# Growing with MEXICO

**2022** Annual Report

Santa Fe
grupo | hotelero

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**MAHEKAL**
Quintana Roo

# QUINTANA ROO

## HOTELS
**6**

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**3. SLS CANCÚN**
**4. MAHEKAL BEACH RESORT**
**5. SECRETS TULUM RESORT & SPA**
**6. KRYSTAL URBAN CANCUN**

## ROOMS
**1,712**

**1.** 502 rooms
**2.** 398 rooms
**3.** 45 rooms
**4.** 195 rooms
**5.** 326 rooms
**6.** 246 rooms

## RESTAURANTS
**18**

**1.** Aquamarina - Hacienda El Mortero
La Fisheria - Las Velas - Mediterraneo - Take a Bite
**2.** The O - The Grill - Risotto - Ayami
Lounge Altitude - The Beach Bar @ Grill
Take a Bite - The Deli - Red Fish Cevicheria
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**5.** Coco Café - Barefoot Grill - Veranda - The Grotto
Market Café - Olio - Jasmine - Oceana
La Riviera - Sugar Reef
**6.** Aquamarina

## BARS
**16**

**1.** Lobby Bar - Bar Las Velas - Bar Cascada - Beach Bar
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The Pool Bar - Lounge Altitude Bar
The Beach Bar & Grill
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**4.** Las Olas - Itzi - Cantina Fuego - Agave
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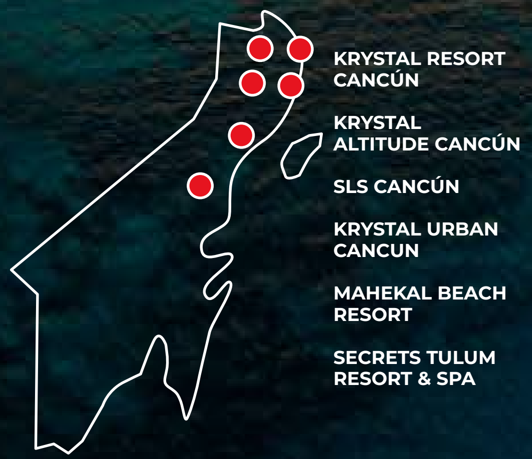
Sky Bar - Edgewater - Barracuda
**6.** Take a Bite

## LOCATION



# Corporate PROFILE

Grupo Hotelero Santa Fe –GHSF– is a leading company in the hotel industry in Mexico. We focus on acquiring beach and urban hotels in the main domestic tourist destinations, converting property use, and operating and development agreements.

GHSF's operating model is based on a dynamic and effective commercial strategy, the multi-functional efficiency of our personnel, and strict expense control, all of which allow us to adapt quickly, and to anticipate the changing needs of the industry.

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

The diversity of our hotel portfolio results in greater stability in revenues and income due to the countercyclical seasonality between urban and beach hotels, allowing us to implement cross sales among our client base.

Our management team has a long and successful track record in the hotel industry in Mexico, with combined experience totaling more than 100 years. Over their careers, the leaders of GHSF have acquired, operated, and developed more than 12,000 rooms in Mexico and Latin America.

The Group's strategy is geared towards growing in Mexico, with a clear focus on the Krystal brand, prioritizing the country's main markets in the four-star, five-star, and Gran Turismo hotel categories.

GHSF also focuses on efficient management of the hotel portfolio, and on growth of sales and income by effectively optimizing assets.

**KRYSTAL IXTAPA**
Guerrero

# VISION

To be recognized as one of the best hotel companies due to high levels of profitability, professional ethics, and trustworthiness, quality products and services, with employees who are proud to be part of the Group.

# MISSION

To ensure that our guests and clients have enjoyable and unforgettable experiences, through employees committed to providing quality service, in addition to good management, which allows us to create the profitability expected by our partners, shareholders, and investors.

**HYATT REGENCY**
Ciudad de México

# VALUES

KRYSTAL HOTEL & RESORT IXTAPA
Guerrero

**HONESTY:** We act honorably and truthfully, maintaining the highest professional criteria with our clients, investors, and employees.

**SERVICE:** We serve with passion, ensuring that our clients have unforgettable experiences by exceeding their expectations, turning their stay into a new lifestyle.

**COMMITMENT:** We act responsibly, impacting lives positively both inside and outside the organization, and we contribute to sustainable development, benefiting the environment and the community.

**PROFITABILITY:** We work hard to obtain the profitability expected by our investors, enabling us to grow together.

**TEAMWORK:** We all give our very best, joining forces and multiplying achievements, leading by example, and helping our people develop. We believe in respecting diversity, with barrier-free working conditions.

**EFFICIENCY:** We do things right the first time around, constantly searching for creative ideas that have the potential to change and improve our organization.

**ENJOYMENT:** We enjoy what we do, and we enthusiastically share our everyday activities. We are proud to have a Mexican ADN, but mostly we are proud of our work, which is a great way to live.

# CIUDAD DE MÉXICO

## AND METROPOLITAN AREA

### HOTELS

**4**

1. KRYSTAL URBAN AEROPUERTO
2. KRYSTAL GRAND SUITES INSURGENTES
3. HYATT REGENCY INSURGENTES
4. KRYSTAL SATÉLITE MARÍA BÁRBARA

### ROOMS

**662**

1. 96 rooms
2. 150 rooms
3. 201 rooms
4. 215 rooms

### RESTAURANTS

**6**

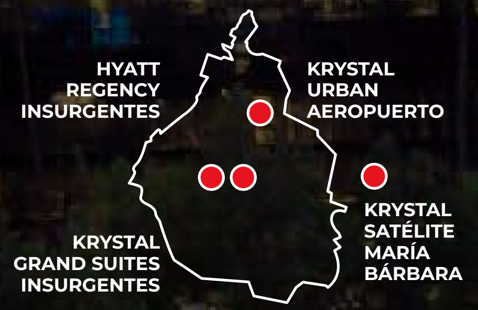
1. La Reforma 1 - The Corner
2. La Reforma 1 - Restaurante Lobby
3. Muralis - Forum (Market)
4. María Bárbara

### BARS

**4**

1. Lobby Bar
2. Take a Bite
3. Elements Bar & Lounge - Sky Bar 724
4. La Terraza

### LOCATION



# GHSF A company with purpose

SECRETS TULÚM
Quintana Roo

# Our
# COMPANY

Grupo Hotelero Santa Fe began operating in 2010. Twelve years after its foundation, we have 24 hotels in operation with 6,159 rooms in 12 states throughout Mexico.

GHSF currently has 559 rooms under construction - own and third-party - including 201 rooms at the Hyatt Regency Insurgentes Ciudad de Mexico, 32 rooms at Curio Collection Zacatecas, and 326 rooms at Secrets Tulum Resort & Spa, for a total portfolio of 27 hotels with 6,718 rooms.

**HOTELES KRYSTAL**

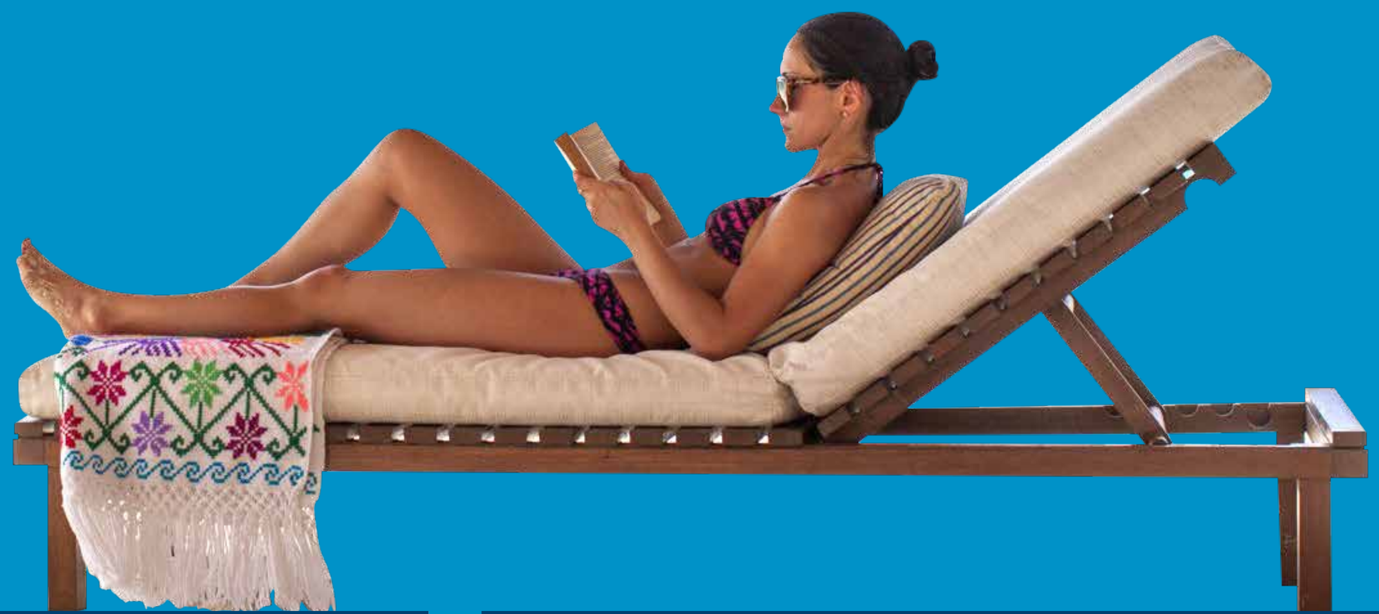
Through our own brand, Hoteles Krystal, today we have four segments: Krystal Grand, Krystal Hotels & Resorts, Krystal Urban and Krystal Altitude.

Hoteles Krystal is a hotel chain in Mexico and worldwide that is widely recognized for providing unique experiences for families, friends, romantic getaways, or business.

**KRYSTAL GRAND LOS CABOS**
Baja California Sur

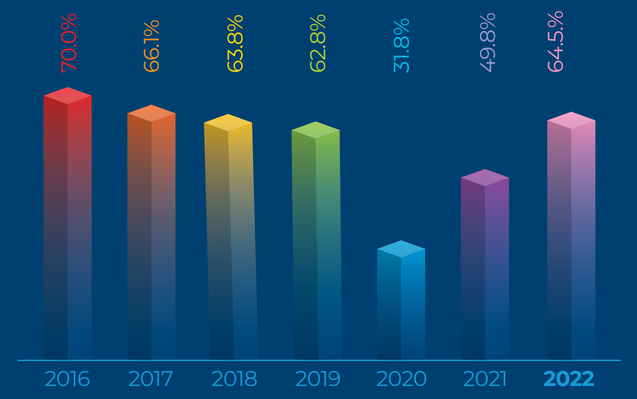
**MAHEKAL**
Quintana Roo

# Key FIGURES



| INCOME STATEMENT | 2022 | 2021 | % Var. |
|---|---|---|---|
| Numbers in thousands of pesos | | | |
| Room revenue | 1,302,470 | 871,627 | 49.4 |
| Revenues from food and beverages | 1,017,326 | 666,055 | 52.7 |
| Other hotel revenues | 200,097 | 144,710 | 38.3 |
| Vacation Club revenues | 46,675 | 22,230 | NA |
| Administrative fees for managing third-party hotels | 85,750 | 55,931 | 53.3 |
| **Total revenues** | **2,652,319** | **1,760,553** | 50.7 |
| Operating costs and expenses | 1,343,045 | 897,166 | 49.7 |
| Sales and administration | 496,574 | 415,650 | 19.5 |
| Other expenses | 35,917 | 34,585 | 3.9 |
| Vacation Club costs | 27,632 | 12,497 | NA |
| Depreciation | 281,203 | 265,058 | 6.1 |
| **Total costs and expenses** | **2,184,371** | **1,624,956** | 34.4 |
| **Total non-recurring expenses** | **113,358** | **65,917** | 72.0 |
| **EBITDA** | **749,151** | **400,655** | 87.0 |
| EBITDA Margin (%) | 28.2% | 22.8% | 5 .5 pt |
| **Operating income** | **354,590** | **69,680** | NA |
| Operating income margin (%) | 13.4% | 4.0% | 9.4 pt |
| **Net financial cost** | **(12,455)** | **(179,422)** | (93.1) |
| Income tax | 147,445 | (75,605) | NA |
| **Net income** | **198,304** | **(33,412)** | NA |
| Net income margin (%) | 7.5% | (1.9%) | 9.4 pt |
| | | | |
| **Earnings attributable to:** | | | |
| Company-owned properties | 162,385 | (141) | NA |
| Non-controlling stake | 35,919 | (33,271) | NA |

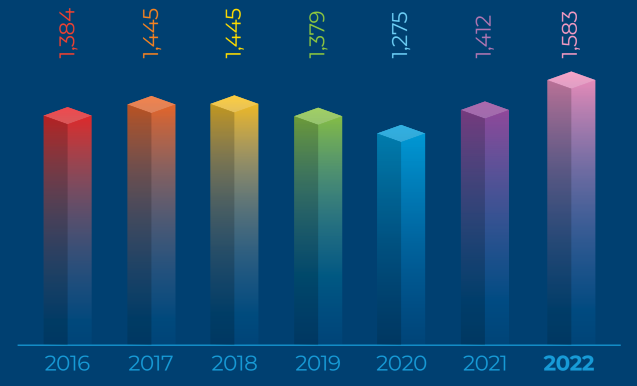
OCCUPANCY



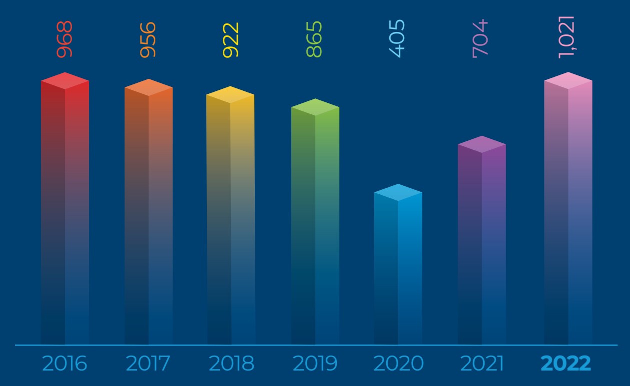

ROOMS


AVERAGE DAILY RATE (ADR)

Pesos




ROOM REVENUES AVAILABLE (RevPar) Pesos



# Message from the CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2022 was one of growth for Grupo Hotelero Santa Fe. We surpassed 2019 results due mainly to an uptick in tourism in Mexico. During the second half of the year we had a capital increase, subscribing and paying in one hundred million shares, for a total amount of four hundred million pesos. I am grateful to the commitment of our investors who shared in our vision for the future of this company.

Additionally, at the end of the year we announced two strategic transactions for the Group. First, we signed an agreement to sell Barceló Hotel Group of Hilton Guadalajara for US$59 million, which we expect to close in the first half of 2023. This transaction dovetailed nicely with the Company's asset rotation strategy. The second transaction was the acquisition of Mahekal Beach Resort, a hotel with 195 rooms, four restaurants and bars, in a 50-50 partnership with a group of Mexican investors. The hotel is located in Playa del Carmen, one of the most popular destinations in Mexico, and recognized internationally due to its connectivity with the markets in Europe, North America, and South America. The value of the transaction was US$56 million, of which 50% was financed with debt.

This hotel is a fundamental part of our growth strategy at beaches, increasing our destinations in the Mayan Riviera. It will soon be complemented by Secrets Tulum, which we plan to inaugurate next year.

Our financial position is solid, and we continue looking for opportunities to capitalize on in the future. Our expansion plan is in lockstep with the Company's strategy. At GHSF, we are clear about our focus, which is to continue our disciplined growth, adding value to every property we add to our portfolio.

**Carlos Gerardo Ancira Elizondo**
Chairman of the Board of Directors

*Our financial position is solid, and we continue looking for opportunities to capitalize on in the future. Our expansion plan is in lockstep with the Company's strategy.*

# Message from the CHIEF EXECUTIVE OFFICER to our Stakeholders

*None of these achievements would be possible without the support of our entire team, who every day show their trust in our Company through their hard work and commitment.*

The year 2022 was a great one for the Company. We reported solid growth in revenues for the year, and EBITDA of 51 percent and 87 percent, respectively, compared to 2019. The operating indicators for hotels owned by the Company showed increased RevPAR of 27 percent, driven by a 14.2 percent increase in ADR, combined with a 14.6 percent increase in occupancy. We recorded Ps. 749 million in EBITDA in 2022, which was 16 percent higher than in 2019.

It was also a year of economic recovery, as North American tourists' interest in traveling to tourist beach destinations surged; meanwhile domestic tourists took advantage of weekends to get away from their work routines, which positively influenced the economic recovery of Grupo Hoterelo Santa Fe's beach hotels.

Activity at urban hotels has increased slowly, as we return to normality little by little. The lifting of the health-related restrictions imposed during the COVID-19 pandemic has led to more social events, business travel, and conventions.

This economic recovery opens a window of opportunity to drive investment in sustainability projects, mainly in new efficiency technologies, the use of clean energy, and in greater support for social projects in the communities where we operate. The main achievements of Grupo Hotelero Santa Fe in 2022 are backed by the culture of budget control, deepening the skills of our personnel with our improved training program, with the primary objective of providing high-quality service to our guests.

Our ethical guidelines are the compass that guides us in our business decisions, inspiring us to invest in sustainability measures. The Audit area does excellent work focusing on compliance to prevent money-laundering and terrorism financing, conducting processes to bar contracting providers with non-existent companies, and continuing the Mystery Shopper program, which seeks to prevent corruption in the various services offered by our hotels.

At Grupo Hotelero Santa Fe, we are prepared to face new challenges. This is borne out in the opening of two new hotels, our increased profitability, our vision of the business to 2030, and effective risk management. All of these measures make our Company a leader in the hotel sector.

