grand Suites Insurgentes	150	50%	Urban	Grand Tourism	8	In Process	Mexico City	Mexico City
<b>Subtotal Urban</b>		<b>2,289</b>							
14	Krystal Resort Cancun	502	-	Resort	5 stars	>36	Yes	Cancun	Quintana Roo
15	Krystal Resort Ixtapa	255	-	Resort	5 stars	>36	Yes	Ixtapa	Guerrero
16	Krystal Resort Puerto Vallarta	530	-	Resort	5 stars	>36	Yes	Puerto Vallarta	Jalisco
17	Hilton Puerto Vallarta Resort	451	100%	Resort	Grand Tourism	>36	Yes	Puerto Vallarta	Jalisco
18	Krystal Beach Acapulco	400	100%	Resort	4 stars	>36	Yes	Acapulco	Guerrero
19	Krystal Grand Punta Cancun	395	100%	Resort	Grand Tourism	>36	Yes	Cancun	Quintana Roo
20	Krystal Grand Los Cabos	454	50%	Resort	Grand Tourism	13	In Process	Los Cabos	Baja California Sur
21	Krystal Grand Nuevo Vallarta	480	50%	Resort	Grand Tourism	8	In Process	Nuevo Vallarta	Jalisco
<b>Subtotal Resort</b>		<b>3,467</b>							
<b>Total in Operation</b>		<b>5,756</b>							
22	Krystal Grand Insurgentes	250	50%	Urban	Grand Tourism	Expected opening 2H-19		Mexico City	Mexico City
23	AC by Marriott Distrito Armida	168	-	Urban	4 stars	Expected opening 2Q-19		Monterrey	Nuevo Leon
24	Curio Collection Zacatecas	32	-	Urban	Boutique	Expected opening 2H-18		Zacatecas	Zacatecas
25	Hyatt Place Aguascalientes	144	-	Urban	4 stars	Expected opening 1Q-19		Aguascalientes	Aguascalientes
<b>Total in Construction</b>		<b>594</b>							
<b>Total</b>		<b>6,350</b>							

At the end of 2Q18, HOTEL recorded a total of 21 properties in operation of which 12 are Company-owned<sup>3</sup>, and the remaining 9 are third-party owned<sup>4</sup>.

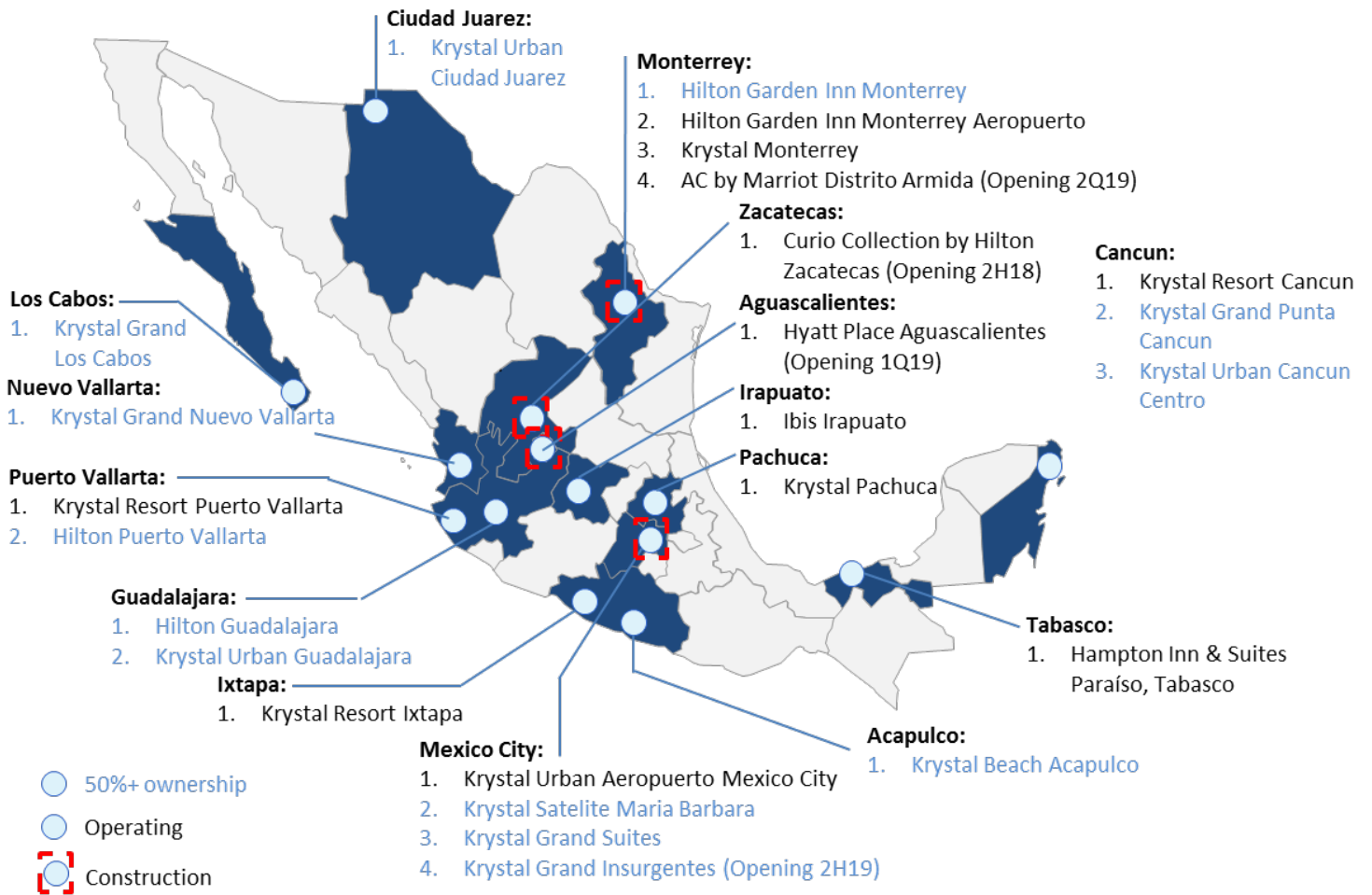
The total number of rooms in operation at the end of 2Q18 was 5,756, an 9.3% increase compared to the 5,264 under operation for the same period last year. Of the 492 net additional rooms, we added 992 rooms and have 500 less rooms due to the sale of *Krystal Grand Reforma Uno* by a third-party. Out of the 992 rooms we added, 100 rooms are from the opening of *Altitude Tower of Krystal Grand Punta Cancun*, 192 rooms from the expansion of *The Hacienda of Hilton Puerto Vallarta*, 270 rooms from the expansion of *Krystal Puerto Vallarta*, 265 rooms from the expansion of *Krystal Grand Nuevo Vallarta*, 150 rooms from the opening of *Krystal Grand Suites Insurgentes* and 15 rooms from the expansion of *Krystal Urban Cancun*.

Additionally, HOTEL has 594 rooms under construction (owned and third-party) including 250 from *Krystal Grand Insurgentes*, 168 rooms from the *AC by Marriott Distrito Armida*, 32 rooms from the *Curio Collection Zacatecas* and 144 rooms from the *Hyatt Place Aguascalientes* for a total portfolio of 25 hotels and 6,350 rooms.

<sup>3</sup> The Company operates *Krystal Grand Los Cabos*, *Krystal Grand Nuevo Vallarta* and *Krystal Grand Suites Insurgentes* in which it also has a 50% ownership position. According to IFRS, the results of these properties are consolidated in the Company's financial statements.