As always, I would like to take this opportunity to recognize that none of these achievements would be possible without the support of our entire team of managers and employees who have placed their trust in the Company through their hard work and commitment. This foundation allows us to continue with our current successes, and to build on the achievements to come.

**Francisco Medina Elizalde**
Chief Executive Officer

# 27 *hotels in Mexico*

**KRYSTAL ALTITUDE CANCÚN**
Quintana Roo

# +3,500

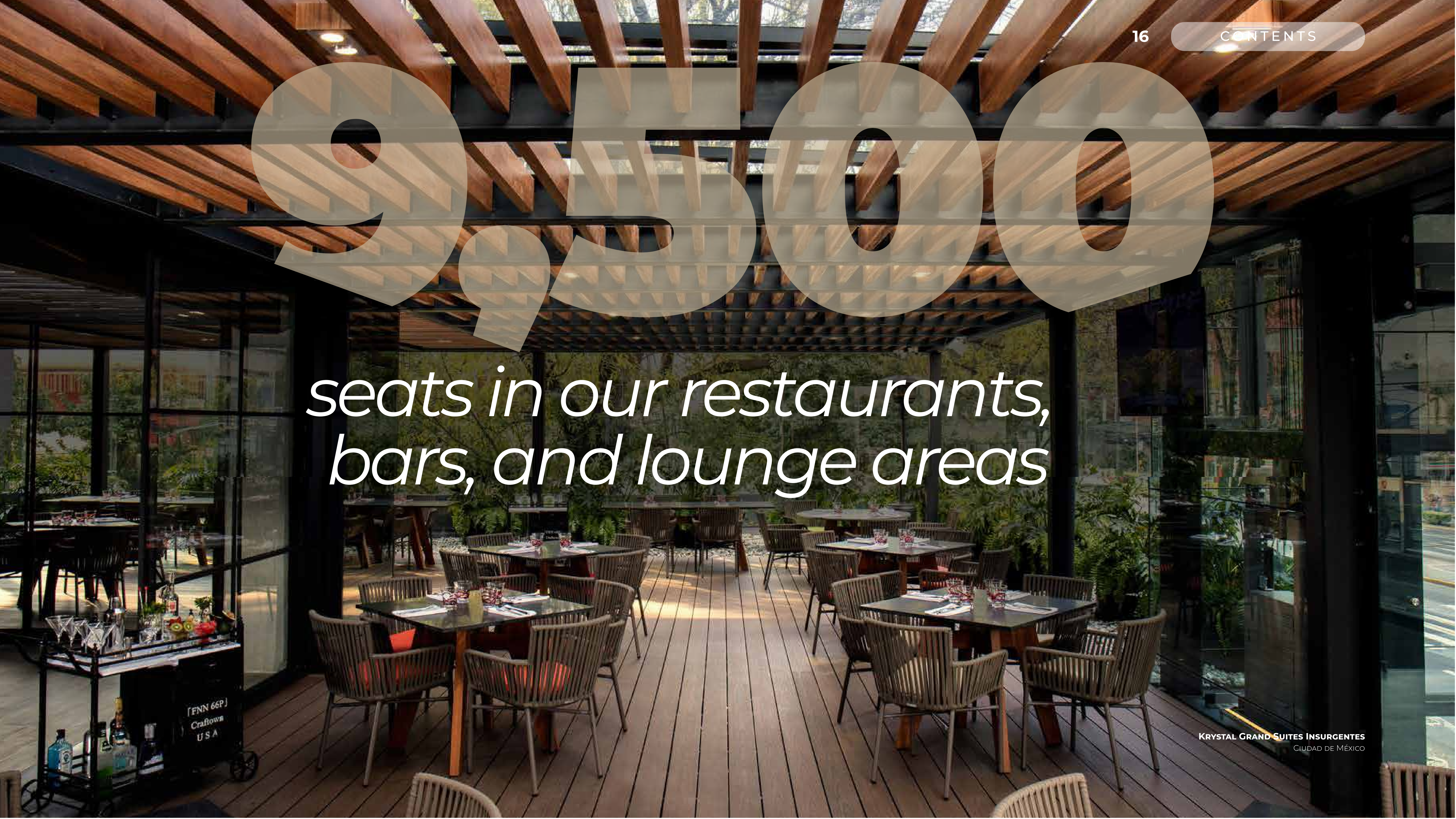
## *employees in 2022*


**KRYSTAL ALTITUDE CANCÚN**
Quintana Roo

# 6,718

*rooms in 2022*

**KRYSTAL MONTERREY**
Nuevo León



# 9,500

*seats in our restaurants, bars, and lounge areas*

**Krystal Grand Suites Insurgentes**
Ciudad de México

# Our PRESENCE

We are present in 12 states in Mexico.


**1 CHIHUAHUA**
Krystal Urban Ciudad Juárez

**2 NUEVO LEÓN**
Krystal Urban Monterrey
Hilton Garden Inn Monterrey Aeropuerto
Krystal Monterrey

**3 ZACATECAS**
Curio Collection by Hilton Zacatecas

**4 AGUASCALIENTES**
Hyatt Place Aguascalientes

**5 GUANAJUATO**
Hyatt Centric Campestre León
Ibis Irapuato

**6 CIUDAD DE MÉXICO AND METROPOLITAN AREA**
Krystal Urban Aeropuerto CDMX
Krystal Grand Suites Insurgentes
Hyatt Regency Insurgentes CDMX
Krystal Satélite María Bárbara

**7 JALISCO**
Hilton Guadalajara
Krystal Urban Guadalajara

**7 JALISCO**
Krystal Resort Puerto Vallarta
Hilton Puerto Vallarta

**8 NAYARIT**
Krystal Grand Nuevo Vallarta

**9 BAJA CALIFORNIA SUR**
Krystal Grand Los Cabos

**10 GUERRERO**
Krystal Beach Acapulco
Krystal Resort Ixtapa

**11 TABASCO**
Hampton Inn & Suites Paraiso

**12 QUINTANA ROO**
Krystal Resort Cancún
Krystal Grand Punta Cancún
Krystal Urban Cancún Centro
Mahekal Beach Resort Playa del Carmen
SLS Cancún
Secrets Tulúm

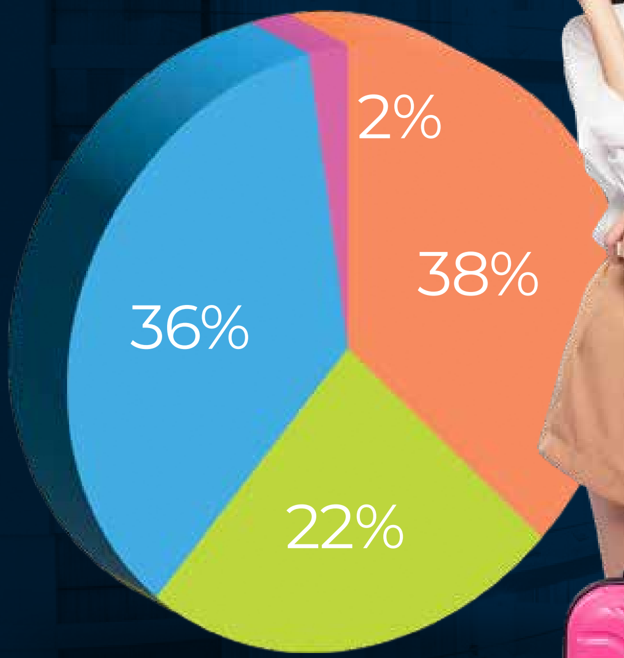
# Hotel
# PORTFOLIO

We have properties in the 18 most emblematic cities in the country.

| NO. | PROPERTY | TOTAL ROOMS | PROPERTY | TYPE | CATEGORY | CITY | STATE |
|---|---|---|---|---|---|---|---|
| 1 | Hilton Guadalajara | 450 | 100% | Urban | Gran Turismo | Guadalajara | Jalisco |
| 2 | Krystal Urban Monterrey | 150 | 100% | Urban | 4 stars | Monterrey | Nuevo León |
| 3 | Krystal Urban Cd. Juárez | 120 | 100% | Urban | 4 stars | Ciudad Juárez | Chihuahua |
| 4 | Krystal Urban Cancún | 246 | 100% | Urban | 4 stars | Cancún | Quintana Roo |
| 5 | Krystal Satélite María Bárbara | 215 | 100% | Urban | 5 stars | Ciudad Satélite | Estado de México |
| 6 | Hilton Garden Inn Monterrey Aeropuerto | 134 | 15% | Urban | 4 stars | Monterrey | Nuevo León |
| 7 | Hampton Inn & Suites Paraíso Tabasco | 117 | - | Urban | 4 stars | Paraíso | Tabasco |
| 8 | Krystal Urban Aeropuerto Ciudad de México | 96 | - | Urban | 4 stars | Ciudad de México | Ciudad de México |
| 9 | Krystal Urban Guadalajara | 140 | 100% | Urban | 4 stars | Guadalajara | Jalisco |
| 10 | Krystal Monterrey | 207 | - | Urban | 5 stars | Monterrey | Nuevo León |
| 11 | Ibis Irapuato | 140 | - | Urban | 3 stars | Irapuato | Guanajuato |
| 12 | Krystal Grand Suites Insurgentes | 150 | 50% | Urban | Gran Turismo | Ciudad de México | Ciudad de México |
| 13 | Hyatt Place Aguascalientes | 144 | - | Urban | 4 stars | Aguascalientes | Aguascalientes |
| 14 | Hyatt Centric Campestre León | 140 | 50% | Urban | Gran Turismo | León | Guanajuato |
| SUBTOTAL URBAN | | 2,449 | | | | | |
| 15 | Krystal Resort Cancún | 502 | - | Beach | 5 stars | Cancún | Quintana Roo |
| 16 | Krystal Resort Ixtapa | 255 | - | Beach | 5 stars | Ixtapa | Guerrero |
| 17 | Krystal Resort Puerto Vallarta | 530 | - | Beach | 5 stars | Puerto Vallarta | Jalisco |
| 18 | Krystal Altitude Vallarta | 451 | 100% | Beach | Gran Turismo | Puerto Vallarta | Jalisco |
| 19 | Krystal Beach Acapulco | 400 | 100% | Beach | 4 stars | Acapulco | Guerrero |
| 20 | Krystal Altitude Cancún | 398 | 100% | Beach | Gran Turismo | Cancún | Quintana Roo |
| 21 | Krystal Grand Los Cabos | 454 | 50% | Beach | Gran Turismo | os Cabos | Baja California Sur |
| 22 | Krystal Grand Nuevo Vallarta | 480 | 50% | Beach | Gran Turismo | Nuevo Vallarta | Nayarit |
| 23 | SLS Cancún | 45 | - | Beach | Luxury | Cancún | Quintana Roo |
| 24 | Mahekal Beach Resort | 195 | 50% | Beach | 4 stars | Playa del Carmen | Quintana Roo |
| SUBTOTAL BEACH | | 3,710 | | | | | |
| TOTAL IN OPERATION | | 6,159 | | | | | |
| 25 | Hyatt Regency Insurgentes Mexico City | 201 | 50% | Urban | Gran Turismo | Ciudad de México | Ciudad de México |
| 26 | Curio Collection Zacatecas | 32 | - | Urban | Luxury | Zacatecas | Zacatecas |
| 27 | Secrets Tulum Resort & Spa | 326 | - | Beach | Gran Turismo | Tulum | Quintana Roo |
| TOTAL UNDER CONSTRUCTION | | 559 | | | | | |
| TOTAL | | 6,718 | | | | | |

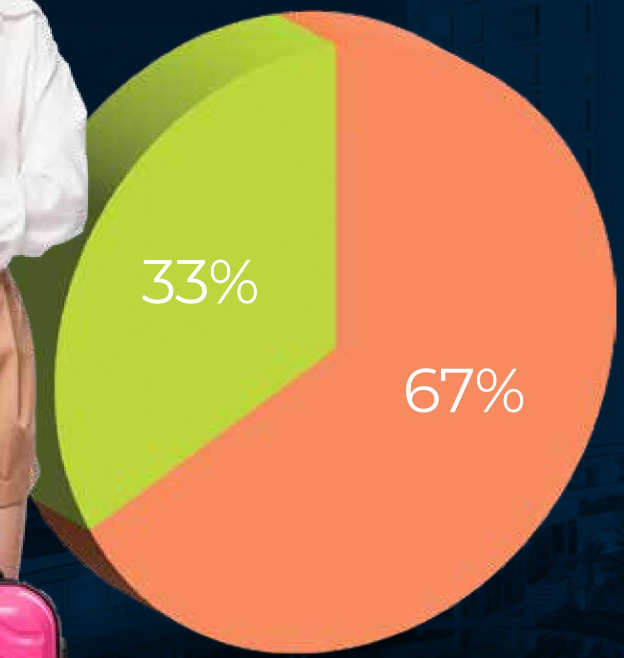
# Composition of the HOTEL PORTFOLIO

PROPERTY
(Number of rooms)



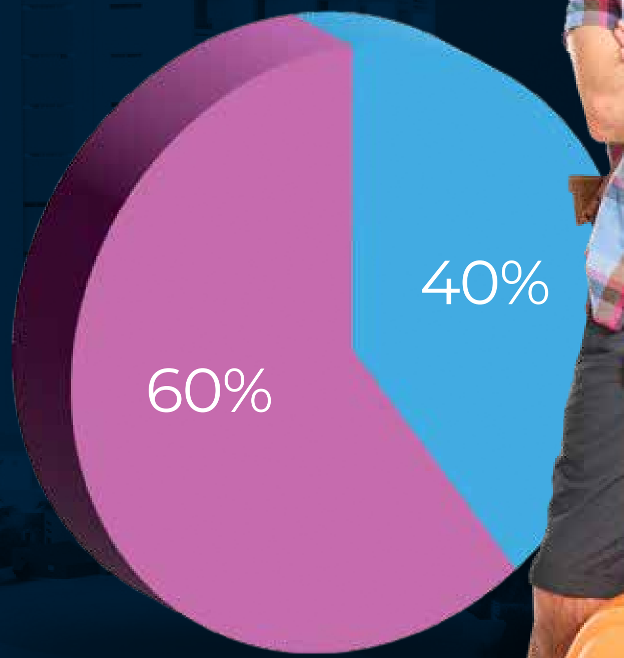

Co-Investment: 134 (2%)
Wholly owned: 2,570 (38%)
50% owned: 1,620 (24%)
Third-party owned: 2,394 (36%)

BRAND
(Number of rooms)



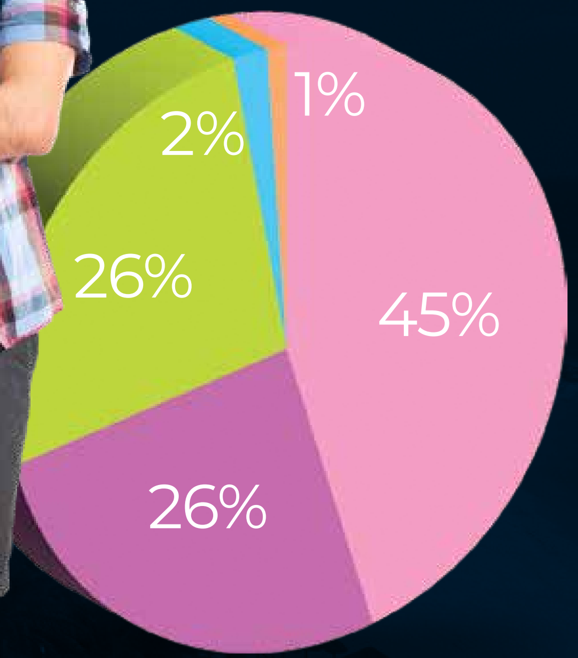

Others: 2,241 (33%)
Krystal: 4,477 (67%)

SEGMENT
(Number of rooms)




Urban: 2,682 (40%)
Beach: 4,036 (60%)

CATEGORY
(Number of rooms)




Gran Turismo: 3,050 (45%)
5 Stars: 1,709 (26%)
4 Stars: 1,742 (26%)
3 Stars: 140 (2%)
Luxury: 77 (1%)

# Brand SEGMENTATION

We are a leading company in the Mexican hotel industry.

KRYSTAL GRAND®

### KRYSTAL HOTELS WITH THE MOST EXACTING STANDARDS

We offer a Gran Turismo experience with the highest-quality products and services for demanding travelers. It is a benchmark in every destination where we are present.

*Spoil Yourself*

KRYSTAL® HOTELS & RESORTS

### TRADITIONAL KRYSTAL QUALITY

Five-star category hotels in the main destinations throughout Mexico. Hotels in this 35-year-old brand have undergone significant renovations in recent years, and have become one of the favorite hotel brands among Mexican and international travelers. These hotels offer a wide range of alternatives for leisure, fun, and business.

*Meaningful Travel*

KRYSTAL BEACH®

### FAMILY VACATIONS

This is the brand most heavily geared towards families. It focuses on offering an unforgettable experience to the little ones in the family. Within the four-star segment, it is an extraordinary alternative for beach destinations.

*Family Escape*

KRYSTAL URBANHOTELS®

### THE NEWEST MEMBER OF THE KRYSTAL FAMILY

This brand is increasingly focused on the demanding and productive business traveler. Guests want a modern experience in unforgettable places, and personalized service. We offer a comfortable and functional service, providing guests with a way to best use their time.