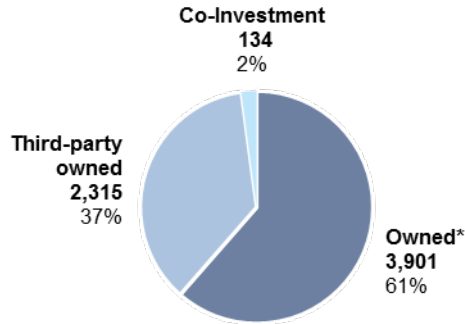
<sup>4</sup> The Company operates *Hilton Garden Inn Monterrey Aeropuerto* hotel, in which it also has a 15% ownership position. According to IFRS, although the results of this property are not consolidated in the Company's financial statements, third-party hotel's management fees are included as "Other Revenues", given that the property is considered a third-party hotel under management.

The hotel portfolio is geographically distributed as follows:

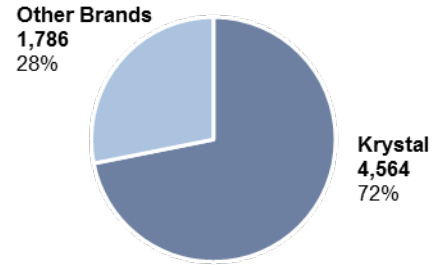


In terms of rooms under operation and rooms under development (including rooms under construction and conversion), at 2Q18 the hotel portfolio was as follows:

**Ownership (number of rooms)**

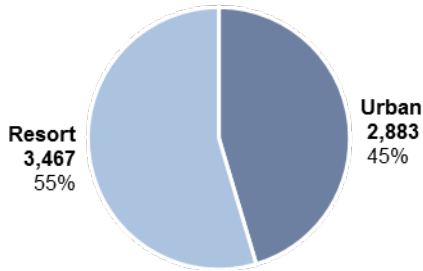


**Brand (number of rooms)**

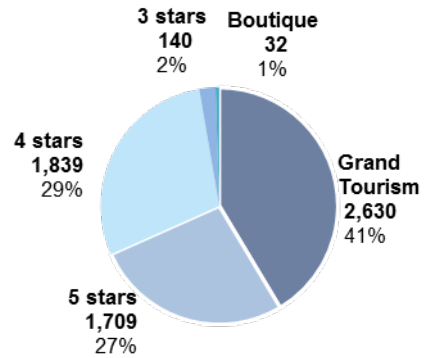


\* Includes Krystal Grand Los Cabos, Krystal Grand Vallarta and Krystal Grand Suites Insurgentes of which we own 50% equity, operate and

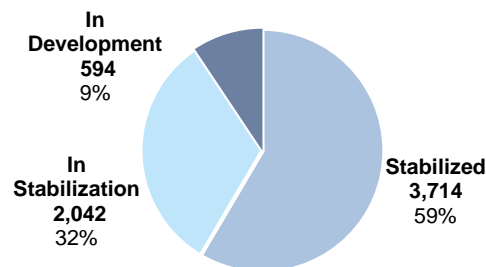
**Segment (number of rooms)**



**Category (number of rooms)**



**Stabilization Stage (number of rooms)**



## Hotel Classification

For comparison purposes, the hotel portfolio is classified between (i) company-owned hotels and (ii) those owned by third parties that are managed by HOTEL. The rationale for this classification is that the majority of revenue is supported by Company-owned hotels. While commercially important and relevant for the hotel platform, hotels under management only generate management fees for the Company, which are shown in the profit and loss statement under Third-Party Hotels' Management Fees.

Company-owned hotels are classified according to the stage in the stabilization cycle for each hotel. As a result of this classification, hotels that have been in operation for at least 36 months are considered mature or stabilized, while hotels that have been in operation for less than 36 months are considered in their stabilization stage or in their maturing period. At the end of 2Q18, HOTEL had 12 company-owned hotels and 9 third-party owned hotels under management <sup>(3)</sup>.

Of a total 5,756 hotel rooms under operation, the operating indicators for 2Q18 include 5,214 rooms. 542 rooms (263 corresponding to Vacation Club and 279 unavailable rooms) are excluded of the present analysis and are detailed at the end of this report in Appendix 1. The following table is a summary of the main 2Q18 operating indicators compared to the same period of last year, based on the classification. The methodology used to determine the number of rooms considers the total number of available rooms divided by the corresponding number of days in each period.

Figures in Pesos		Second Quarter				6 months ended June 30			
		2018	2017	Var.	% Var.	2018	2017	Var.	% Var.
<b>Hotel Classification</b>									
<b>Total Hotels in Operation</b>		<b>21</b>	<b>21</b>	<b>-</b>	<b>0.0</b>	<b>21</b>	<b>21</b>	<b>-</b>	<b>0.0</b>
Number of rooms		5,214	4,876	338	6.9	5,079	4,621	458	9.9
Occupancy		62.2%	66.9%	(4.7 pt)	(4.7 pt)	67.3%	69.1%	(1.7 pt)	(1.7 pt)
ADR		1,415	1,413	2	0.1	1,469	1,490	(21)	(1.4)
RevPAR		880	944	(65)	(6.8)	989	1,029	(40)	(3.9)
<b>1 Total Owned Hotels (50%+ ownership)</b>		<b>12</b>	<b>11</b>	<b>1</b>	<b>9.1</b>	<b>12</b>	<b>11</b>	<b>1</b>	<b>9.1</b>
Number of rooms		3,319	2,815	504	17.9	3,256	2,601	655	25.2
Occupancy		61.0%	62.9%	(1.9 pt)	(1.9 pt)	67.0%	66.2%	0.8 pt	0.8 pt
ADR		1,393	1,336	57	4.3	1,446	1,415	32	2.2
RevPAR		850	840	9	1.1	969	937	32	3.4
<b>1.1 Stabilized Owned Hotels<sup>(1)</sup></b>		<b>8</b>	<b>6</b>	<b>2</b>	<b>33.3</b>	<b>8</b>	<b>6</b>	<b>2</b>	<b>33.3</b>
Number of rooms		2,311	1,621	690	42.6	2,248	1,621	627	38.7
Occupancy		60.7%	68.6%	(8.0 pt)	(8.0 pt)	66.0%	68.9%	(2.8 pt)	(2.8 pt)
ADR		1,451	1,421	29	2.1	1,521	1,529	(7)	(0.5)
RevPAR		880	976	(96)	(9.8)	1,005	1,053	(48)	(4.6)
<b>1.2 Owned Hotels in Stabilization Stage<sup>(2)</sup></b>		<b>4</b>	<b>5</b>	<b>(1)</b>	<b>(20.0)</b>	<b>4</b>	<b>5</b>	<b>(1)</b>	<b>(20.0)</b>
Number of rooms		1,008	1,194	(186)	(15.6)	1,008	980	28	2.9
Occupancy		61.7%	55.1%	6.6 pt	6.6 pt	69.2%	61.9%	7.3 pt	7.3 pt
ADR		1,265	1,191	73	6.1	1,287	1,205	82	6.8
RevPAR		780	656	124	18.8	890	746	145	19.4
<b>2 Third-party Hotels Under Management<sup>(3)</sup></b>		<b>9</b>	<b>10</b>	<b>(1)</b>	<b>(10.0)</b>	<b>9</b>	<b>10</b>	<b>(1)</b>	<b>(10.0)</b>
Number of rooms		1,895	2,061	(166)	(8.1)	1,823	2,020	(197)	(9.8)
Occupancy		64.3%	72.3%	(7.9 pt)	(7.9 pt)	67.9%	72.7%	(4.8 pt)	(4.8 pt)
ADR		1,450	1,504	(54)	(3.6)	1,509	1,577	(69)	(4.4)
RevPAR		933	1,087	(154)	(14.2)	1,024	1,147	(122)	(10.6)

Note: The number of rooms varies in respect to the number of rooms in the portfolio due to renovations, acquisitions or recent openings in each period.

(1) Variation in hotels and room number is due to the evolution of Krystal Urban Cancun and Krystal Satelite Maria Barbara that were reclassified from hotels in stabilization stage to stabilized property combined with the new rooms added from the opening of the Altitude Tower at Krystal Grand Punta Cancun

(2) Variation in hotel and room number is due to the reclassification from note (1) above and the incorporation of Krystal Grand Suites Insurgentes that was not part of the portfolio in 2Q17

(3) The decrease in number of hotels and rooms is due to the sale of Krystal Grand Reforma Uno

## Consolidated Financial Results

Figures in thousand Mexican Pesos

Income Statement	Second Quarter				6 months ended June 30			
	2018	2017	Var.	% Var.	2018	2017	Var.	% Var.
Room Revenue	256,581	209,046	47,535	22.7	571,251	427,903	143,348	33.5
Food and Beverage Revenue	166,841	107,640	59,202	55.0	367,778	212,425	155,353	73.1
Other Revenue from Hotels	31,792	28,719	3,073	10.7	72,592	66,456	6,136	9.2
Third-party Hotels' Management Fees	16,962	22,931	(5,969)	(26.0)	35,523	48,592	(13,069)	(26.9)
<b>Total Revenue</b>	<b>472,176</b>	<b>368,336</b>	<b>103,841</b>	<b>28.2</b>	<b>1,047,145</b>	<b>755,377</b>	<b>291,768</b>	<b>38.6</b>
Cost and Operating Expenses	213,296	156,682	56,614	36.1	436,185	291,878	144,308	49.4
Sales and Administrative	118,010	96,203	21,808	22.7	237,375	192,664	44,711	23.2
Other Expenses	7,774	5,706	2,069	36.3	14,855	10,444	4,411	42.2
Depreciation	50,596	32,902	17,694	53.8	94,829	61,400	33,430	54.4
<b>Total Costs and Expenses</b>	<b>389,677</b>	<b>291,493</b>	<b>98,184</b>	<b>33.7</b>	<b>783,244</b>	<b>556,385</b>	<b>226,859</b>	<b>40.8</b>
<b>Total Non Recurring Expenses</b>	<b>5,066</b>	<b>11,705</b>	<b>(6,639)</b>	<b>(56.7)</b>	<b>15,108</b>	<b>23,517</b>	<b>(8,409)</b>	<b>(35.8)</b>
<b>EBITDA</b>	<b>133,096</b>	<b>109,745</b>	<b>23,350</b>	<b>21.3</b>	<b>358,730</b>	<b>260,391</b>	<b>98,339</b>	<b>37.8</b>
EBITDA Margin(%)	28.2%	29.8%	(1.6 pt)	(1.6 pt)	34.3%	34.5%	(0.2 pt)	(0.2 pt)
<b>Operating Income</b>	<b>77,434</b>	<b>65,139</b>	<b>12,296</b>	<b>18.9</b>	<b>248,793</b>	<b>175,475</b>	<b>73,318</b>	<b>41.8</b>
Operating Income Margin (%)	16.4%	17.7%	(1.3 pt)	(1.3 pt)	23.8%	23.2%	0.5 pt	0.5 pt
<b>Net Financing Result</b>	<b>(179,392)</b>	<b>38,828</b>	<b>(218,220)</b>	<b>NA</b>	<b>(85,492)</b>	<b>137,048</b>	<b>(222,540)</b>	<b>NA</b>
Total income taxes	(23,244)	30,619	(53,863)	NA	37,974	54,884	(16,910)	(30.8)
<b>Net Income</b>	<b>(77,818)</b>	<b>74,147</b>	<b>(151,966)</b>	<b>NA</b>	<b>127,131</b>	<b>259,073</b>	<b>(131,942)</b>	<b>(50.9)</b>
Net Income Margin (%)	(16.5%)	20.1%	(36.6 pt)	(36.6 pt)	12.1%	34.3%	(22.2 pt)	(22.2 pt)
<b>Income attributable to:</b>								
Controlling interest	(26,765)	63,170	(89,936)	NA	124,738	209,693	(84,955)	(40.5)
Non-controlling interest	(51,053)	10,977	(62,030)	NA	2,393	49,380	(46,987)	(95.2)

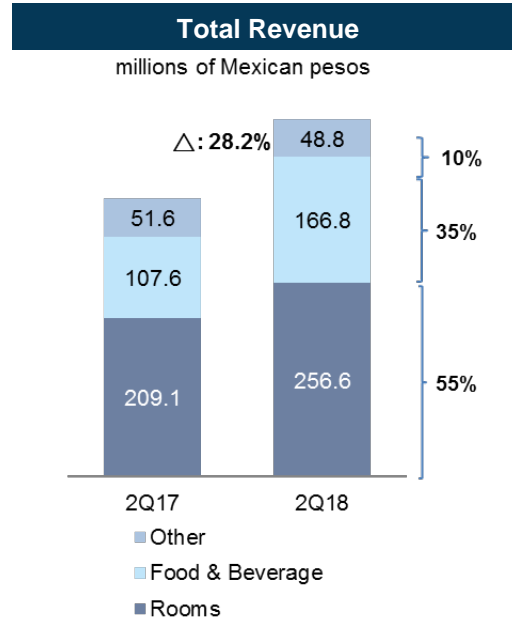
## Total Revenue

During 2Q18, Total Revenue increased 28.2%, from Ps. 368.3 million in 2Q17 to Ps. 472.2 million, driven by an 22.7% growth in Room Revenue, 55.0% in Food and Beverage Revenue, and 10.7% in Other Revenue, which more than offset the 26.0% decrease in third-party Hotels' Management Fees, attributable to the sale of *Krystal Grand Reforma Uno*.

Room revenue growth was driven by: i) the opening of *Krystal Grand Los Cabos*, *Krystal Grand Nuevo Vallarta* and *Krystal Grand Suites Insurgentes*; ii) the performance of *Krystal Grand Punta Cancun* considering the opening of the new "Altitude" Tower, and iii) the performance of stabilized hotels, including *Krystal Urban Ciudad Juarez*.

During 2Q18, Room Revenue increased 22.7% compared to 2Q17, derived from the 9.3% increase in the number of rooms in operation of Company-owned hotels combined with a RevPAR increase of 1.1%, which was comprised of a 4.3% growth in ADR and a 1.9 percentage point decrease in Occupancy due to external factors.

The portfolio of stabilized Company-owned hotels experienced an 42.5% increase in the number of rooms. This portfolio posted a 9.8% reduction in RevPAR driven by an 8.0 percentage point decrease in Occupancy which was partially offset by a 2.1% increase in ADR. The increase in the number of stabilized rooms was due to the incorporation of the *Krystal Urban Cancun* and the *Krystal Satelite Maria Barbara* into the portfolio of stabilized Company-owned hotels, having completed its 36-month stabilization stage, combined with the opening of the "Altitude" Tower at *Krystal Grand Punta Cancun*.



Company-owned hotels in the stabilization stage experienced an 15.6% decrease in the number of rooms, driven by the evolution of *Krystal Urban Cancun* and the *Krystal Satelite Maria Barbara* from hotels in stabilization to a stabilized property. As a result of the new hotel mix in the portfolio of hotels in the stabilization stage, RevPAR increased 18.7%, due to a 6.5 percentage point increase in occupancy combined with a 6.1% ADR increase.

Food and Beverage revenue increased 55.0%, from Ps. 107.6 million in 2Q17 to Ps. 166.8 million in 2Q18, driven by the incorporation of *Krystal Grand Los Cabos* and *Krystal Grand Nuevo Vallarta* which are in the early stages of stabilization, and the performance of *Krystal Grand Punta Cancun* considering the opening of the new “*Altitude*” Tower.

Other Income, which includes among other items, event room rentals, parking, laundry, telephone, and leasing of commercial spaces, increased 10.7%, from Ps. 28.7 million in 2Q17 to Ps. 31.8 million in 2Q18, driven by increased hotel activity.

Management Fees related to third-party owned hotels decreased by 26.0% compared to 2Q17, due to the combined effect of an 8.1% reduction in the number of rooms under operation and 14.2% contraction in RevPAR during the period. The lower RevPAR was driven by the 7.9 percentage points drop of occupancy combined with a 3.6% reduction in ADR. The number of rooms in operation declined due to the sale of *Krystal Grand Reforma Uno*. The Company sees an opportunity to continue its expansion plans by means of third-party operating contracts, mainly with Krystal® brand without significantly impacting the operating structure.