*Redefine Business*

# Activities and SERVICES

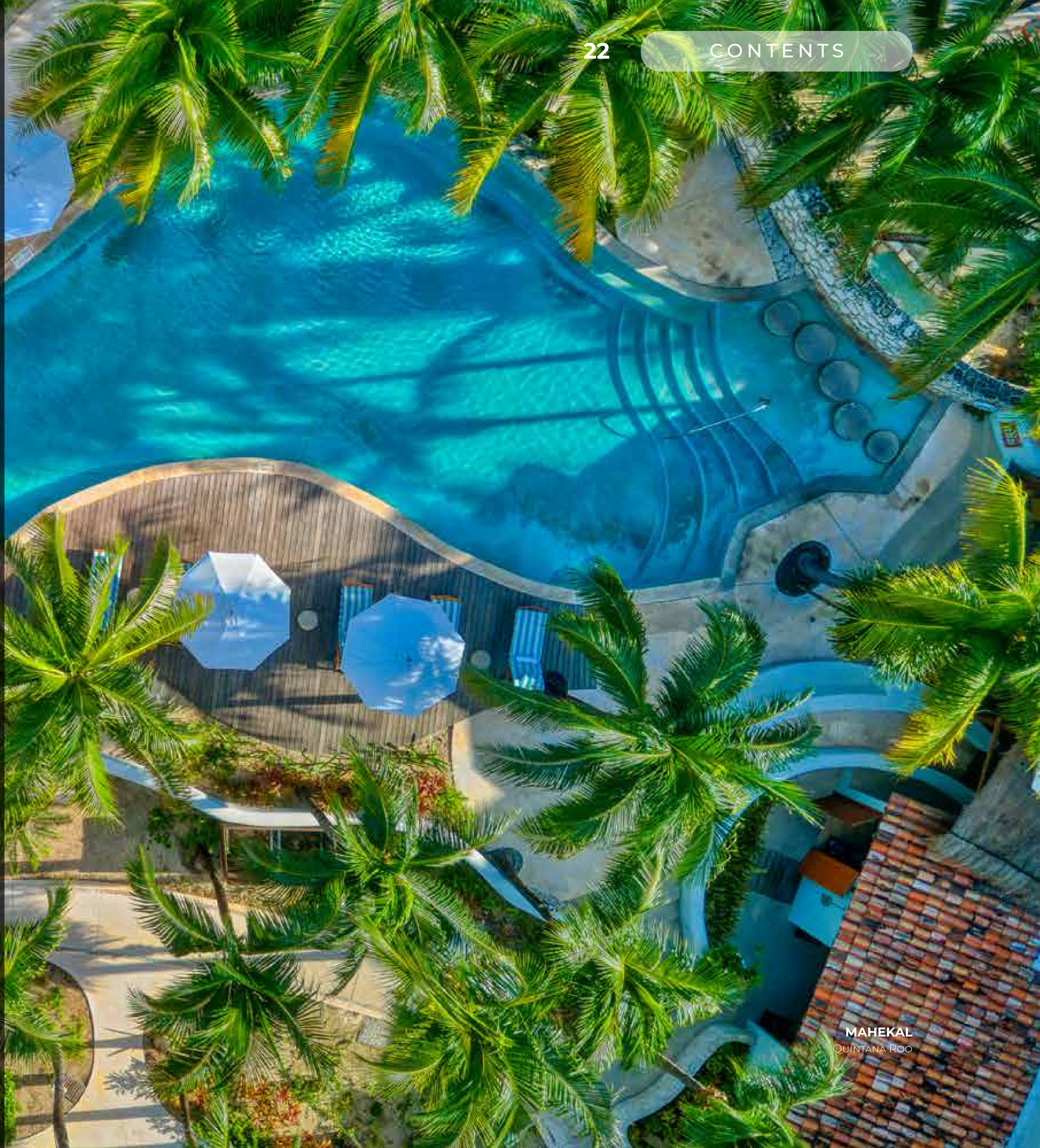
Our business focus is based on the development, acquisition, and operation of our own, and third-party-owned hotels, employing a unique multi-brand, multi-segment strategy. We strive to be a benchmark in the market, providing high-quality infrastructure and services to our guests.

**MAHEKAL**
Quintana Roo

# Our SERVICES

GHSF has hotels in both urban and beach destinations, and Gran Turismo hotels with models ranging from European, Continental, and All-Inclusive, where even the tiniest detail is important, so that every guest receives the quality, style, and fun experience they deserve.

Our hotel portfolio also has a wide variety of services, from restaurants with international kitchens - where our renowned chefs prepare culinary experiences - to bars, cafes, spa services, shops, kids' and youth clubs, excursions, and everything necessary to ensure that our clients have unforgettable experiences.



**MAHEKAL**
Quintana Roo

# Awards and RECOGNITION

This recognition was given to GHSF for its commitment to offering guests the latest in communication technology and connectivity.

**The hotels that have received this award are:**
**• Krystal Resort Ixtapa**
**• Hilton Guadalajara**

This distinction is for those developments that have met or exceeded standards in specific areas and procedures such as: check in and check out, hospitality, maintenance, cleaning, and an overall assessment of the facilities within the hotel complex.

**The hotel that has this recognition is:**
**• Krystal Altitude Cancún**

This certification given by the American Automobile Association (AAA) to hotels and restaurants in the United States, Canada, Mexico, and the Caribbean, the AAA Diamond Award, states that the establishment offers the highest standards of luxury, quality, and service.

**The hotels with these certifications are:**
**• Krystal Altitude Vallarta**
**• Hilton Guadalajara**

Granted by the Secretary of Tourism and the Secretary of Health to fixed food and beverage establishments, for complying with the hygiene and safety standards established in Mexican Standard NMX-F-605-NORMEX-2018.

**The hotels with this recognition are:**
**• Hampton Inn & Suites Paraíso**
**• Hilton Guadalajara**

Granted by the Mexican Institute of Social Security to the Hotel Krystal Grand Nuevo Vallarta for its **commitment to creating safe and healthy working environments.**

Granted by the magazine Expansión and Top Companies to companies that offer their employees excellent working conditions, as well as those with higher representation of women in management and director positions. GHSF is **seventh out of 72 companies in the category of 500 to 3000 employees.**

Granted by the magazine Expansión and Top Companies to companies with strong cultures, GHSF **is ranked 47th out of 116 companies in the category of 500 to 3000 employees.**

# Our CLIENTS

At Grupo Hotelero Santa Fe, our principle objective is to provide excellent service to every guest at our hotels.

We have a Service Standards Manual that details processes so that all of our employees understand their responsibilities in providing personalized and high-quality service to guests. To create a client-focused culture, it is necessary to train our personnel in quality and protocols. In 2022, we provided 45,274 hours of training.

**SERVICE QUALITY MEASUREMENT TOOLS**

- Standards
- Protocols and procedures
- Own internal measurements
- Internal measurements by third parties
- Client comments

**OUR FOCUS**

- To do things well the first time
- To fulfill and exceed client expectations
- The quality of our properties, whose objective is to meet guests' needs

**We provided 45,274 hours of client-focused training to our personnel.**

# JALISCO

## HOTELS

**4**

1. HILTON GUADALAJARA
2. KRYSTAL URBAN GUADALAJARA
3. KRYSTAL RESORT PUERTO VALLARTA
4. KRYSTAL ALTITUDE VALLARTA

## ROOMS

**1,571**

1. 450 rooms
2. 140 rooms
3. 530 rooms
4. 451 rooms

## RESTAURANTS

**19**

1. Los Vitrales - La Reforma Uno - Grab N Go
2. Urbano - Take a Bite
3. Aquamarina - Las Velas - Cinque Terre Bistro - El Pueblito - Kamakura
4. Seafire Buffet - Snack Bar - Le Buffet Hacienda Trattoria Pizza & Wine - Le Delice French Cuisine Il Formaggio Italian Restaurant Talavera Steak House - Catrina Mexican Cuisine

## BARS

**11**

1. Cantina La Reforma
2. Lobby Bar
3. Lobby Bar - Bar Las Velas
4. Lobby Bar - O´West Sushi Bar La Bonita Coffee Bar - Azulejos Bar El Pozo Bar - Serenata Bar El Rincon Coffee Bar

## LOCATION

# GHSF

# 3 We contribute to sustainable development

**MAHEKAL**
Quintana Roo

# Sustainability
# STRATEGY

Sustainability is one of the strategic pillars of our business: efficiently using resources gives us the opportunity to invest in environmental issues, and to support local communities by creating jobs, trickle-down economic effects, and programs.

Sustainability has become one of the main axes of GHSF's business strategy. We take the impact that tourist activity has on the environment, society, and tourist destinations very seriously. We therefore abide by the international sustainability principles, frameworks, and initiatives, such as the Sustainable Development Goals in Agenda 2030, and the Global Compact, both of the United Nations.

To implement the Group's Sustainability Model, we have a Sustainability Board and Social Responsibility Committees at every hotel.

While the Sustainability Board defines strategies and makes relevant decisions, the committees are responsible for implementing initiatives in quality of life matters, the environment, ethics, and community ties.

**KRYSTAL HOTEL & RESORT CANCÚN**
QUINTANA ROO

# STAKEHOLDERS

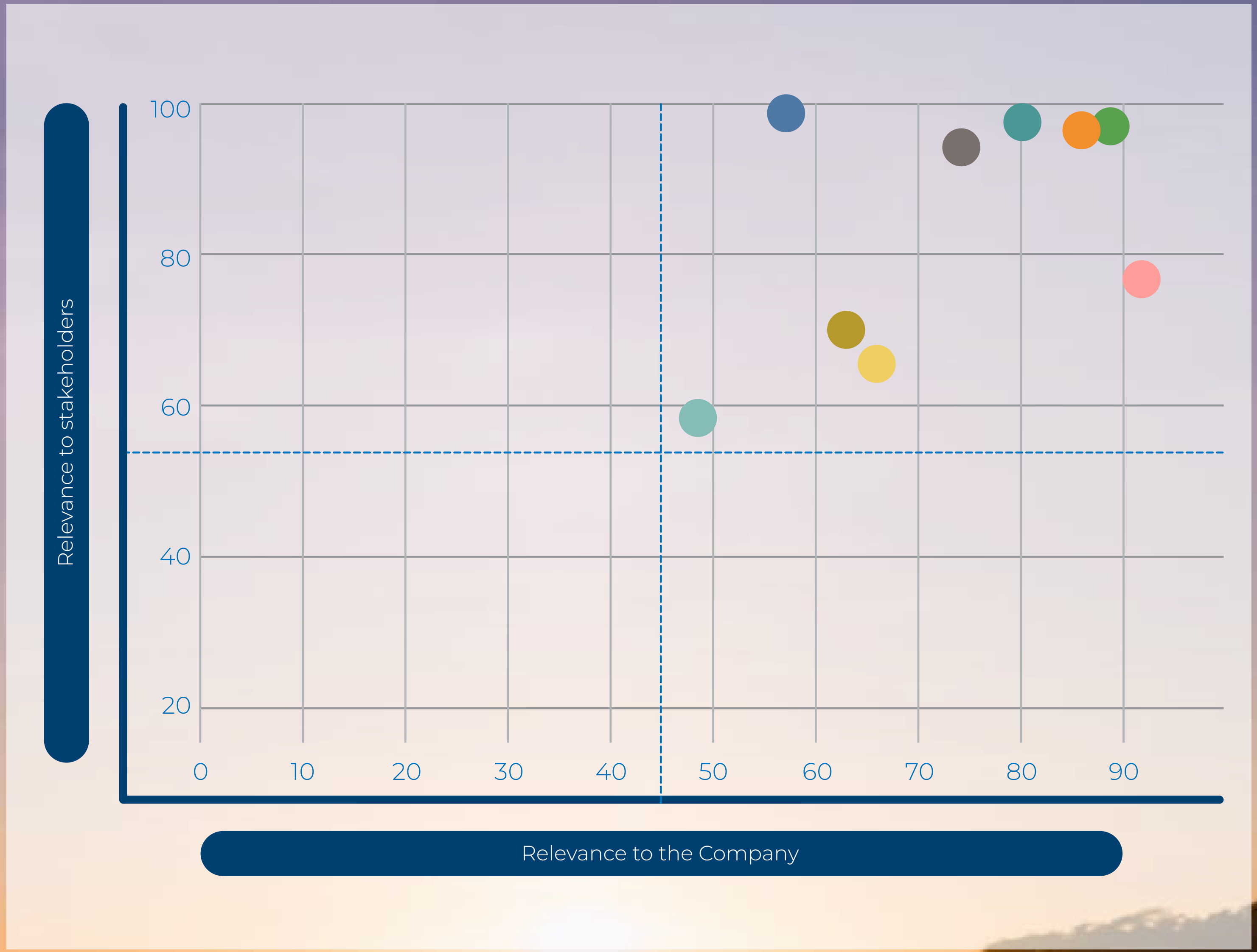
Communication and dialogue with stakeholders is fundamental for managing our sustainability strategy, as it provides the opportunity to create shared value, and drive sustainable development in the communities where we have hotels.

**KRYSTAL BEACH ACAPULCO**
GUERRERO

| STAKEHOLDERS | KEY ISSUES IDENTIFIED | TYPE OF INTERACTION |
|---|---|---|
| **Partners and shareholders** | Economic growth<br>Job creation<br>Ethical matters<br>Reputation<br>Corporate governance<br>ESG | Annual and<br>Sustainability Report<br>Quarterly calls and reports<br>Relevant events |
| **Directors** | Competitors<br>Job creation<br>Certifications<br>Economic growth<br>Natural disasters<br>Emissions<br>Working conditions<br>Talent retention<br>Reputation<br>Energy savings<br>Community ties | Board Meeting<br>Operating Committee Meeting<br>Annual Report<br>Sustainability Report<br>Mailing |
| **Employees** | Working conditions<br>Workday<br>Community support<br>Environmental awareness<br>Turnover<br>Leadership Safety | Employee white board<br>Santa Fe News<br>Mailing<br>Training sessions<br>Grupo Hotelero Santa Fe Platform |
| **Clients** | Beach protection<br>Volunteering<br>Reforestation<br>Emissions reduction<br>Direct communication in hotels | GHSF University<br>Web page<br>Digital announcements<br>on hotel screens<br>Relevant events |
| **Providers** | Working conditions<br>Local economy<br>Recycling<br>Value chain<br>ESG management | Questionnaire to providers<br>Provider Code of Ethics<br>Telephone interviews |
| **Civil Entities** | Biodiversity<br>Climate change<br>Poverty in tourist communities<br>Company-Community relationship | Focus groups for social study<br>Telephone interviews |
| **Government** | Biodiversity<br>Poverty in tourist communities<br>Child labor | Materiality Study meetings |

# Materiality
# MATRIX

The needs and expectations of our various stakeholders are included in the Materiality Matrix: partners and shareholders, directors, employees, clients, providers, civil organizations, and government entities. This matrix makes it easier to manage the risks and impacts that the operation can have on society and the environment.

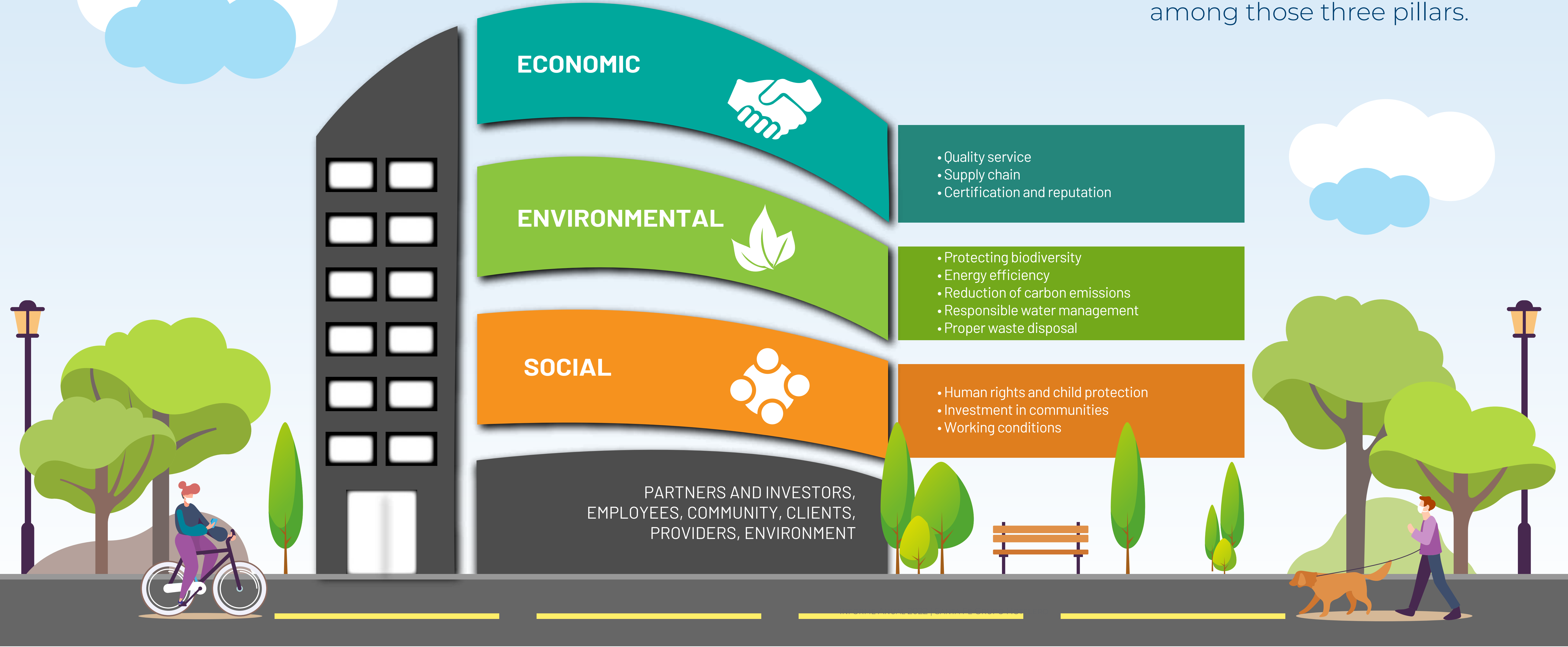



**KEY ISSUES**

- Sustainable supply chains
- Working conditions
- Development of communities where we operate
- Carbon emissions
- Child exploitation and trafficking
- Waste generation and management
- Protecting biodiversity
- Efficient energy use
- Use and protection of water

# Sustainability MODEL

Our Sustainability Model is segmented into three sustainability pillars: economic, social, and the environment, and GHSF's 11 key topics are distributed among those three pillars.



# Sustainable DEVELOPMENT OBJECTIVES

Through our business model we seek to create value among our stakeholders. We have therefore aligned our strategy, projects, and activities with the United Nations' Sustainable Development Goals to contribute to economic, social, and environmental development.

## CONTRIBUTION TO THE SDGs


# Global Compact of the UNITED NATIONS

For the fifth year we have renewed our commitment to uphold the ten principles of the United Nations Global Compact related to human rights, working standards, environmental protection, and the fight against corruption.

WE SUPPORT THE GLOBAL COMPACT

## ECONOMIC

**Supply chain**
**Principle 2:**
Do not be complicit in human rights abuses.
**Principle 4:**
Support the elimination of forced or compulsory labor.

**Ethical culture**
**Principle 10:**
Work against corruption in all its forms, including extortion and bribery.

## SOCIAL

**Labor conditions**
**Principle 1:**
Support and protect Human Rights.
**Principle 3:**
Freedom of association and the right to collective bargaining.
**Principle 4:**
Support the elimination of forced or compulsory labor.

**Human rights and protection of children**
**Principle 2:**
Do not be complicit in human rights abuses.
**Principle 5:**
Support the abolition of child labor.

## ENVIRONMENTAL

**Biodiversity**
**Principle 7:**
Retain a preventive focus on protecting the environment.
**Principle 8:**
Support initiatives that foster greater environmental responsibility.

**Responsible management of water and energy**
**Principle 7:**
Retain a preventive focus on protecting the environment.
**Principle 8:**
Support initiatives that foster greater environmental responsibility.
**Principle 9:**
Support development and dissemination of technologies respectful of the environment.

**Energy efficiency and reduction of emissions**
**Principle 7:**
Retain a preventive focus on protecting the environment.
**Principle 8:**
Support initiatives that foster greater environmental responsibility.
**Principle 9:**
Support the development and dissemination of technologies that are respectful of the environment.

# Socially RESPONSIBLE COMPANY AWARD

In 2022, for the eighth consecutive year, we were awarded the Socially Responsible Company distinction by the Mexican Center for Philanthropy (CEMEFI). Our initiatives show our commitment to communities, our employees, and the environment.


**SECRETS TULÚM**
Quintana Roo

# NUEVO LEÓN

## HOTELS
# 3
**1. KRYSTAL URBAN MONTERREY**
**2. HILTON GARDEN INN MONTERREY AEROPUERTO**
**3. KRYSTAL MONTERREY**

## ROOMS
# 491
**1.** 150 rooms
**2.** 134 rooms
**3.** 207 rooms

## RESTAURANTS
# 7
**1.** Urban - Take a Bite - Pantry
**2.** American Grill - Pantry
**3.** Café Flores - Take a Bite

## BARS
# 3
**1.** Lobby Urban
**2.** Lobby Bar
**3.** Lobby Bar

## LOCATION


# GHSF A company that creates value

**KRYSTAL IXTAPA**
Guerrero

# Economic PERFORMANCE

The year 2022 was an opportunity for post-pandemic economic recovery, as people began traveling to beach destinations again. By following the path we have outlined for ourselves, we will continue reaping successful results, like those obtained in 2022. Some of GHSF's most notable sustainability-focused initiatives with positive impacts on business are the economic value created and distributed, the quality of our service, and the supply chain activities of our hotels.

# Economic value CREATED AND DISTRIBUTED

Our activities favor economic trickle-down impacts, job creation and development, and creating direct and indirect positive impacts, both for investors and for our various stakeholders.

| ECONOMIC VALUE CREATED (EVC) | |
|---|---|
| Revenues | 4,366,186 |
| | |
| **ECONOMIC VALUE DISTRIBUTED (EVD)** | |
| Costs | 2,038,305 |
| Wages, salaries, and benefits | 1,193,419 |
| Loan payments | 172,320 |
| Payments to the government | 161,239 |
| Total EVD | 3,565,285 |
| | |
| **Value retained** | **800,900** |

Amounts are stated in thousands of Mexican pesos

# Stay SAFE & CLEAN

Starting in 2021, the Stay Safe & Clean program standardized health and hygiene protocols based on international best practices, and during this reporting year we have continued implementing this successful program, which ensures a safe stay for our guests and anyone involved with the operation.

Stay Safe & Clean is the result of an in-depth analysis of domestic and international standards to define activities to clean and disinfect hotel facilities, based on three main axes:

1. **Protocols:** Stay Safe & Clean is based on standards and measurements recommended by Ecolab, to ensure efficient operation, and to comply with sustainability measures.
2. **Procedures:** Through our partnership with Ecolab, we implemented additional cleaning and disinfection procedures before reopening our hotels and during their operation, and we also perform these additional procedures periodically.
3. **Certification:** To certify our Stay Safe & Clean program, we have chosen the company Cristal International Standards to provide services based on world-quality models.

KRYSTAL ALTITUDE CANCÚN
QUINTANA ROO

CRISTAL INTERNATIONAL STANDARDS

| | |
|---|---|
| ROOM CHECK | Measures and assesses the effectiveness of the room cleaning service. |
| POOL CHECK | Verifies that the water in swimming pools is safe, and that the areas surrounding the pool are clean and orderly. |
| AQUA CHECK | Verifies and controls water piping systems. |
| POSI CHECK | The audit program is designed to supervise an effective response to contagious infections. |
| FOOD CHECK | Measures 255 control points along the food chain, measuring yield pursuant to global standards. |

# Our VALUE CHAIN

The value chain is highly relevant for the operation of each hotel, and is fundamental for meeting the goal of providing a unique experience to every client.

At Grupo Hotelero Santa Fe we have implemented several programs with the goal of abiding by the best sustainability practices that impact our providers, such as strictly complying with ethical guidelines and criteria. This process is headed by the Purchasing Committee at each hotel, reporting to the Audit Department and the Commercial Department.

In 2022, the budget assigned to local providers was

**45%**

while in 2021, it was 40%, which is a 5% increase.

KRYSTAL ALTITUDE VALLARTA
Jalisco

# 2023 ECONOMIC COMMITMENTS

## CLIENT SERVICE AND REPUTATION

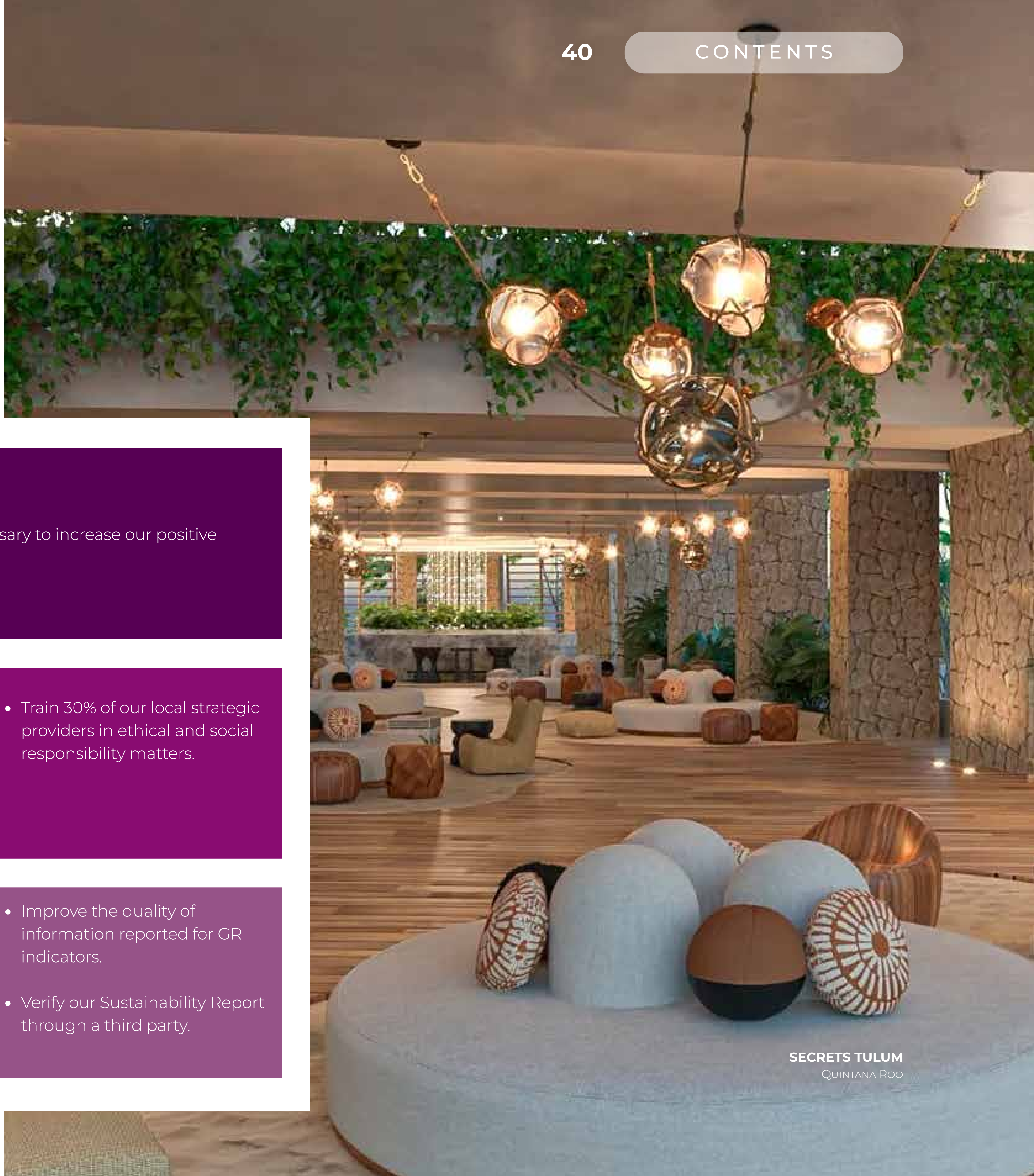
- Maintain levels of quality and service with the improvements necessary to increase our positive perception with our guests.

## SUPPLY CHAIN

- Have 80% of our strategic providers sign the Code of Ethics letter through the Purchasing Committee at each hotel.
- Get 25% of our strategic providers to respond to GHSF's Sustainability Questionnaire.
- Train 30% of our local strategic providers in ethical and social responsibility matters.

## SUSTAINABILITY MANAGEMENT

- Hold quarterly Sustainability Committee meetings: share progress and challenges for the Sustainability area.
- Keep hotel managers involved in the sustainability program and the Human Resources Department.
- Improve the quality of information reported for GRI indicators.
- Verify our Sustainability Report through a third party.



SECRETS TULUM
Quintana Roo

# BAJA CALIFORNIA SUR

**HOTELS**

**1**

**KRYSTAL GRAND LOS CABOS**

**ROOMS**

**454**

**RESTAURANTS**

**5**

Ayami - The O - The Grill
Risotto - Mortero

**BARS**

**7**

Lobby Bar - Altitude Lounge - Surfos
Altitude Sky Bar - Oasis - Time Out
Martini & Tapas

**LOCATION**

(GRI 2-9, 2-10, 2-11, 2-12, 2-15, 2,16, 2-17, 2-18, 2-19, 2-20, 2-23,2-24, 2-25, 2-26,2-27, 3-3, 205-1, 205-2, 205-3, 206-1, 405-1, 406-1)



# GHSF

# 5 An ethical and honest company

**KRYSTAL IXTAPA**
Guerrero

# GOVERNANCE

Our Group has solid corporate governance backed by structures such as the Board of Directors, the Audit Committee, and the Executive Committee, which guide the Company and ensure the business is run correctly, in compliance with best international practices and the guidelines of the Mexican Stock Exchange (BMV).

The Board of Directors is the highest governing body, and is comprised of 12 board members, of whom 10 are independent. The various governance structures are presented in the following pages:

## BOARD OF DIRECTORS

| NAME | POSITION | CAPACITY |
|---|---|---|
| Carlos Gerardo Ancira Elizondo | Chairman of the Board of Directors | N/A |
| María del Rocío Alarcón Brockmann | Board Member | Independent |
| Luis Alberto Harvey MacKissack | Board Member | Independent |
| Arturo José Saval Pérez | Board Member | Independent |
| Pablo Villanueva Martínez | Board Member | Independent |
| Jorge Manuel Pérez | Board Member | Independent |
| Francisco Javier Moguel Gloria | Board Member | Independent |
| Eduardo Chaillo Ortiz | Board Member | Independent |
| Jerónimo Marcos Gerard Rivero | Board Member | Independent |
| Eduardo Diaz Balogh | Board Member | Independent |
| Enrique Gerardo Martínez Guerrero (1) | Alternate Board Member | N/A |
| Iker Paullada Eguirao (2) | Alternate Board Member | N/A |
| Eduardo Barajas Ramirez (3) | Alternate Board Member | N/A |
| Jon Paul Pérez (4) | Alternate Board Member | N/A |
| Maria Patricia Alarcon Brockmann (5) | Alternate Board Member | N/A |

(1) Alternate board member for Carlos Gerardo Ancira Elizondo
(2) Alternate board member for Arturo José Saval Pérez
(3) Alternate board member for Pablo Villanueva Martínez
(4) Alternate board member for Jorge Manuel Pérez
(5) Alternate board member for María del Rocío Alarcón Brockmann

## AUDIT COMMITTEE

| NAME | POSITION |
|---|---|
| Francisco Javier Moguel Gloria | Chairman (Independent) |
| Eduardo Chaillo Ortiz | Member (Independent) |
| Luis Alberto Harvey MacKissack | Member (Independent) |

## CORPORATE PRACTICES COMMITTEE

| NAME | POSITION |
|---|---|
| Arturo José Saval Pérez | Chairman (Independent) |
| Eduardo Chaillo Ortiz | Member (Independent) |
| Jerónimo Marcos Gerard Rivero | Member (Independent) |

## EXECUTIVE COMMITTEE

| NAME | POSITION |
|---|---|
| Carlos Gerardo Ancira Elizondo | Chairman of the Executive Committee |
| Francisco Alejandro Zinser Cieslik | Executive Vice President |
| Eduardo Diaz Balogh | Member |
| Arturo José Saval Pérez | Member |
| Pablo Villanueva Martínez | Member |
| Eduardo Chaillo Ortiz | Member |
| Enrique Gerardo Martínez Guerrero (1) | Alternate Member |
| Iker Paullada Eguirao (2) | Alternate Member |
| Eduardo Barajas Ramirez (3) | Alternate Membere |
| Maximilian Zimmermann Canovas (4) | Alternate Member |

(1) Alternate Member for any of: Carlos Gerardo Ancira Elizondo, Francisco Alejandro Zinser Cieslik or Eduardo Diaz Balogh
(2) Alternate Member for Arturo José Saval Pérez.
(3) Alternate Member for Pablo Villanueva Martínez
(4) Alternate Member for Eduardo Chaillo Ortiz

## ETHICS

| NAME | POSITION |
|---|---|
| Alejandro Abaid Bazan | Audit Director (Chairman) |
| Carlos Ancira Elizondo | Chairman of the Board of Directors (Member) |
| Jerónimo Marcos Gerard Rivero | Board (Member) |
| Enrique Gerardo Martinez Guerrero | Chief Executive Officer (Member) |
| Francisco Medina Elizalde | Chief Executive Officer (Member) |
| Francisco Alejandro Zinser Cieslik | Executive Vice President (Member) |
| Gabriel Tomás Díaz Hernández | Director of Human Resources (Member) |

HILTON GARDEN INN MONTERREY AEROPUERTO
Nuevo León

# Management **TEAM**

GHSF’s executives have solid experience in the hotel and tourism sector. Thanks to the experience of the governing body and the unflagging willingness and support of all our employees, the Company was able to successfully navigate the adverse impacts of the COVID-19 pandemic. Although this phenomenon intensely impacted the tourism industry, today our outlook is for extraordinary growth in the years to come.