### Costs and Expenses

Operating Costs and Operating Expenses increased 36.1%, from Ps. 156.7 million in 2Q17 to Ps. 213.3 million in 2Q18. This increase was mainly in terms of direct costs, and higher department fees derived from the inclusion of *Krystal Grand Los Cabos* and *Krystal Grand Nuevo Vallarta* into the portfolio. These hotels have not reached maturity but already have stabilized the largest portion of their operating costs.

Administration and Sales Expenses rose 22.7%, from Ps. 96.2 million in 2Q17 to Ps. 118.0 million in 2Q18. Administration and sales expenses accounted for 25.0% of total revenue in 2Q18, compared to 26.1% in 2Q17, as a result of the Company’s persistent efforts to reduce costs and expenses.



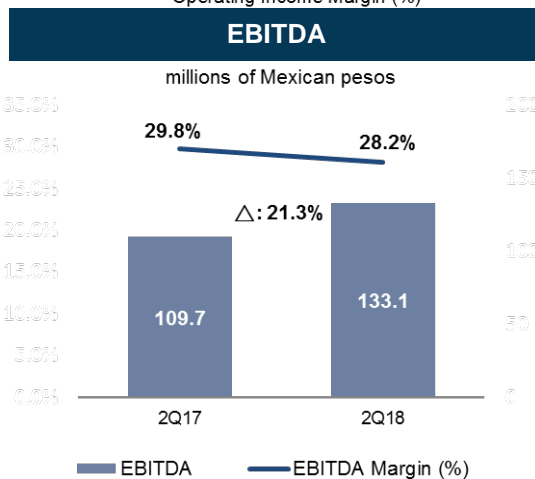
## Operating Income

During 2Q18, operating income increased 18.9%, from Ps. 65.1 million in 2Q17 to Ps. 77.4 million. This result was driven by the combined effect of revenue growth, the inclusion of *Krystal Grand Los Cabos* and *Krystal Grand Nuevo Vallarta* as Company-owned hotels and the performance of *Krystal Grand Punta Cancun* due to the opening of *Altitude Tower*. Operating margin decreased by 1.3 percentage points, from 17.7% in 2Q17 to 16.4% in 2Q18 mainly due to lower Occupancy derived from the internal and external factors previously mentioned, combined with higher costs and expenses associated with the growth of the portfolio.



## EBITDA

2Q18 EBITDA reached Ps. 133.1 million, compared to Ps. 109.7 million in 2Q17, an increase of 21.3%. 2Q18 EBITDA margin decreased by 1.6 percentage points, from 29.8% in 2Q17 to 28.2% in 2Q18.



(Figures in thousand Mexican pesos)	2Q18	2Q17	% Var.	2018	2017	% Var.
Operating Income	77,434	65,139	18.9	248,793	175,475	41.8
(+) Depreciation	50,596	32,902	53.8	94,829	61,400	54.4
(+) Development and hotel opening expenses <sup>5</sup>	5,966	9,676	(38.3)	12,092	20,521	(41.1)
(+) Other non-recurring expenses <sup>6</sup>	(900)	2,029	NA	3,016	2,996	0.7
<b>EBITDA</b>	<b>133,096</b>	<b>109,745</b>	<b>21.3</b>	<b>358,730</b>	<b>260,391</b>	<b>37.8</b>
<b>EBITDA Margin</b>	<b>28.2%</b>	<b>29.8%</b>	<b>(1.6 pt)</b>	<b>34.3%</b>	<b>34.5%</b>	<b>(0.2 pt)</b>

## Net Financing Result

For 2Q18, Net Financing Result went from a gain of Ps. 38.8 million in 2Q17 to a loss of Ps. 179.4 million in 2Q18. This result was mainly attributed to the FX loss generated by the effect of the mark-to-market valuation effect of a higher USD/MXN exchange rate applied to our dollar denominated debt combined with a higher level of indebtedness which increased our net interest expenses.

## Net Income

Net Income went from a gain of Ps. 74.1 million in 2Q17 to a loss of Ps. 77.8 million in 2Q18, driven by the previously mentioned factors which were partially offset by our operating income and income taxes.

<sup>5</sup> Expenses incurred in hotel expansions and openings, including new developments, and are related to the acquisition and research of acquisition opportunities.

<sup>6</sup> Other non-recurring expenses, including settlement expenses and consulting fees related to the takeover of hotels acquired.

## Cash Flow Summary

Figures in thousands of Mexican pesos

Cash Flow Statement	Second Quarter				6 months ended June 30			
	2018	2017	Var.	% Var.	2018	2017	Var.	% Var.
<b>Cashflow from operating activities</b>								
Net income	(77,818)	74,147	(151,965)	NA	127,131	259,073	(131,942)	(50.9)
Depreciation and amortization	50,596	32,902	17,694	53.8	94,829	61,400	33,429	54.4
Income taxes	(23,244)	30,619	(53,863)	NA	37,974	54,884	(16,910)	(30.8)
Unrealized foreign exchange gain (loss)	139,826	(50,428)	190,254	NA	6,649	(169,335)	175,984	NA
Net interest expense	27,539	12,199	15,339	NA	57,185	20,892	36,293	NA
Other financial costs	(95)	1,938	(2,033)	NA	1,439	3,074	(1,635)	(53.2)
Minority interest	(895)	(799)	(96)	12.0	(1,804)	(1,434)	(370)	25.8
<b>Cashflow before working capital variations</b>	<b>115,907</b>	<b>100,579</b>	<b>15,329</b>	<b>15.2</b>	<b>323,403</b>	<b>228,554</b>	<b>94,849</b>	<b>41.5</b>
Working Capital	28,527	27,999	528	1.9	16,689	57,957	(41,268)	(71.2)
<b>Net operating cashflow</b>	<b>144,434</b>	<b>128,577</b>	<b>15,857</b>	<b>12.3</b>	<b>340,091</b>	<b>286,511</b>	<b>53,580</b>	<b>18.7</b>
Non-recurring items	4,131	(81,881)	86,012	NA	(43,121)	(106,790)	63,669	(59.6)
<b>Cashflow net from non-recurring items</b>	<b>148,565</b>	<b>46,696</b>	<b>101,868</b>	<b>NA</b>	<b>296,970</b>	<b>179,721</b>	<b>117,249</b>	<b>65.2</b>
Investment activities	(126,983)	(255,458)	128,475	(50.3)	(216,731)	(1,023,023)	806,292	(78.8)
Financing activities	(79,582)	(47,646)	(31,936)	67.0	(146,883)	(105,347)	(41,536)	39.4
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(58,000)</b>	<b>(256,407)</b>	<b>198,407</b>	<b>(77.4)</b>	<b>(66,645)</b>	<b>(948,649)</b>	<b>882,004</b>	<b>(93.0)</b>
Cash and cash equivalents at the beginning of the period	279,370	1,043,065	(763,695)	(73.2)	288,015	1,731,587	(1,443,572)	(83.4)
<b>Cash and cash equivalents at the end of the period</b>	<b>221,370</b>	<b>786,658</b>	<b>(565,288)</b>	<b>(71.9)</b>	<b>221,370</b>	<b>782,938</b>	<b>(561,568)</b>	<b>(71.7)</b>
Cash in business acquisition	-	(1,221)	1,221	NA	-	2,499	(2,499)	NA
<b>Total Cash at the end of the period</b>	<b>221,370</b>	<b>785,437</b>	<b>(564,067)</b>	<b>(71.8)</b>	<b>221,370</b>	<b>785,437</b>	<b>(564,067)</b>	<b>(71.8)</b>

By the end of 2Q18, operating cash flow reached Ps. 144.4 million, compared to Ps. 128.6 million reported in 2Q17, a 12.3% increase driven by higher EBITDA.