**CARLOS G. ANCIRA ELIZONDO**
Chairman of the Board of Directors

**FRANCISCO ZINSER CIESLIK**
Executive Vice President

**FRANCISCO MEDINA ELIZALDE**
Chief Executive Officer

**ENRIQUE MARTÍNEZ GUERRERO**
Chief Financial Officer

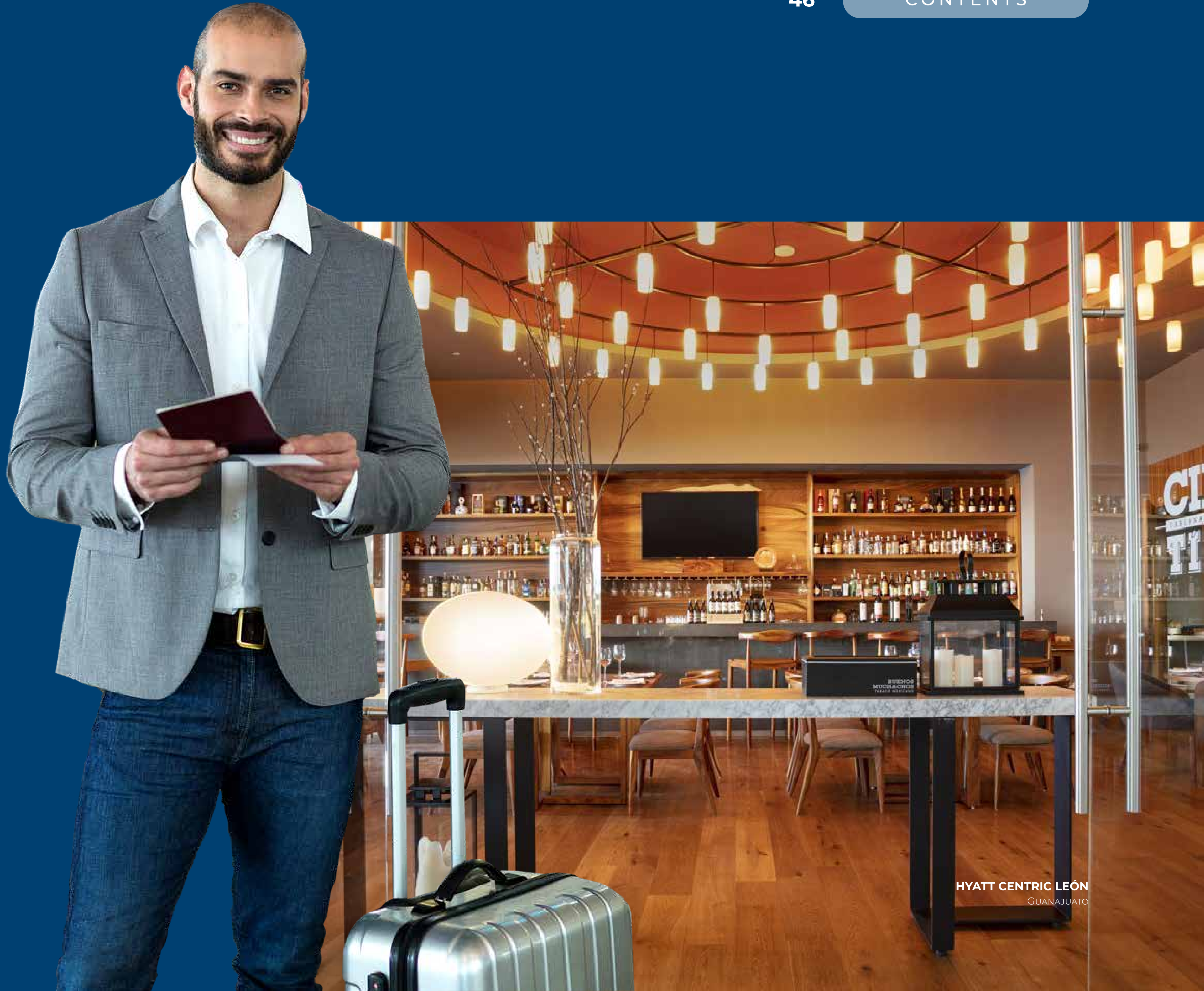
**RENÉ DELGADO CHAPMAN**
Legal Director

**JOSÉ A. SANTANA COBIÁN**
Director of Administration

**MAXIMILIAN ZIMMERMANN CANOVAS**
Director of Investor Relations

# Ethical CULTURE

Our ethical culture at Grupo Hotelero Santa Fe is solid, and every day we work hard to ensure compliance with the law, as well as best business practices. We vehemently oppose any type of kickbacks, bribery, or other undue advantages that might impact the Company's interests and reputation. We understand that people are our greatest strength, therefore we strictly comply with integrity protocols and respect for human and labor rights.



**HYATT CENTRIC LEÓN**
Guanajuato

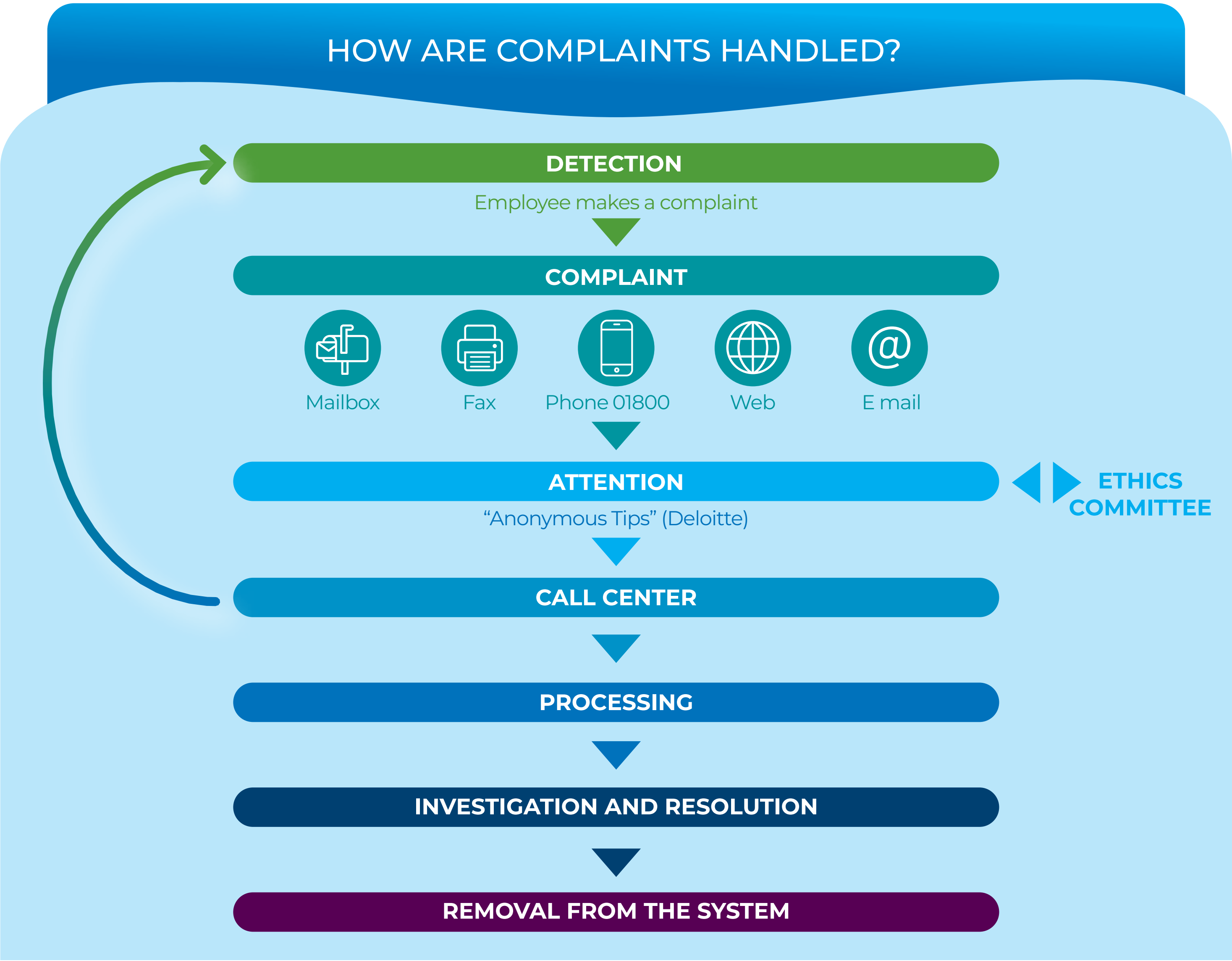
# Anticorruption INITIATIVE

Our operations are in line with anticorruption best practices, and during this reporting period we implemented and improved the following initiatives:

- Posted our ethics complaint line at all our hotels
- Monitor compliance in preventing money-laundering (PLD)
- Income Tax Law
- General Law on Administrative Responsibilities
- Mystery Shopper evaluations
- Front desk standardization
- Monitor Specialized Services Contracting (REPSE)

## COMPREHENSIVE ETHICS SYSTEM AND COMPLAINT LINE

Ethical behavior is always a priority for GHSF, thus we continue working to promote the complaint line, requiring the expected conduct as stated in the Code of Ethics from all our hotels and providers. The complaint line has five channels: e-mail, web page, 1-800 number, mailbox, and fax. The Ethics System known as Anonymous Tips is administered by an external company, with the objective of ensuring that complaints are anonymous, independent, confidential, safe, and open to workers, providers, guests, and other stakeholders. Through this system, complaints may be made due to irregularities and violations of our Code of Ethics.




### THE FOLLOWING CHART PROVIDES STATISTICAL DATA ON COMPLAINTS RECEIVED IN 2022:

**COMPLAINTS RECEIVED IN 2022**

| TYPE OF COMPLAINT | 1Q | 2Q | 3Q | 4Q | STATUS |
|---|---|---|---|---|---|
| Accounting irregularities | | 2 | | | Closed |
| Conflict of interest | | 1 | 1 | 1 | Closed |
| Theft | | | 1 | 1 | Closed |
| Discrimination | 1 | | 2 | 1 | Closed |
| Bullying employees | 1 | 5 | 6 | 2 | Closed |
| Abuse of trust | 1 | | | 1 | Closed |
| Negligence at work | | | 3 | | Closed |
| COVID violation | 1 | | | | Closed |
| Unfair competition | | | 1 | 1 | Closed |
| **Total number of cases** | **4** | **8** | **14** | **7** | |

**COMPLAINTS RECEIVED BY TYPE OF CHANNEL**

| COMPLAINT CHANNEL | TOTAL |
|---|---|
| Call center | 3 |
| E-mail | 10 |
| Web | 20 |
| **Total** | **33** |

### MONITORING COMPLIANCE WITH PREVENTING MONEY-LAUNDERING (PLD)

For GHSF, 2022 was an important year in terms of ethics and the fight against corruption, as the compliance area for preventing money-laundering and terrorism financing was consolidated, and a Compliance Officer was appointed at each of our hotels. This role is responsible for managing risks related to money-laundering in the leasing, construction, and transfer of properties.

Additionally, in order to comply with the official provisions of the Federal Law for Preventing and Identifying Operations with Illegally Obtained Funds (LFPIOR-PI), in 2022, Grupo Hotelero Santa Fe monitored every obligation of the Compliance Officials to handle legal provisions and requirements, such as:

- **a)** Updating identification thresholds and issuing warnings
- **b)** Identifying clients and users
- **c)** Presenting warnings and reports
- **d)** Responding to questions from Compliance Officers at each hotel

### INCOME TAX LAW (ISR)

We took steps to comply with section 69-B of the Income Tax Law, which helps ensure that non-existent companies are not contracted with. With this measure, we protect ourselves from the risk of corruption along the value chain.

### GENERAL LAW OF ADMINISTRATIVE RESPONSIBILITIES

In 2022, we continued training and increasing the awareness of the Company's directors, to provide them with more knowledge so that corrupt activities do not occur within our operations. These principles are established in the General Law of Administrative Responsibility, and they regulate GHSF's ties with government entities.

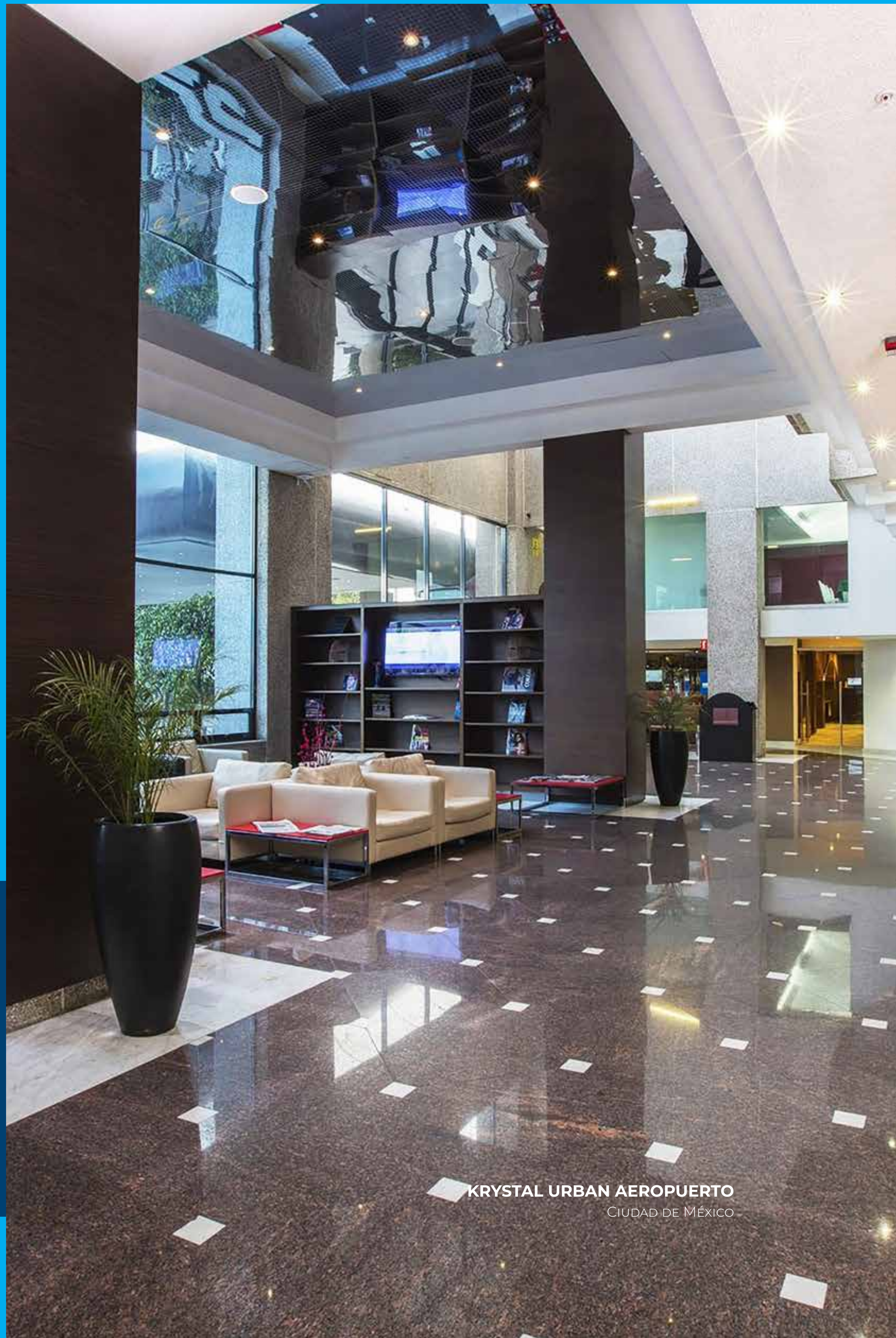
### MYSTERY SHOPPER EVALUATIONS

This practice consists of periodic evaluations which, through a procedure that uses anonymous people, places employees at every one of the Group's hotels in positions that challenge them to make honest decisions, allowing control failures to be identified, and allowing misappropriation of funds to be mitigated.

The Human Resources Department, Senior Management, and the Controller evaluate the results reported by the Internal Audit Area, so they can take the actions that will allow corrections, and to prevent future failures in control. These measures include:

- **a)** Termination of work contracts with people responsible for misappropriating funds.
- **b)** Reinforcing supervisory activities through hierarchical levels (Reception Supervisor, Nighttime Audit, Revenues Auditor).

During 2022, the Mystery Shopper program evaluated 23 hotels.



**KRYSTAL URBAN AEROPUERTO**
Ciudad de México

## FRONT DESK STANDARDIZATION

The objective of this project is to strengthen internal controls in the hotel reception areas, and to facilitate timely prevention of any activities which, due to their nature, are an inherent risk for effective management. These protocols also facilitate compliance with internal programs in all of our hotels.

Best practices were determined in order to minimize the likelihood of the identified risks occurring, and the main activities were approved in the following areas:

**a)** Reception
**b)** Nighttime audit
**c)** Reservations
**d)** Accounts receivable
**e)** Revenues audit

Following implementation of the "Front Office Standardization" project, during the second quarter of 2022, GHSF provided the respective training sessions, totaling 7,521 hours, divided as follows:

FRONT DESK STANDARDIZATION

| No. | DESCRIPTION | No. OF PARTICIPANTS | HOURS |
|---|---|---|---|
| 1 | Front Office Standardization for operating systems (Innsist, OnQ, Opera), and standardized supervisor formats | 182 | 273 hours |
| 2 | Implementation of Operating Practices | 302 | 7,248 hours |
| | | **Total** | **7,521 hours** |

**KRYSTAL ALTITUDE VALLARTA**
JALISCO

**MONITORING CONTRACTING OF SPECIALIZED SERVICES (REPSE)**

In order to comply with labor reform in subcontracting, today GHSF has mechanisms to analyze the providers that must comply with this program.

The principal specialized services we contract under these conditions are:

- Private security
- Elevator maintenance
- Maintenance of general fire sprinkler system
- Fumigation
- Air conditioning maintenance

In 2022, all contracts were approved by STPS.

**CODE OF ETHICS AND CONDUCT**

Our Code of Ethics and Conduct applies to all operations, and is based on GHSF's philosophy and values of honesty and integrity. In it, the guidelines are established for every person on our team to have solid decision-making tools, which can impact operations and our stakeholders. The Code of Ethics and Conduct covers the following areas:

- Conflict of interest
- Measures to prevent conflicts of interest
- Use of assets and services
- Information handling
- Measures to prevent improper use of information
- Confidentiality of information available
- Improper use of information
- Criteria to disseminate public information
- Privileged information

**CONDUCT**

- Relationships
- Relationships with board members, administrative officers, and employees
- Board member obligations
- Employee obligations
- Board member prohibitions
- Employee prohibitions
- Relationship with providers
- Relationship with the competition
- Relationship with authorities

**CORRUPTION**

- Workplace harassment
- Sexual harassment
- Bullying
- Protecting the good name of the Company and its brands
- Respect for labor rights
- Interpretation

**LABOR**

Ethical training is an ongoing responsibility for the Company, therefore in 2022, more than 5,500 employees were given 5,000 hours of training on policies, processes, and training in anticorruption matters.

# GUERRERO

## HOTELS
**2**

1. KRYSTAL RESORT IXTAPA
2. KRYSTAL BEACH ACAPULCO

## ROOMS
**655**

1. 255 rooms
2. 400 rooms

## RESTAURANTS
**9**

1. Aquamarina - Las Velas - Bogarts Paseo por Mexico - Cinque Terre - Snack - Bar Oasis Snack Bar Palmar
2. Aquamarina - Las Velas

## BARS
**6**

1. Lobby Bar Cantina Café
2. Lobby Bar - Pool Bar Beach Bar - Snack Bar

## LOCATION

# GHSF

# A company committed to its people

6

People are Grupo Hotelero Santa Fe's most valuable resource. We are committed to encouraging their development in a respectful and inclusive work environment, providing safe and dignified work conditions, ensuring their human and labor rights.

KRYSTAL ALTITUDE CANCUN
Quintana Roo

In 2022, there was a significant change in personnel management, as a Director of Human Development with a great deal of experience in the sector was hired. The purpose of adding this position to the team is to have the most skillful people building a solid human capital strategy in the years of growth that lie ahead for GHSF.

As part of the new position's initiatives, a diagnostic was performed to define the new challenges in the area:

- Filling open positions at hotels through the GHSF Jobs recruitment platform
- Transmitting the organizational culture (teaching the company culture to employees, and gaining their loyalty)
- Improving the mandatory training program through an online platform, and the Train the Trainers program
- Improving the training program with the appointment of a training manager at each hotel

# Our EMPLOYEES

During this period, we hired an additional 6.7% of employees, increasing our numbers from 3,252 in 2021, to 3,470 in 2022, of whom 1,481 are women and 1,989 are men.

Growth in the sector brings challenges such as increased new hires. As this is a priority, a personnel recruitment platform known as "GHSF Jobs" was created, in which candidates can apply to vacant positions at any of our hotels.

### GHSF EMPLOYEES BY YEAR

| YEAR | TOTAL EMPLOYEES |
|---|---|
| 2019 | 3,702 |
| 2020 | 2,832 |
| 2021 | 3,252 |
| 2022 | 3,470 |

### EMPLOYEES BY GENDER

| GENDER | 2021 | 2022 |
|---|---|---|
| Women | 1,361 | 1,481 |
| Men | 1,891 | 1.989 |
| **Total** | **3,252** | **3,470** |

### NUMBER OF WORKERS BY AGE RANGE

| WOMEN | 2022 | 2021 | MEN | 2022 | 2021 |
|---|---|---|---|---|---|
| 18 to 30 years old | 553 | 456 | 18 to 30 years old | 689 | 636 |
| 30 to 50 years old | 601 | 608 | 30 to 50 years old | 763 | 716 |
| Older than 50 | 326 | 297 | Older than 50 | 537 | 539 |
| **Total** | **1,481** | **1,361** | **Total** | **1,989** | **1,891** |

### MONTHLY TURNOVER RATE BY GENDER AND AGE GROUP IN 2022

| GENDER | AGE | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Women | 18 to 29 years old | 5.13% | 11.06% | 11.18% | 9.9% |
| | 30 to 50 years old | 3.45% | 10.93% | 10.53% | 9.5% |
| | Older than 50 | 1.26% | 2.05% | 10.20% | 9.6% |
| Men | 18 to 29 years old | 5.49% | 11.70% | 9.78% | 9.3% |
| | 30 to 50 years old | 4.21% | 10.29% | 6.40% | 9.3% |
| | Older than 50 | 1.06% | 2.01% | 7.79% | 9.0% |
| **Average turnover rate** | | **3.43%** | **8.01%** | **9.31%** | **9.43%** |

# Training and QUALIFICATION

At GHSF, we work hard to keep the skills of our workers up to date by providing workshops, courses, and talks that improve their skills and offer the knowledge necessary for them to develop professionally in their jobs.

The GHSF University digital platform has been an excellent training tool, helping us expand the scope and availability of training classes.

In 2022, through our platforms we provided an average of 24.14 hours of training per employee, and 4,916 courses were taken.

### TOTAL TRAINING HOURS

| PERIOD | 2021 | 2022 |
|---|---|---|
| No. of employees | 3,252 | 3,470 |
| Hours of training | 61,160 | 100,610 |

### HOURS OF TRAINING PER CAPITA

| EMPLOYEES | UNITS | 2022 | 2022 |
|---|---|---|---|
| Average per employee | hours | 24.12 | 19.32 |

### HOURS OF TRAINING BY GENDER

| GENDER | UNITS | 2022 | 2022 | VARIATION |
|---|---|---|---|---|
| Women | hours | 10.93 | 8.79 | 24.34% |
| Men | hours | 13.19 | 10.53 | 25.26% |

As part of our training strategy, since 2015 we have had a policy that establishes the subjects and areas in which training will be provided. In addition, the Mandatory Training Program includes training activities for the areas of human resources, controller, guest-facing personnel, sales, and the Executive Committee, as well as job-specific training videos. Note that all our employees receive training in the following areas:

- Preventing bullying and sexual harassment
- Power Point, Word, and Excel
- General service standards
- Social Responsibility
- Ethics and honesty
- Spelling
- Induction into the organizational culture
- Stress management and control
- Code of Ethics and Conduct
- Golden rules of service
- NOM-035
- English courses (front, rooms, consumption centers, facilities and services, emergency, safety, etc.)

The following are some of the training subjects provided during 2022:

## LEADERSHIP SKILLS COURSE

### Hotel Krystal Ixtapa

A leadership course was provided to Executive, Operating, and Supervisory Committees to reinforce matters such as communication, teamwork, and techniques for better leadership.

## LEADERSHIP TRAINING WORKSHOP

### Krystal Cancún

We continue to train our department heads, providing them with the skills and qualifications necessary to achieve their goals, teaching excellence through the Leadership Training workshop. Through interactive and strategy performance sessions, our department heads are ready to develop leadership skills that are transformational.

## DISTINCTION H TRAINING

Training was provided at the Krystal Grand Cancún and Hampton Inn & Suites Paraíso Tabasco, Hilton Guadalajara, and Krystal Altitude Vallarta to obtain Distinction H Certification, in order to comply with the hygiene standards established in Mexican Standard NMX-F605, in the Food and Beverages, and Maintenance departments.

## TRAIN THE TRAINERS PROGRAM

The objective of this program is to prepare departmental leaders, who must have participated in the Train the Trainers course. As thanks, they receive a letter of recognition from Senior Management.

These leaders receive training in:

- Identifying departmental training needs
- Planning training activities to meet those needs
- Skills training
- Departmental orientation for new employees
- Maintaining department training records
- Monitoring standards and providing corrective training whenever necessary


SOCIAL RESPONSIBILITY TRAINING
Krystal Cancun


LEADERSHIP SKILLS
Krystal Ixtapa


TRAIN THE TRAINERS
Krystal Ixtapa

## LEADERSHIP GUIDANCE PROGRAM

This program consists of a group of leaders who are responsible for following up on the training process of new employees, making sure they know all the functions in their new roles, and certifying their knowledge. It also reinforces departmental and operational training.

The policy for this program is overseen by the new Human Development Department. The positions that can be certified are:

- Housekeeping
- Stewards
- Waiters/Waitresses
- Bellboys
- Maintenance personnel
- Receptionists
- Accounting assistants
- Cooks
- Laundry personnel
- Public areas
- Safety officer
- Telephone operator

## PREPA NET IN PARTNERSHIP WITH TEC DE MONTERREY

This is a program we have implemented so that our employees can finish their preparatory studies. They finish with a diploma granted by Tec de Monterrey.

## PARTNERSHIP WITH ECOLAB

Through a partnership with Ecolab, hygiene management courses are provided in the service areas where food is stored, prepared, and cooked for our guests. These courses are currently on the e-learning training platform (GHSF University), to which all workers have access.

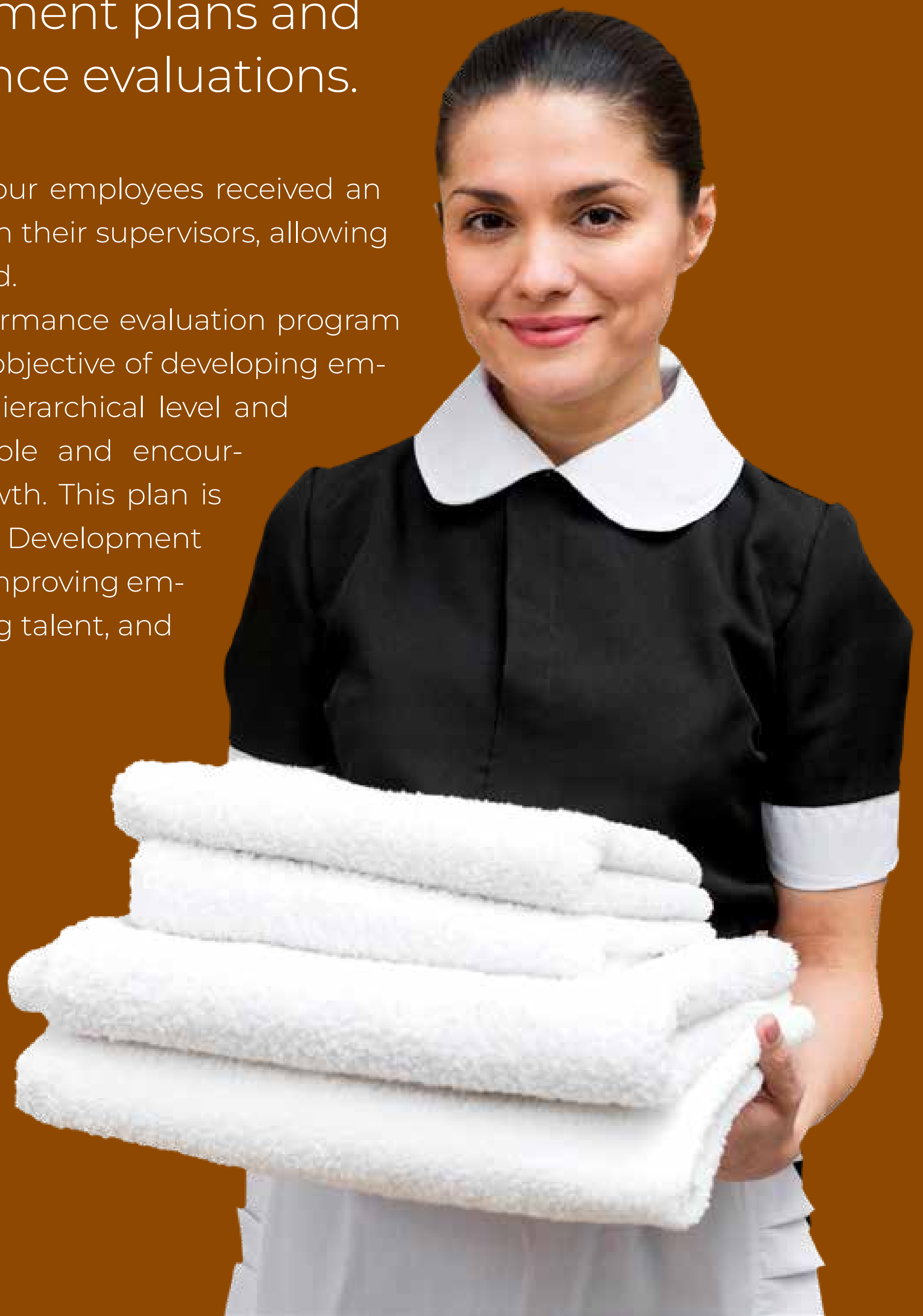

INDUCTION COURSE
Krystal Urban Cancún


PARTNERSHIP WITH ECOLAB
Krystal Grand Insurgentes


INDUCTION COURSE
Hilton Garden Inn Monterrey Airport

# Performance EVALUATIONS

We have development plans and annual performance evaluations.



During this period, 100% of our employees received an evaluation and feedback from their supervisors, allowing training needs to be identified.

In 2022, the “9 Box” performance evaluation program was implemented, with the objective of developing employee talent according to hierarchical level and experience, promoting people and encouraging their professional growth. This plan is based on the Internal Talent Development Program, which focuses on improving employee performance, retaining talent, and reducing personnel turnover.

| SHOWS POTENTIAL ↑ / SHOWS PERFORMANCE → | LOW | AVERAGE | HIGH |
|---|---|---|---|
| HIGH | **Enigma** Diamond in the Rough | **Future Star** Prodigy | **Superstar** |
| AVERAGE | **Issues** Progress or leave | **Key Player** Center | **Future Star** Professional |
| LOW | **Icebergs** | **Lukewarm** Progress or leave | **Enigma** Backbone |

EVALUATION AND FEEDBACK FROM SUPERVISORS
Hotel Hampton Inn & Suites Paraiso,

# Gender and INCLUSION

At GHSF we are committed to gender equality and inclusion, matters that are clearly established in our Code of Ethics and our Gender Equality Policy.

Among our highlighted initiatives is commemoration of International Women's Day, which was celebrated at 15 of the Group's hotels, and consisted of organizing gatherings and delivering gifts to women who work at the hotels. Another stand-out initiative took place at Hotel Krystal Ixtapa, which organized a talk on ending violence against women. Twenty employees participated in this event.

In 2022, Grupo Hotelero Santa Fe was recognized by Super Companies for Women 2022. This recognition is granted by the magazine Expansión and Top Companies as a result of the practices we implement to encourage and retain female talent. Today we are part of the select group of "Culturally Powerful Companies for Women."

## RATIO OF BASE SALARY AND REMUNERATION OF WOMEN COMPARED TO MEN

| INDICATOR | 2022 |
|---|---|
| Executive Committee | -15.10% |
| Department Heads | 0.90% |
| Managers | -4.90% |
| Unionized | -7.60% |

## TOTAL NUMBER OF WOMEN IN LEADERSHIP POSITIONS AT HOTELS

| | Number of women | |
|---|---|---|
| LEVEL | 2021 | 2022 |
| Hotel managers | 3 | 6 |
| Area managers | 32 | 49 |
| Department heads | 72 | 86 |
| Supervisors | 87 | 74 |
| Total number of women in leadership positions | 194 | 215 |
| Total women per year | 1,361 | 1,481 |
| Percent of women in leadership positions | 14.25% | 14.52% |


WOMAN'S DAY
SLS CANCÚN

# Labor CONDITIONS

We value the contributions of our employees, and we strive to provide a safe and healthy environment with optimal conditions for their development and well-being.

## FREEDOM OF ASSOCIATION

At Grupo Hotelero Santa Fe we respect the right to collective bargaining and dialogue with unions. All of our collective bargaining agreements comply with the law, and every year we reach new labor agreements. In 2022, 57% of our employees were members of a union.

## WELL-BEING AT WORK

Due to the importance to the Company of the mental health and well-being of our employees, we have several programs such as that provided by Hotel Krystal Ixtapa, which held a workshop providing techniques to handle emotions. Twenty employees attended this workshop.

## "CORAZÓN KRYSTAL" PROGRAM

Hotel Krystal Cancún also held the event called "Corazón Krystal," or Krystal Heart. This event awarded those who sold the most tickets in an event the hotel organized to collect funds for the heart surgery of one of our employee's fathers.

## PARENTAL LEAVE

We continue supporting practices to help families, and in 2022, this was reflected in a higher percentage of employees who remained in their positions for 12 months following paternity or maternity leave.

### PARENTAL LEAVE BY GENDER AND RETENTION

| YEAR | GENDER | NO. OF EMPLOYEES WITH PARENTAL LEAVE | NO. OF EMPLOYEES WHO HAVE RETURNED AFTER PARENTAL LEAVE | NO. OF EMPLOYEES WHO HAVE REMAINED AFTER 12 MONTHS | NO. OF EMPLOYEES WHO HAVE REMAINED AT THE COMPANY AFTER PARENTAL LEAVE |
|---|---|---|---|---|---|
| 2020 | Women | 87 | 82 | 78 | 90% |
| | Men | 40 | 38 | 35 | 88% |
| 2021 | Women | 71 | 68 | 65 | 92% |
| | Men | 28 | 26 | 25 | 89% |
| 2022 | Women | 98 | 94 | 90 | 91.8% |
| | Men | 32 | 32 | 30 | 93.8% |

WELL-BEING AT WORK
Krystal Grand Nuevo Vallarta

**BEBÉ KRYSTAL PROGRAM**

At the Hotel Krystal Beach Acapulco and the Hotel Krystal Vallarta, there is a “Baby on Board” program intended for employees who are awaiting the birth of a new member of the family. In this program we invite the hotel community to give presents to the future parents before going on parental leave.

**INTERNAL COMMUNICATION**

A strategic matter for GHSF is to improve communication within the organization, with the basic objective of providing information on the organizational culture, and making the information flows of the organization more dynamic.

The Santa Fe News bulletin is a valuable communication tool, and a space for dialogue between the Company and its employees. It includes relevant activities that take place at each of our hotels. Continuing to publish this quarterly electronic bulletin has had the expected impact, as it reaches all levels of the organization with content where objectives, achievements, and challenges for the Company and its employees are laid out.

**AGREEMENTS**

GHSF has discount commercial agreements for employees and direct family members, which provide discounts for English classes provided by Harmon Hall. Groups larger than 25 people can take classes within hotel facilities; this agreement extends to family members.


**BEBE KRYSTAL**
Krystal Beach Acapulco

# Occupational
# SAFETY

The hotel industry is a dynamic sector that poses significant risks and hazards to workers. Therefore, at GHSF we prioritize providing a safe and healthy work environment for our employees. We have a Mixed Safety and Hygiene Commission that is responsible for implementing action, prevention, and remediation plans, to provide safe work areas.