## Balance Sheet Summary

Cifras en miles de Pesos

Resumen del Balance General	June-18	June -17	Var.	Var %
Efectivo y equivalentes de efectivo	221,370	785,436	(564,066)	(71.8%)
Cuentas por cobrar y otros activos circulantes	199,102	165,976	33,126	20.0%
Impuestos acreditables	344,591	287,883	56,709	19.7%
Depósito en fideicomiso adquisición hotel	24,333	11,726	12,607	NA
<b>Total del activo circulante</b>	<b>789,396</b>	<b>1,251,021</b>	<b>(461,625)</b>	<b>(36.9%)</b>
Efectivo restringido	104,659	65,499	39,159	59.8%
Inmuebles, mobiliario y equipo	7,361,313	5,393,146	1,968,167	36.5%
Activos fijos no productivos (Obras en Proceso)	362,864	1,539,569	(1,176,705)	(76.4%)
Otras Partidas de activo no circulante	490,421	463,424	26,997	5.8%
<b>Total del activo no circulante</b>	<b>8,319,256</b>	<b>7,461,639</b>	<b>857,618</b>	<b>11.5%</b>
<b>Total Activo</b>	<b>9,108,653</b>	<b>8,712,659</b>	<b>395,993</b>	<b>4.5%</b>
Vencimientos circulantes de la deuda	202,910	124,474	78,436	63.0%
Otros pasivos circulantes	379,616	1,089,939	(710,323)	(65.2%)
<b>Total del pasivo circulante</b>	<b>582,526</b>	<b>1,214,413</b>	<b>(631,887)</b>	<b>(52.0%)</b>
Deuda a largo plazo	2,248,833	1,332,392	916,441	68.8%
Otros pasivos no circulantes	818,340	700,699	117,641	16.8%
<b>Total del pasivo no circulante</b>	<b>3,067,173</b>	<b>2,033,091</b>	<b>1,034,082</b>	<b>50.9%</b>
<b>Total del capital contable</b>	<b>5,458,953</b>	<b>5,465,156</b>	<b>(6,202)</b>	<b>(0.1%)</b>
<b>Total Pasivo y Capital</b>	<b>9,108,652</b>	<b>8,712,659</b>	<b>395,993</b>	<b>4.5%</b>

### Cash and Equivalents

By the end of 2Q18, the Company's cash and cash equivalents reached Ps. 221.4 million. Of this figure, Ps. 101.2 million are peso-denominated and Ps. 120.2 million are dollar-denominated.

### Accounts Receivable and Other Current Assets

This line item increased 20.0%, from Ps. 166.0 million in 2Q17 to Ps. 199.1 million in 2Q18, driven by the inclusion of the *Altitude Tower at Krystal Grand Punta Cancun* combined with growth at *Krystal Grand Los Cabos* and *Krystal Grand Nuevo Vallarta*.

### Property, Furniture & Equipment

This line item was equal to Ps. 6,723.5 million at the end of 2Q18, a 24.7% increase compared to Ps. 5,393.1 million at the end of 2Q17. This increase was mainly driven by the inclusion of the "*Altitude*" Tower of *Krystal Grand Punta Cancun* and *The Hacienda at Hilton Puerto Vallarta*. In addition, the Company continues to carry out routine improvements, remodeling and renovation projects in its fixed assets. Notably, hotels that underwent renovations include *Hilton Garden Inn Monterrey Aeropuerto*, *Hilton Guadalajara*, *Krystal Urban Cancun* and *Krystal Urban Ciudad Juarez*.

Figures in thousand Mexican Pesos

Capex for the period	3 months ended June 30		6 months ended June 30	
	2Q18	% Total	2018	% Total
Hotels in development	82,570	67.8%	170,915	74.9%
Improvements in owned hotels	14,754	12.1%	17,158	7.5%
Ordinary capex	24,481	20.1%	40,046	17.6%
<b>Total Capex</b>	<b>121,806</b>	<b>100.0%</b>	<b>228,119</b>	<b>100.0%</b>

### Net Debt and Maturity

Net Debt was Ps. 2,125.7 million at the end of 2Q18, which represented a Total Debt / EBITDA (LTM) ratio equal to 3.4x. 85.6% of Total Debt is U.S.-dollar denominated and has an average cost of 4.36%. The remaining 14.4% is peso-denominated, with an average weighted cost of 10.4%. In addition, 96.0% of debt maturities are long-term.

During 2Q18, the Mexican peso depreciated 8.3% by the end of the quarter, from Ps. 18.3445 as of March 31, 2018, to Ps. 19.8633 as of June 30, 2018, having a negative impact on the financial cost of the Company. The short U.S. dollar position of the Company by the close of 2Q18 was US\$94.8 million, equal to Ps. 1,883.6 million.

The following graphs shows the Company's debt and cash position, as well as the debt maturity.

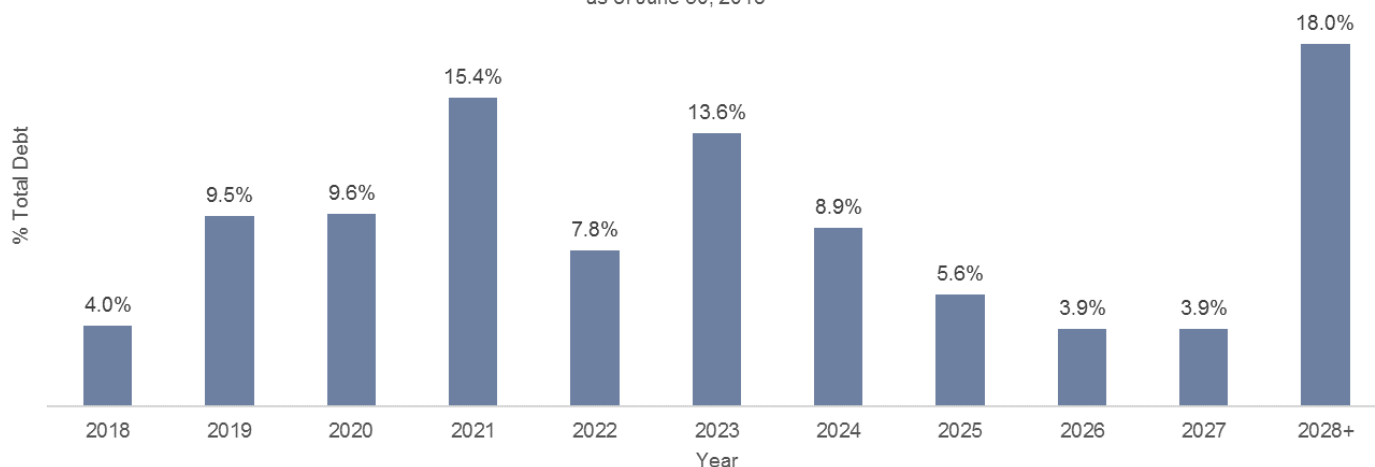
Figures in thousand Mexican Pesos	Denominated in (currency):		
	Pesos	Dollars	Total
<b>Debt*</b>			
Short Term	28,563	174,347	202,910
Long Term	324,716	1,924,117	2,248,833
<b>Total</b>	<b>353,279</b>	<b>2,098,464</b>	<b>2,451,743</b>
% Total	14.4%	85.6%	100.0%
Average rate of financial liabilities	10.42%	4.36%	5.23%
Cash and equivalents	101,217	120,153	221,370
Restricted cash	9,964	94,695	104,659
<b>Cash and equivalents**</b>	<b>111,181</b>	<b>214,848</b>	<b>326,028</b>
<b>Net Debt</b>	<b>242,099</b>	<b>1,883,616</b>	<b>2,125,715</b>

Net Debt / LTM EBITDA (as of June 30, 2018) 3.4x

\*Includes accrued interests and effect of financial instruments related to financial debt.

\*\*Includes restricted cash related to bank debt.