SAFETY TRAINING
KRYSTAL ALTITUDE CANCÚN

### ACCIDENT RATE BY GENDER

| GENDER | 2022 | 2021 | 2022 |
|---|---|---|---|
| Women | 0.30% | 0.35% | 0.38% |
| Men | 0.42% | 0.49% | 0.52% |

### DAYS LOST RATE BY GENDER

| GENDER | 2022 | 2021 | 2022 |
|---|---|---|---|
| Women | 0.27% | 0.23% | 0.23% |
| Men | 0.29% | 0.24% | 0.22% |

### ABSENTEEISM RATE

| GENDER | 2022 | 2021 | 2022 |
|---|---|---|---|
| Women | 3.93% | 3.24% | 3.6% |
| Men | 3.53% | 3.52% | 3.4% |

# HEALTH

At GHSF, we are concerned about the health of our personnel, thus we develop preventative programs whose objective is to promote overall employee health. The following are some of the health-related activities we perform: PREVENIMSS campaigns for visual health, nutritionist, workshop on emotions, dentist, and psychology services.

Furthermore, flu vaccines were provided at some of the hotels in partnership with the Mexican Institute of Social Security (IMSS). Information was also provided regarding online consultation services so employees can find out about their benefits and pensions.

In 2022, the following activities were held in support of employee health:

- Health days
- Vaccination campaigns
- Diabetes prevention campaign, first aid campaign, and pediatric emergency campaign

## OCCUPATIONAL HEALTH AND SAFETY TRAINING

In 2022, our employees received a total of 30,183 hours of training in health and safety matters, such as fire brigades, handling fire extinguishers, civil protection, first aid, evacuation processes, search and rescue, and earthquake evacuation simulations, among others. We developed processes and activities to ensure safety at our hotels, such as the following:

- Evacuation process headed by the Corporate Ethics Committee
- Course on Unsafe Acts and Conditions, Course on Work Safety Matters, and NOM

### SAFETY ACTIVITIES AT HOTELS

| HOTEL | NO. OF WORKERS ON THE MIXED SAFETY AND HYGIENE COMMISSION | NO. OF WORKERS ON THE FIREFIGHTING BRIGADE | NO. OF WORKERS ON THE FIRST AID BRIGADE | NO. OF WORKERS ON THE EVACUATION BRIGADE | NO. OF WORKERS ON THE RESCUE BRIGADE |
|---|---|---|---|---|---|
| KRYSTAL VALLARTA | 10 | 15 | 12 | 12 | 12 |
| HYATT CENTRIC LEÓN | 5 | 5 | 5 | 5 | 5 |
| KRYSTAL URBAN GUADALAJARA | 8 | 4 | 4 | 4 | 4 |
| KRYSTAL GRAND LOS CABOS | 7 | 26 | 21 | 25 | 33 |
| KRYSTAL BEACH ACAPULCO | 12 | 20 | 16 | 20 | 30 |
| KRYSTAL ALTITUDE CANCÚN | 10 | 32 | 32 | 25 | 31 |
| KRYSTAL GRAND NUEVO VALLARTA | 22 | 20 | 15 | 23 | 23 |
| KRYSTAL CANCÚN | 20 | 26 | 23 | 19 | 19 |
| KRYSTAL MONTERREY | 6 | 5 | 5 | 9 | 9 |
| KRYSTAL URBAN MONTERREY | 8 | 3 | 6 | 6 | 6 |
| KRYSTAL IXTAPA | 10 | 22 | 20 | 22 | 23 |
| KRYSTAL URBAN CIUDAD JUÁREZ | 5 | 5 | 5 | 5 | 5 |
| KRYSTAL GRAND SUITES INSURGENTES | 7 | 12 | 14 | 21 | 21 |
| HILTON GARDEN INN AEROPUERTO | 11 | 15 | 11 | 15 | 15 |
| KRYSTAL SATELITE MARÍA BARBARA | 7 | 15 | 8 | 13 | 17 |
| KRYSTAL ALTITUDE VALLARTA | 12 | 20 | 10 | 16 | 16 |
| **TOTAL** | 160 | 245 | 207 | 240 | 269 |

2023
# SOCIAL COMMITMENTS

### THE QUALITY OF LIFE OF OUR EMPLOYEES

- Maintain health and safety conditions for our team
- Continue training 100% of employees with full-time contracts in ethics and anticorruption matters

**KRYSTAL ALTITUDE CANCÚN**
Quintana Roo

# AGUASCALIENTES

## HOTELS
**1**

HYATT PLACE AGUASCALIENTES

## ROOMS
**144**

## RESTAURANTS
**2**

Restaurante Hyatt
Market Place

## BARS
**1**

Bar Hyatt

## LOCATION

# GHSE

# A company that protects the environment and biodiversity

KRYSTAL IXTAPA HOTELS & RESORTS
GUERRERO

# Environmental **IMPACTS**

Climate change, pollution, water scarcity, and exhaustion of natural resources are some of the most challenging environmental problems facing humanity. Within this global context, companies have a significant impact on the environment, which must be reversed.

Facing this reality, at Grupo Hotelero Santa Fe we focus our efforts on identifying relevant environmental issues and impacts, which allows us to develop action plans to use resources efficiently, decrease our carbon footprint, and protect biodiversity in habitats where we have operations.

# Energy and EMISSIONS

Our Company is committed to decreasing its environmental impact, and one of its major areas of focus is in energy consumption, which is highly relevant in the hotel sector. The Group is therefore implementing reduction plans through energy efficiency initiatives and new technologies.

### ENERGY CONSUMPTION

To calculate our CO2 equivalent emissions, we considered consumption of fixed and mobile sources of energy. During this period, GHSF's energy consumption was 57,094,247.79 kWh; with an average of 484.02 kWh per available room, and 781.72 kWh for every occupied room.

ENERGY CONSUMPTION

| YEAR | KWH |
|---|---|
| 2019 | 59,101.277 |
| 2020 | 38,587,426 |
| 2021 | 51,634,838 |
| 2022 | 57,094,247 |


KRYSTAL SATÉLITE MARÍA BÁRBARA
Estado de México

# Greenhouse Gas Emissions (GHG)

**SCOPE 1 DIRECT GHG EMISSIONS**

Our Scope Direct 1 GHG emissions were from diesel consumption, which was 1,126.23 tons of CO2eq and 7,116.99 tons of CO2eq gas, for a total of 8,243.23 tons of CO2eq.

**SCOPE 2 INDIRECT GHG EMISSIONS**

In Scope 2 Indirect GHG emissions generated by energy consumption within our hotel operations, such as lighting, heating, and air conditioning, GHSF generated a total of 26,483.74 tons of CO2eq.

EMISSIONS

| GHG Emissions | UNIT | 2022 |
|---|---|---|
| Scope 1 Direct Emissions | Ton CO2eq | 8,243.23 |
| Scope 2 Indirect Emissions | Ton CO2eq | 26,483.74 |
| **Total Scope 1 and 2 GHG Emissions** | **Ton CO2eq** | **34,726.97** |

EMISSIONS

| GHG Emissions | UNIT | 2021 | 2022 |
|---|---|---|---|
| **Total Scope 1 and 2 GHG Emissions** | **CO2eq** | **30,078.00** | **34,726.97** |

HYATT REGENCY
Ciudad de México

# WATER

Water is essential for the planet's survival, and it is one of the most threatened resources due to population growth and economic activity. It is also a key element for all activities in the tourism sector, and a fundamental factor for committing to more sustainable models.

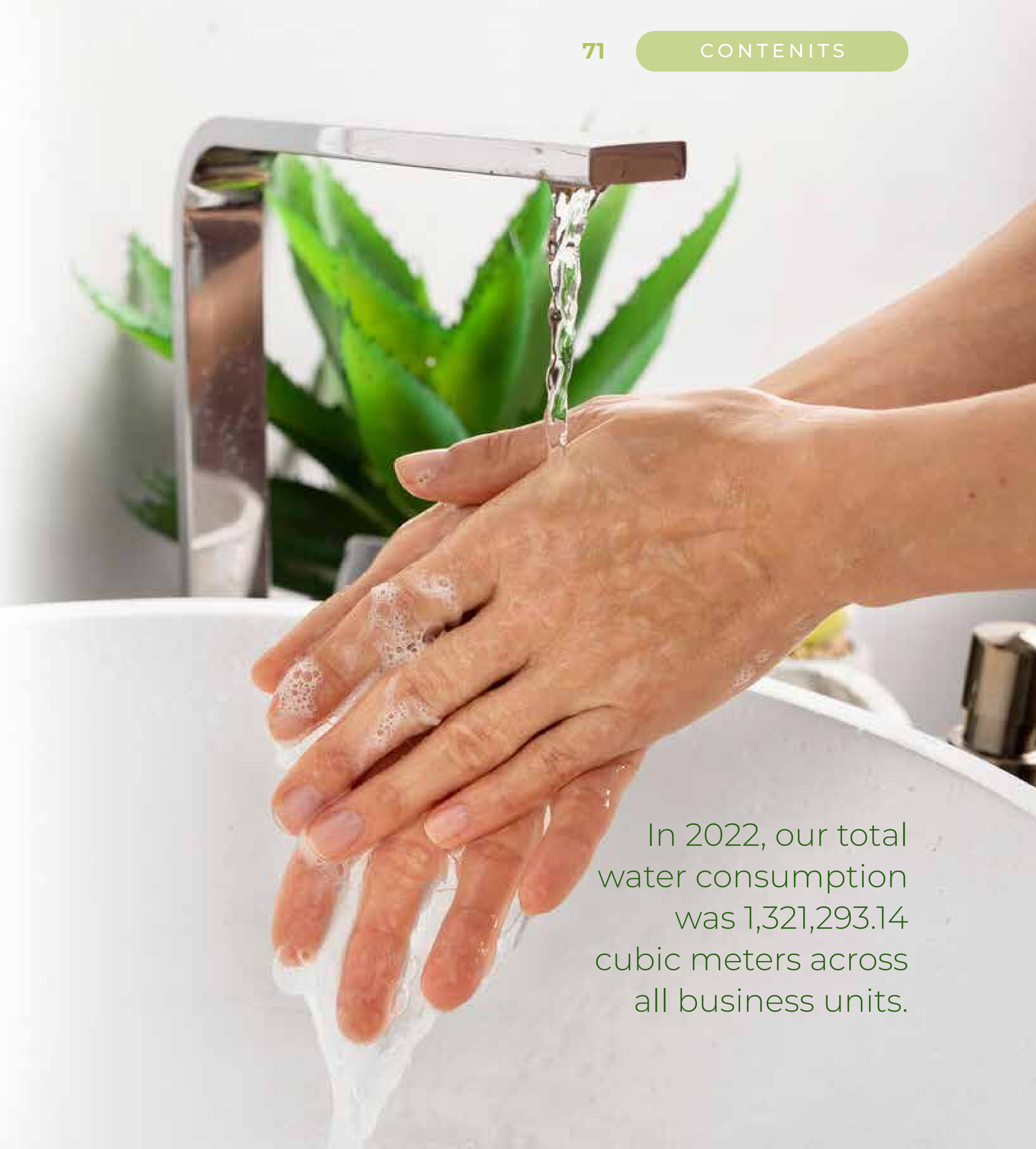
At Grupo Hotelero Santa Fe, we are aware of the need to protect and properly manage this resource. We contribute to preserving water resources, while also complying with the objectives stated by the UN in the Sustainable Development Goals.

As part of our strategy to mitigate the impact our operation has on water consumption, we have implemented technologies that allow us to save and treat the water we consume at our hotels.

Furthermore, we are constantly conducting awareness campaigns among our guests, proposing voluntary reuse of towels, which efficiently reduces replacing and laundering them.

**WATER CONSUMPTION 2022**

| YEAR | VOLUME IN $M^3$ |
|---|---|
| 2019 | 1,340,996 |
| 2020 | 725,832 |
| 2021 | 1,125,989 |
| 2022 | 1,321,293 |



In 2022, our total water consumption was 1,321,293.14 cubic meters across all business units.

# WASTE

Grupo Hotelero Santa Fe has a waste handling procedure that allows us to properly dispose of hazardous and non-hazardous waste generated at our hotels.

## BEST WASTE HANDLING PRACTICES

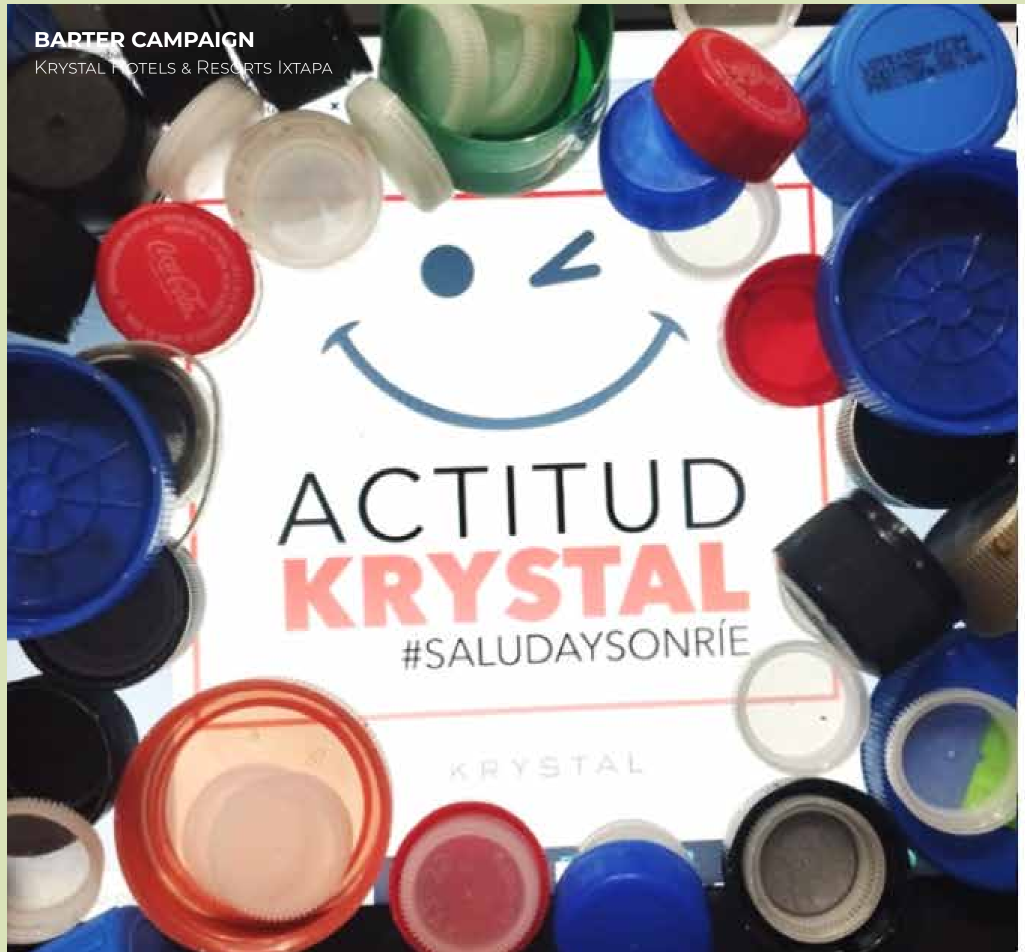
As part of our commitment to the environment, Hotel Krystal Cancún developed informative sessions about how to correctly handle solid urban waste, training 160 employees in the matter. With these activities, we comply with the authorities' requirements in ecological and environmental matters.

At Hotel Krystal Ixtapa, the Green Actions for the Planet Program was implemented. This program is a local government initiative that invites all neighbors and hotels to "barter" waste such as paper, glass, PET, cigarette butts, cooking oil, and alkaline batteries, among other items, for local arts and crafts. This program is an effort to create pollution- and trash-free spaces.

WASTE GENERATION

| YEAR | NON-HAZARDOUS WASTE |
|---|---|
| 2019 | 1,481,719 |
| 2020 | 895,375 |
| 2021 | 1,547,606 |
| 2022 | 2,264,471 |


CORRECT HANDLING OF SOLID WASTE
Krystal Hotels & Resorts Cancún



BARTER CAMPAIGN
Krystal Hotels & Resorts Ixtapa

# BIODIVERSITY

Our hotels are located in natural environments that need to be protected. Therefore, at Grupo Hotelero Santa Fe we have developed three programs that protect the ecosystems where we operate.

- Protecting sea turtles
- Beach clean-up
- “Sacando espuma”

### SEA TURTLE PROTECTION PROGRAM

We understand the importance of protecting the ecosystems in our country. Currently seven of the eight species of sea turtle recognized worldwide nest on Mexico’s beaches. At GHSF, we are proud of our flagship program to protect sea turtles, which began at our Hotel Krystal Cancún, and which has been extending to some of our other hotels, such as Hotel Krystal Altitude Cancún, and Hotel Krystal Beach Acapulco.

We currently protect two species of turtle that are in danger of becoming extinct: the white turtle, and the loggerhead turtle. We collect around 10,928 eggs, with a hatch rate of 71%.

This program begins from the time the turtles arrive on the beach, and it ends when the hatchlings are released, which is when they begin their trip to the surface and then to the sea, thus increasing their chances of survival.

### WHITE TURTLE

At our Hotel Krystal Altitude Cancún, we have developed activities to protect sea turtles; 30 employees participated in the activities of detecting and protecting the eggs. At Hotel Krystal Cancún, members of the nesting team dressed up in sea turtle costumes and went through the swimming pool and employee areas to create awareness of the importance of the sea turtle nesting season, and the care we must take to preserve this species that is in danger of becoming extinct.

### RIDLEY SEA TURTLE

We are pleased to report that in 2022, Ridley Sea Turtles laid eggs on the beaches where our Hotel Krystal Beach Acapulco is located. Our employees participated in the work of protecting the Ridley Sea Turtles, as did the maintenance and security teams, watching for the arrival of the sea turtles, and placing the eggs in the corral to free up some nests.