Debt Maturity Profile of Grupo Hotelero Santa Fe  
as of June 30, 2018



To continue with its growth plans, the Company will continue to balance its debt between pesos and dollars. Both peso and dollar-denominated debt are hedged over reference rates (TIIE and LIBOR), with a strike price at 7.5% and 2.5%, respectively.

According to IFRS, the exchange rate used was Ps. 19.8633 / US\$ as of June 30, 2018, as published in Mexico's *Official Federal Gazette*.

## Currency Hedging Analysis

Figures in thousands of Mexican Pesos	Second Quarter 2018			YTD June 30, 2018		
	Denominated in Pesos	Denominated in USD	Total in Pesos	Denominated in Pesos	Denominated in USD	Total in Pesos
Total Revenue	309,029	163,148	<b>472,176</b>	639,680	407,465	<b>1,047,145</b>
% of Total Revenue	65.4%	34.6%	<b>100.0%</b>	61.1%	38.9%	<b>100.0%</b>
(-) Total Costs and Expenses	335,384	54,293	<b>389,677</b>	687,775	95,469	<b>783,244</b>
(-) Non-recurring Expenses	5,066	-	<b>5,066</b>	15,108	-	<b>15,108</b>
<b>Operating Income</b>	<b>(31,421)</b>	<b>108,855</b>	<b>77,434</b>	<b>(63,203)</b>	<b>311,996</b>	<b>248,793</b>
(+) Depreciation	50,596	-	<b>50,596</b>	94,829	-	<b>94,829</b>
<b>Operating Cashflow</b>	<b>19,175</b>	<b>108,855</b>	<b>128,030</b>	<b>31,626</b>	<b>311,996</b>	<b>343,622</b>
% of Operating Cashflow	15.0%	85.0%	<b>100.0%</b>	9.2%	90.8%	<b>100.0%</b>
Interest	7,516	28,290	<b>35,806</b>	15,140	54,470	<b>69,610</b>
Principal	12,458	24,729	<b>37,187</b>	19,187	50,847	<b>70,034</b>
<b>Total Debt Service</b>	<b>19,974</b>	<b>53,019</b>	<b>72,993</b>	<b>34,327</b>	<b>105,317</b>	<b>139,644</b>
Interest Coverage ratio 1	2.6x	3.8x	<b>3.6x</b>	2.1x	5.7x	<b>4.9x</b>
Debt Service Coverage Ratio 2	1.0x	2.1x	<b>1.8x</b>	0.9x	3.0x	<b>2.5x</b>

1) Operating Cashflow / Interest; 2) Operating Cashflow / Total Debt Service

In 2Q18, approximately 34.6% of revenue and 85.0% of operating cash flow were denominated in US dollars. Dollar-denominated operating cash flow was enough to cover financial debt, both interest and principal, with a ratio of 2.1x for 2Q18. This position corroborated the Company's expectations to benefit from lower financing costs, given that hotels which contracted financial debt have a natural hedge to volatile scenarios.

At the end of 2Q18, the Company's debt coverage ratio was 1.8x. In addition, HOTEL has a dollar-denominated cash balance of Ps. 214.8 million at the close of 2Q18, decreasing its total exposure to currency risks.

## Recent Events

During 2Q18, and until the date of this report, HOTEL's recent developments included:

- On April 16th, the Company published its second Social Responsibility Report based on the ten principles of the UN Global Compact. In this report, HOTEL's stakeholders can follow the Company's progress on the sustainability front. In this period, HOTEL began preparing its first Materiality assessment that includes research, analysis and dialogue with our stakeholders. Based on the conclusions of this analysis, the company's sustainability efforts will be directed at its most relevant issues, generating a positive impact for our internal and external stakeholders. With this report the Company will reinforce and promote the ten principles of the UN Global Compact within its area of influence and will cooperate and collaborate on projects with its stakeholders and will contribute to the United Nations 2030 Agenda for Sustainable Development Goals.
- On June 5th, the Company announced the signing of a strategic alliance with AMResorts. As a result, a co-branding was implemented between Reflect® Resorts & Spas brand and Krystal Grand® brand for the hotels in *Punta Cancun*, *Los Cabos* and *Nuevo Vallarta* which jointly account for 1,329 rooms. Through alliance, the Company expects to significantly increase sales of these hotels, in addition to the opportunity to expand this partnership to more properties. This strategic alliance started on July 1st, 2018. It is important to note that AMResorts is responsible for the commercialization, sales and marketing of the properties, which gives the Company higher growth on international sales, and therefore, a higher dollar-denominated sales percentage, as well as better customer acquisition thanks to Apple Leisure Group's distribution network, the largest global operator for leisure travel to Mexico, the Dominican Republic and one of the largest to the Caribbean. HOTEL maintains property of the Hotels and continues operating them. This strategic alliance grants the Company access to more direct, diversified and profitable distribution channels. This, combined with the Company's proven capability as the best hotel operator in Mexico, will enhance the results of these properties.
- Today, the Company announced the following Executive Title Changes:
  - The appointment of Francisco Zinser Cieslik as Executive Vice Chairman (not a member) of the Board. Francisco Zinser, who until now was CEO of the Company, is now designated Executive Vice Chairman (not a member) of the Board and will mainly focus on expansion, development and strategy for the Company, as well as corporate finance and investor relations.
  - The appointment of Francisco Medina Elizalde as CEO of the Company. Francisco Medina, who previously was the deputy CEO, will continue being in charge of the operation of the Company.

These changes will be effective as of July 20th, 2018. Both Francisco Zinser Cieslik and Francisco Medina Elizalde maintain their positions in the executive and operational committees of the Company.

Francisco Zinser Cieslik has over 32 years of experience in the hotel industry. He was COO and Global Head of Strategy and Development at NH Hotels, Head of Development and Expansion at Grupo Posadas and CEO of Grupo Chartwell from 1997 to 2005. Since June 1st, 2013 he has been CEO of HOTEL. He has a Major in Business Administration from the Universidad Anahuac.

Francisco Medina Elizalde has over 32 years of experience in the hotel industry. He was CEO of NH Hotels Latin America, Regional Operations Director at Grupo Posadas and COO of Grupo Chartwell from 1997 to 2005. Since June 1st, 2013 he has been Deputy COO of HOTEL. He has a Major in Business Administration from the Universidad de Guadalajara.

### 2Q18 Conference Call Details:

HOTEL will host its earnings webcast (audio + presentation) to discuss results:

**Date:** Friday, July 20, 2018

**Time:** 12:00 p.m. Mexico City Time  
1:00 p.m. New York Time

To participate in the conference call and Q&A session please dial:

**Telephone:** U.S.: 1 800 863 3908  
International +1 334 323 7224  
Mexico: 01 800 847 7666

Conference password: HOTEL 000

**Webcast:** The webcast will be in English. To follow the Power Point presentation and the audio of the call, please visit our website [www.gsf-hotels.com/investors](http://www.gsf-hotels.com/investors)

### About Grupo Hotelero Santa Fe

HOTEL is a leading company in the Mexican hotel industry, centered on acquiring, converting, developing and operating its own hotels as well as third party-owned hotels. The Company focuses on strategic hotel location and quality, a unique hotel management model, strict expense control and the proprietary Krystal® brand as well as other international brands. As of year-end 2017, the Company employed over 3,200 people and generated revenues of Ps. 1,582 million. For more information, please visit [www.gsf-hotels.com](http://www.gsf-hotels.com)

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### Legal Note on Forward Looking Statements:

The information provided in this report contains certain forward-looking statements and information related to Grupo Hotelero Santa Fe, S.A.B. de C.V. and its subsidiaries (jointly "Grupo Hotelero Santa Fe", "HOTEL", or the "Company") which are based in the understanding of its managers, as well as in assumptions and information currently available for the Company. Such statements reflect the current view of Grupo Hotelero Santa Fe in regard to future events subject to a number of risks, uncertainties and assumptions. Several features may cause that the results, performance or current achievements of the Company may differ materially with respect to future results, performance or attainments of Grupo Hotelero Santa Fe that may be included, expressly or implied within such statements in regard to the future, including among others, alterations in the economic general conditions and/or politics, governmental and commercial changes globally or within the countries in which the Company has any business interests, changes in the interests rates and inflation, exchange rates volatility, changes in the demand and regulations of the products marketed by the Company, changes in the price of raw materials and other goods, changes in the business strategies and several other features. If one or more these of risks or uncertainties are materialized, or if the assumptions used result to be incorrect, the real results may materially differ from those described herein as anticipated, believed, expected or envisioned. Grupo Hotelero Santa Fe undertakes no obligation to update or revise any forward-looking statements.

## Income Statement

**GRUPO HOTELERO SANTA FE, S.A.B. de C.V.**  
Consolidated Income Statement  
For the three-month and six-month periods ended June 30, 2018 and 2017  
(Figures in thousands of Mexican Pesos)

	Second Quarter				6 months ended June 30			
	2018	2017	Var.	% Var.	2018	2017	Var.	% Var.
<b>Revenue</b>								
Room Revenue	256,581	209,046	47,535	22.7	571,251	427,903	143,348	33.5
Food and Beverage Revenue	166,841	107,640	59,202	55.0	367,778	212,425	155,353	73.1
Other Revenue from Hotels	31,792	28,719	3,073	10.7	72,592	66,456	6,136	9.2
Third-party Hotels' Management Fees	16,962	22,931	(5,969)	(26.0)	35,523	48,592	(13,069)	(26.9)
<b>TOTAL REVENUE</b>	<b>472,176</b>	<b>368,336</b>	<b>103,841</b>	<b>28.2</b>	<b>1,047,145</b>	<b>755,377</b>	<b>291,768</b>	<b>38.6</b>
<b>COSTS AND EXPENSES</b>								
Operating Costs and Expenses	213,296	156,682	56,614	36.1	436,185	291,878	144,308	49.4
Sales and Administration	118,010	96,203	21,808	22.7	237,375	192,664	44,711	23.2
Property Expenses	7,774	5,706	2,069	36.3	14,855	10,444	4,411	42.2
Depreciation and Amortization	50,596	32,902	17,694	53.8	94,829	61,400	33,430	54.4
<b>TOTAL COSTS AND EXPENSES</b>	<b>389,677</b>	<b>291,493</b>	<b>98,184</b>	<b>33.7</b>	<b>783,244</b>	<b>556,385</b>	<b>226,859</b>	<b>40.8</b>
Development and hotel opening expenses	5,966	9,676	(3,710)	(38.3)	12,092	20,521	(8,429)	(41.1)
Other non-recurring expenses	(900)	2,029	(2,929)	NA	3,016	2,996	20	0.7
<b>ADJUSTED EBITDA</b>	<b>133,096</b>	<b>109,745</b>	<b>23,350</b>	<b>21.3</b>	<b>358,730</b>	<b>260,391</b>	<b>98,339</b>	<b>37.8</b>
<i>ADJUSTED EBITDA Margin (%)</i>	<i>28.2%</i>	<i>29.8%</i>	<i>(1.6 pt)</i>	<i>(1.6 pt)</i>	<i>34.3%</i>	<i>34.5%</i>	<i>(0.2 pt)</i>	<i>(0.2 pt)</i>
<b>OPERATING INCOME</b>	<b>77,434</b>	<b>65,139</b>	<b>12,296</b>	<b>18.9</b>	<b>248,793</b>	<b>175,475</b>	<b>73,318</b>	<b>41.8</b>
<i>Operating Income Margin (%)</i>	<i>16.4%</i>	<i>17.7%</i>	<i>(1.3 pt)</i>	<i>(1.3 pt)</i>	<i>23.8%</i>	<i>23.2%</i>	<i>0.5 pt</i>	<i>0.5 pt</i>
Net interest expenses	(27,539)	(12,199)	(15,339)	NA	(57,185)	(20,892)	(36,292)	NA
Net foreign currency exchange loss	(151,948)	52,965	(204,914)	NA	(26,868)	161,015	(187,883)	NA
Other financial costs	95	(1,938)	2,033	NA	(1,439)	(3,074)	1,635	(53.2)
<b>Net Financing Result</b>	<b>(179,392)</b>	<b>38,828</b>	<b>(218,220)</b>	<b>NA</b>	<b>(85,492)</b>	<b>137,048</b>	<b>(222,540)</b>	<b>NA</b>
Undistributed income from subsidiaries, net	895	799	96	12.0	1,804	1,434	370	25.8
Income before taxes	(101,063)	104,766	(205,829)	NA	165,105	313,957	(148,852)	(47.4)
Total income taxes	(23,244)	30,619	(53,863)	NA	37,974	54,884	(16,910)	(30.8)
<b>Net Income</b>	<b>(77,818)</b>	<b>74,147</b>	<b>(151,966)</b>	<b>NA</b>	<b>127,131</b>	<b>259,073</b>	<b>(131,942)</b>	<b>(50.9)</b>
<i>Net Income Margin (%)</i>	<i>-16.5%</i>	<i>20.1%</i>	<i>(36.6 pt)</i>	<i>(36.6 pt)</i>	<i>12.1%</i>	<i>34.3%</i>	<i>(22.2 pt)</i>	<i>(22.2 pt)</i>
<b>Income attributable to:</b>								
Controlling interest	(26,765)	63,170	(89,936)	NA	124,738	209,693	(84,955)	(40.5)
Non-controlling interest	(51,053)	10,977	(62,030)	NA	2,393	49,380	(46,987)	(95.2)



## Balance Sheet

**Grupo Hotelero Santa Fe, S.A.B. de C.V.**

Consolidated Balance Sheet

As of June 30, 2018 and 2017

(Figures in thousands of Mexican Pesos)	2018	2017	Var \$	Var %
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	221,370	785,436	(564,066)	(71.8%)
Restricted cash	-	-	-	NA
Accounts receivables from clients	120,005	101,681	18,323	18.0%
Accounts receivables from related parties	11,725	19,906	(8,182)	(41.1%)
Creditable taxes	344,591	287,883	56,709	19.7%
Other current assets	67,373	44,389	22,984	51.8%
Escrow deposit for hotel acquisition	24,333	11,726	12,607	NA
<b>Total current assets</b>	<b>789,396</b>	<b>1,251,021</b>	<b>(461,625)</b>	<b>(36.9%)</b>
<b>Non-current Assets</b>				
Restricted cash	104,659	65,499	39,159	59.8%
Property, furniture and equipment	7,361,313	5,393,146	1,968,167	36.5%
Non-productive fixed assets (In-process developments) □	362,864	1,539,569	(1,176,705)	(76.4%)
Other assets	20,636	47,441	(26,805)	(56.5%)
Investment in subsidiaries	37,680	34,359	3,321	9.7%
Deferred income taxes	100,051	103,775	(3,723)	(3.6%)
Goodwill	332,053	277,848	54,205	19.5%
<b>Total non-current assets</b>	<b>8,319,256</b>	<b>7,461,639</b>	<b>857,618</b>	<b>11.5%</b>
<b>Total assets</b>	<b>9,108,653</b>	<b>8,712,659</b>	<b>395,993</b>	<b>4.5%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>Current liabilities</b>				
Current installments of long-term debt	202,910	124,474	78,436	63.0%
Suppliers	101,975	76,144	25,832	33.9%
Accrued liabilities	102,202	863,360	(761,159)	(88.2%)
Accounts payable to related parties	20,588	10,093	10,495	NA
Payable taxes	102,716	90,375	12,341	13.7%
Client advanced payments	52,134	49,967	2,168	4.3%
<b>Total current liabilities</b>	<b>582,526</b>	<b>1,214,413</b>	<b>(631,887)</b>	<b>(52.0%)</b>
<b>Non-current liabilities</b>				
Long-term debt	2,248,833	1,332,392	916,441	68.8%
Other non-current liabilities	4,734	4,707	27	0.6%
Deferred income taxes	813,606	695,992	117,614	16.9%
<b>Total non-current liabilities</b>	<b>3,067,173</b>	<b>2,033,091</b>	<b>1,034,082</b>	<b>50.9%</b>
<b>Total liabilities</b>	<b>3,649,699</b>	<b>3,247,504</b>	<b>402,195</b>	<b>12.4%</b>
<b>Equity</b>				
Capital stock	3,434,323	3,441,756	(7,433)	(0.2%)
Legal reserve	190,493	190,493	-	0.0%
Premium on subscription of shares	80,000	80,000	-	0.0%
Net income	127,131	259,073	(131,942)	(50.9%)
Retained earnings	598,953	382,962	215,991	56.4%
<b>Shareholder's Equity</b>	<b>4,430,900</b>	<b>4,354,284</b>	<b>76,616</b>	<b>1.8%</b>
Non-controlling interest	1,028,053	1,110,871	(82,818)	(7.5%)
<b>Total Equity</b>	<b>5,458,953</b>	<b>5,465,156</b>	<b>(6,202)</b>	<b>(0.1%)</b>
<b>Total liabilities and equity</b>	<b>9,108,652</b>	<b>8,712,659</b>	<b>395,993</b>	<b>4.5%</b>

## Cash Flow Statement

### Grupo Hotelero Santa Fe, S.A.B. de C. V.

#### Consolidated Cash Flow

For the three and six month period ended June 30, 2018 and 2017

Figures in thousands of Mexican pesos

Cash Flow Statement	Second Quarter		6 months ended June 30	
	2018	2017	2018	2017
<b>Cashflow from operating activities</b>				
Net income	(77,818)	74,147	127,131	259,073
Depreciation and amortization	50,596	32,902	94,829	61,400
Income taxes	(23,244)	30,619	37,974	54,884
Unrealized foreign exchange gain (loss)	139,826	(50,428)	6,649	(169,335)
Net interest expense	27,539	12,199	57,185	20,892
Other financial costs	(95)	1,938	1,439	3,074
Minority interest	(895)	(799)	(1,804)	(1,434)
<b>Cashflow before working capital variations</b>	<b>115,907</b>	<b>100,579</b>	<b>323,403</b>	<b>228,554</b>
Accounts receivable from clients	66,679	3,257	15,182	(16,893)
Accounts receivable from related parties	(5,690)	(3,042)	(2,258)	(6,116)
Other current assets	(13,462)	(8,149)	(26,599)	(13,209)
Creditable taxes	3,903	54,068	32,072	50,181
Suppliers	(25,484)	(2,182)	(7,568)	2,552
Accrued liabilities	7,260	(26,887)	8,117	9,327
Accounts payable to related parties	2,341	2,958	4,664	6,704
Downpayments from clients	(1,144)	8,671	11,544	24,593
Payable taxes	(5,878)	(695)	(18,467)	818
<b>Net operating cashflow</b>	<b>144,434</b>	<b>128,577</b>	<b>340,091</b>	<b>286,511</b>
<b>Non-recurring items</b>				
Accrued liabilities	-	(49,801)	-	(49,801)
Receivable and Payable taxes	(16,181)	(32,080)	(44,661)	(56,989)
Income in acquisition of Dollars	20,312	-	1,540	-
<b>Cashflow net from non-recurring items</b>	<b>148,565</b>	<b>46,696</b>	<b>296,970</b>	<b>179,721</b>
<b>Investment activities</b>				
Change in restricted cash	(7,414)	(3,894)	(1,004)	1,987
Acquisition of property, furniture and equipment	(121,806)	(258,348)	(228,119)	(430,384)
Acquisition of ongoing business (KGLC & KGNV)	-	-	-	(610,226)
Escrow deposit for hotel acquisition	(1,861)	(105)	(157)	(156)
Investment in subsidiary	0	201	94	181
Other net assets and liabilities	(3,166)	(858)	(1,481)	(1,370)
Interest gained	7,263	7,546	13,935	16,945
<b>Cashflow from investment activities</b>	<b>(126,983)</b>	<b>(255,458)</b>	<b>(216,731)</b>	<b>(1,023,023)</b>
<b>Financing activities</b>				
Net increase in paid-in capital from non-controlling company	-	(27)	-	-
Repurchase of shares	(6,588)	255	(7,239)	10,517
Payment of interest and loan amortization*	(72,993)	(47,874)	(139,644)	(115,864)
<b>Cashflow form financing activities</b>	<b>(79,582)</b>	<b>(47,646)</b>	<b>(146,883)</b>	<b>(105,347)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(58,000)</b>	<b>(256,407)</b>	<b>(66,645)</b>	<b>(948,649)</b>
Cash and cash equivalents at the beginning of the period	279,370	1,043,065	288,015	1,731,587
<b>Cash and cash equivalents at the end of the period</b>	<b>221,370</b>	<b>786,658</b>	<b>221,370</b>	<b>782,938</b>
Cash in business acquisition	-	(1,221)	-	2,499
<b>Total Cash at the end of the period</b>	<b>221,370</b>	<b>785,437</b>	<b>221,370</b>	<b>785,437</b>

## Appendix 1: Integration of Rooms under Operation

Operating indicators for 2Q18 consider 5,214 hotel rooms under operation out of 5,756. The integration of 542 rooms excluded is detailed as follows:

- i) 263 rooms part of the Vacation Club<sup>7</sup>
- ii) The effect of 279 rooms less in the period due to:
  - a. 388 rooms out of 451 rooms of *Hilton Puerto Vallarta* were available in the quarter as operations of the expansion “*The Hacienda*” started at the end of March (63 less rooms)
  - b. 264 rooms out of 480 rooms of *Krystal Grand Nuevo Vallarta* were available in the quarter (216 less rooms)

Operating indicators for 1H18 consider 5,079 hotel rooms under operation out of 5,756. The integration of 677 rooms excluded is detailed as follows:

- i) 245 rooms part of the Vacation Club<sup>8</sup>
- ii) The effect of 432 rooms less in the period due to:
  - a. 326 rooms out of 451 rooms of *Hilton Puerto Vallarta* were available in the period as operations of the expansion “*The Hacienda*” started at the end of March (125 less rooms)
  - b. 264 rooms out of 480 rooms of *Krystal Grand Nuevo Vallarta* were available in the period (216 less rooms)
  - c. 440 rooms out of 530 rooms of the *Krystal Resort Puerto Vallarta* were available in the period (90 less rooms)
  - d. 245 out of 246 rooms of the *Krystal Urban Cancun* were available in the period (1 less room)

The following table summarizes the total number of rooms of the Company’s portfolio:

Rooms 2Q18	Owned Hotels	Third-party owned hotels	Total Rooms	Rooms 1H18	Owned Hotels	Third-party owned hotels	Total Rooms
In Operation	3,319	1,895	5,214	In Operation	3,256	1,823	5,079
Vacational Club	53	210	263	Vacational Club	53	192	245
Unavailable	279	-	279	Unavailable	432	-	432
In Renovation	-	-	-	In Renovation	-	-	-
<b>Total Rooms</b>	<b>3,651</b>	<b>2,105</b>	<b>5,756</b>	<b>Total Rooms</b>	<b>3,741</b>	<b>2,015</b>	<b>5,756</b>

<sup>7</sup> 263 rooms are part of Vacation Club, of which 53 rooms are Company-owned, and 210 rooms are third-party owned under the Company’s management. Vacation Club revenue is included in the P&L under Other Income, and is, therefore, excluded from this analysis.

<sup>8</sup> 245 rooms are part of Vacation Club, of which 53 rooms are Company-owned, and 192 rooms are third-party owned under the Company’s management. Vacation Club revenue is included in the P&L under Other Income, and is, therefore, excluded from this analysis.