We released 150 turtles from the hotel’s beach, with the help of employees, security personnel, and guests.

# Beach
# CLEAN-UP

At Grupo Hotelero Santa Fe we are aware of the consequences of human activity on coastal and marine ecosystems, therefore we take actions to raise awareness among the population about the importance of taking care of our beaches.

In 2022, two of our hotels held beach clean-up campaigns; the hotel Krystal Altitude Cancún collected 50 kg of trash during its clean-up, picking up cigarette butts, face masks, plastic lids, cans, and contaminants that local and foreign visitors leave behind. During this clean-up work two sea turtles were found and taken to the Secretary of Ecology for their care and protection.

Another of our hotels, the Krystal Beach Acapulco, added an internal brigade in which 25 employees participated to improve the appearance of our beaches and to contribute to environmental protection.

**LIMPIEZA DE PLAYAS**
Krystal Altitude Cancún

# Sacando ESPUMA

Through Asociación Sacando Espuma, Hotel Krystal Cancún has joined the campaign that donates leftover soap. Soap is removed from rooms after guests have departed, processed, and new soap is made, which is then donated to at-risk communities. In 2022, we donated 100 kg of soap, benefiting 50 families.

# Volunteer activities for the ENVIRONMENT

In 2022, GHSF sponsored volunteering activities to protect the environment, with the participation of our employees. The following were some of the main activities:

ENVIRONMENTAL VOLUNTEERING ACTIVITIES

| HOTEL | ACTIVITY |
|---|---|
| Hotel Krystal Cancún | Donation of 100 kg of food to help rescue animals at the Kuxtal Sanctuary |
| Hotel Krystal Vallarta | On Arbor Day, our employees committed to adopting and taking care of a tree |
| Hotel Krystal Altitude Cancún | Donation to the Cachorrilandia Foundation of 350 kg of food for stray and abused cats and dogs |
| Hotel Urban Cancún | Donation of food to dogs through a "Croquetón" |

KUXTAL SANCTUARY
Krystal Hotel & Resort Cancún

TREE DAY
Krystal Hotel & Resort Vallarta

# Environmental **AWARENESS**

At GHSF, we understand that natural resources must be cared for, protected, and used responsibly and rationally, which is why we conduct activities that provide us with space for reflection that allows us to build awareness among employees and guests.

- We commemorate the following dates: International Plastic Bag Free Day, World Environment Day, World Bicycle Day, Sustainable Gastronomy Day, Arbor Day, World Ocean Day, and the International Day for the Conservation of the Mangrove Ecosystem

- At Hotel Krystal Grand Nuevo Vallarta the workshop was provided: What are micro plastics? Where do they come from? How do they affect the environment and our health? Ten of our employees participated in this workshop. With this type of activity, we try to build awareness about this problem that impacts the oceans

KRYSTAL GRAND NUEVO VALLARTA
NAYARIT

# Reintegra **PROGRAM**

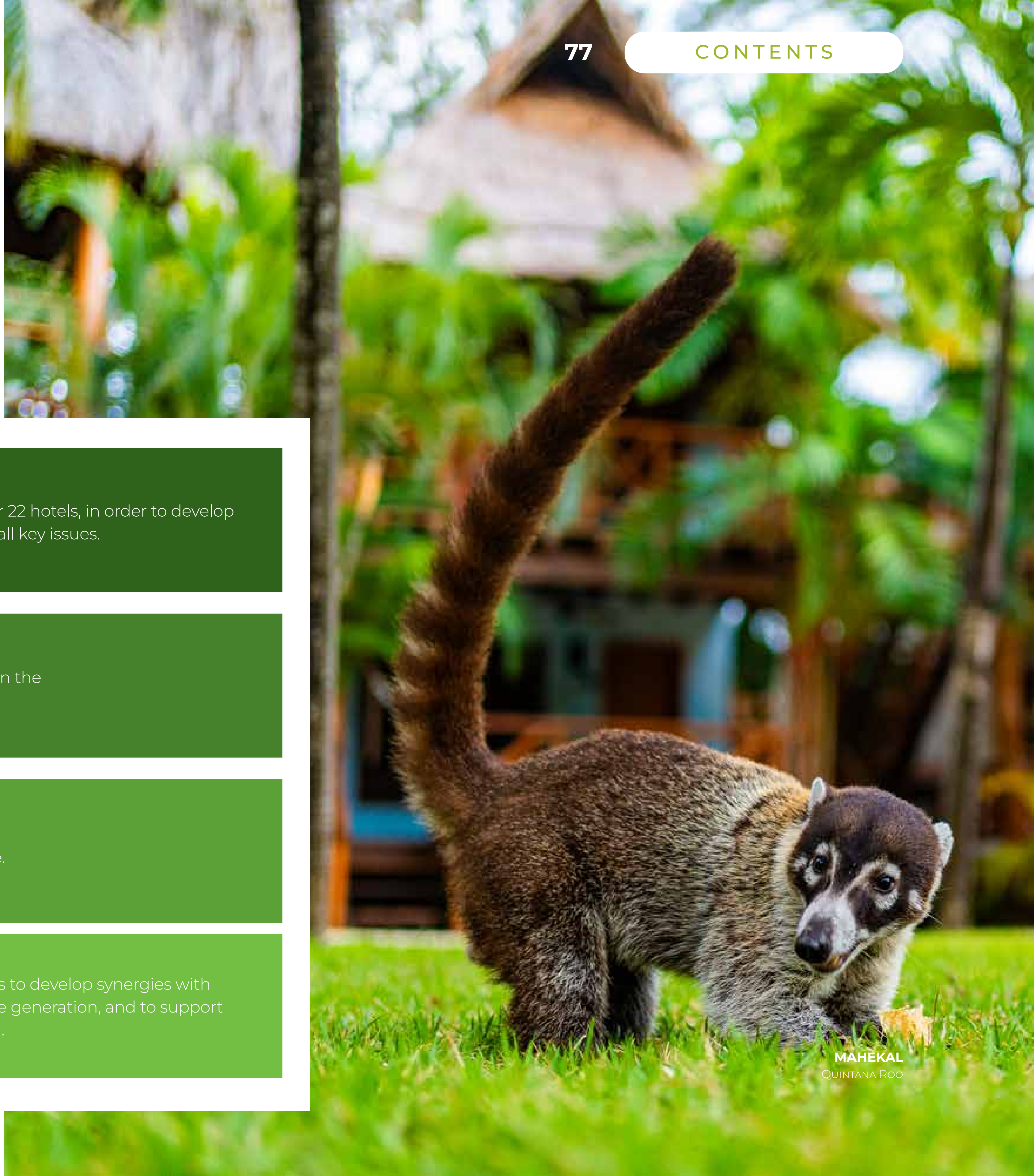
In 2022, the Hotel Hilton Guadalajara participated in the Reintegra Program, which consists of a recycling campaign in which employees are invited to leave items such as books, notebooks, newspapers, old files, and cardboard in recycled cardboard boxes. Thus we support the Conciencia Verde organization, which recycles those materials. The money this activity generates is donated to different associations.

HILTON GUADALAJARAA
JALISCO

2023

# ENVIRONMENTAL COMMITMENTS

| | |
|---|---|
| IMPLEMENT AN ENVIRONMENTAL VERIFICATION PROGRAM | • Evaluate the performance of our 22 hotels, in order to develop an efficiency plan that includes all key issues. |
| IMPROVE ENVIRONMENTAL MANAGEMENT | • Improve communication between the corporate office and the hotels. |
| IMPLEMENT INITIATIVES | • Improve our energy performance. |
| WASTE AND THE VALUE CHAIN | • Establish communication bridges to develop synergies with providers in order to reduce waste generation, and to support alternatives to avoid final disposal. |



**MAHEKAL**
Quintana Roo

# NAYARIT

## HOTELS
**1**

KRYSTAL GRAND NUEVO VALLARTA

## ROOMS
**480**

## RESTAURANTS
**8**

The O - Snack Oasis - Snack Surfos - Take a Bite
The Grill - Mortero - Ayami - Lounge Altitude

## BARS
**4**

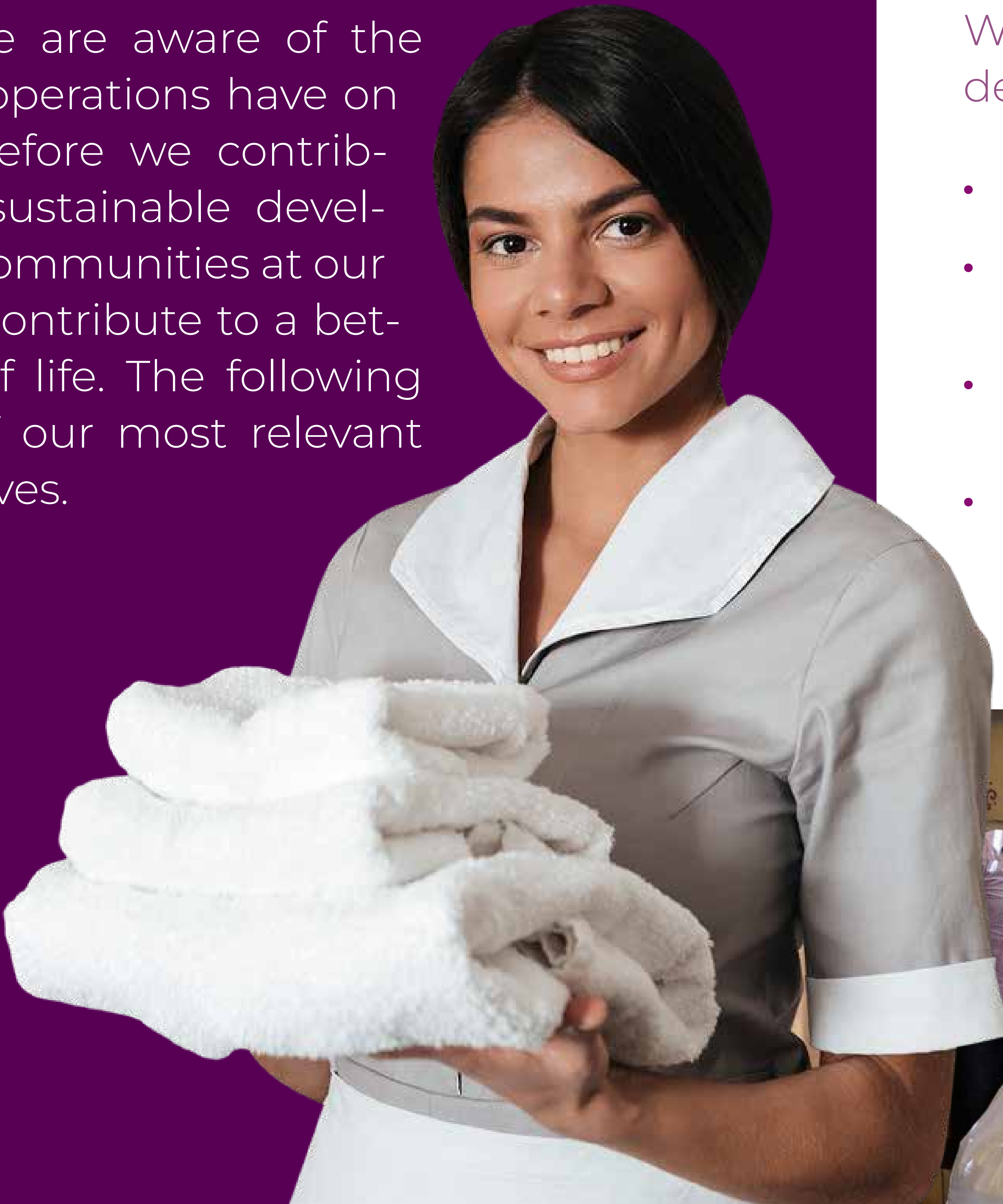
## LOCATION

# GHSE Committed to our environment

8

# Community TIES

At GHSF, we are aware of the impact our operations have on society, therefore we contribute to the sustainable development of communities at our hotels, and contribute to a better quality of life. The following are some of our most relevant social initiatives.



# Donation of LINENS

We collect sheets, bedspreads, and towels for different destinations:

- Out Hotel Hampton Inn & Suites Paraíso, Tabasco donated linens to the DIF Municipal de Paraíso, Tabasco, to help hospitals in the area
- Hotel Krystal Urban Ciudad Juárez donated linens in good condition to Asociación Adulto Feliz. We have also made donations to the Centro de Rehabilitación Dame la Mano AC women's shelter
- As part of the Community Ties Committee's activities, Hotel Krystal Cancún donated linens to Casa de Hogar de los Ancianos. With activities such as these, we remain consistent in our activities to support local communities
- Our Hotel Krystal Ixtapa supported the Bet Shalom A. C. asylum, by donating 100 bath towels, 50 swimming pool towels, 100 top sheets and 100 fitted sheets

DONATION OF LINENS
KRYSTAL URBAN CIUDAD JUÁREZ


DONATION OF LINENS TO THE DIFIF
HAMPTON INN & SUITES PARAÍSO

# Support for
# CHILDREN WITH CANCER

Our Krystal Beach Acapulco and Ixtapa hotels collected plastic caps from hotel employees, which were donated to the AMANC Foundation, to be monetized and donated to help treat children with cancer. The donation was made on International Childhood Cancer Day.

Other hotels participating in this initiative include the Hotel Krystal Urban Guadalajara, which made its donation to Fundación Mi Gran Esperanza; Hotel Krystal Altitude Cancún, which donated to the “Banco de tapitas del sureste” foundation, which supports children with cancer, on this occasion collecting 500 kg of caps; Hotel Krystal Vallarta joined the program “Tus tapitas salvan vidas,” to support people with cancer.

Hilton Garden Inn Monterrey Aeropuerto collected caps in its “Confetti Operation,” known in Spanish as “Operación Confeti” (con fe en ti – I believe in you) to help pay for chemotherapy treatments for children with cancer.

As part of the activities of the Community Ties Committee, Hotel Krystal Cancún donated a stay at the hotel to Damián, who was in the final phases of cancer. We were thus able to fulfill Damián’s dream of wanting to see the ocean.

Our Hotel Krystal Beach Acapulco donated games to children in the cancer unit at the hospital.

**DONATION OF CAPS**
Krystal Urban Guadalajara


**TUS TAPITAS SALVAN VIDAS**
Krystal Hotel & Resorts Vallarta

# Blue Energy and Hotel
# HILTON GUADALAJARA

Through the Blue Energy program and the Jorge Vergara foundation, we made Jesús' dream of meeting the members of the Guadalajara Sports Club come true. He met the team and went to one of their games, and our Hotel Hilton Guadalajara donated a stay at the hotel for Jesús and his family. Other activities carried out in partnership with Blue Energy included collecting games, which were donated to children hospitalized in the nephrology, burns, urgent care, and cancer areas of Hospital Civil. With these donations, we gave the gift of a Christmas full of smiles and happiness.

BLUE ENERGY PROGRAM AND JESÚS
Hilton Guadalajara


JESÚS IN THE AKRON STADIUM
Hilton Guadalajara

# Donation of EYE GLASSES

Our Hotel Krystal Beach Acapulco, in partnership with the College of Licensed Optometrists in the state of Guerrero held the campaign "Los ojos son las ventanas del alma," (Eyes are the windows to the soul), donating glasses to employees with fewer resources.

**DONATION OF GLASSES**
Krystal Beach Acapulco

# Donation of GAMES

### EPIPHANY

The Three Kings came to the community near the Krystal Beach Acapulco Hotel. A station was set up outside the hotel with Three Kings cakes, and games were given to 150 children in the community with scarce resources. Our Hotel Hampton Inn & Suites Paraíso, Tabasco, also donated games to the H. Ayuntamiento Municipal.

At Hotel Krystal Grand Nuevo Vallarta, we held the campaign "Dona un juguete y regala una sonrisa," (Donate a game and give a smile), with the objective of bring a little joy to children in the community.

### CHILDREN'S DAY

During April, Krystal Beach Acapulco also celebrated Children's Day, sharing cakes and gifts with 200 children in the community. Our employees dressed up for the occasion as superheroes and superheroines to celebrate the day with the children.

### "EL MAGISTERIO" COMMUNITY

Our Hotel Krystal Grand Nuevo Vallarta donated games to the "El Magisterio" community, where several at-risk families live, most of whom are trash pickers . On this occasion more than 100 children and youth received a game from hotel employees.

**CHILDREN'S DAY**
Krystal Beach Acapulco

## Girls' Annex
# OF THE DIF

Hotel IBIS Irapuato held a collection campaign for the Girls' Annex, administered by the DIF, in which local influencers participated to collect food, personal hygiene articles, and cleaning supplies to be donated to that institution.

## Pasitos de
# LUZ

Our employees at Krystal Grand Nuevo Vallarta gave gifts to disabled children who are cared for by Pasitos de Luz, which provides free care to children with disabilities from low-income families.

# EDUCATION

Our Hotel Krystal Grand Nuevo Vallarta brought 18 students into its Dual System Program. This is the first generation in a Food and Beverages career, and the second generation in Hospitality Services. We also sponsored a visit from UNIVA students.

## Purchases with
# A CAUSE

The Hilton Garden Inn Monterrey Aeropuerto, in partnership with Asociación de Drogadictos Anónimos A.C., signed a commercial agreement for the organization to deliver bakery orders for the hotel. In 2022, orders in the amount of $90,613 Mexican pesos were made.

# Doctor SMILES

In partnership with Dr. Smiles, Hotel Krystal Beach Acapulco organized a visit for Daniela Valentina and her family, fulfilling her dream of going to the beach. Our employees made sure that Valentina had an unforgettable experience.

# Donations to organizations that support THE ELDERLY

Our employees at Hotel Krystal Altitude Cancún made donations to the “Orgullo Ciudadano” (Proud Citizens) Civil Association, which cares for elderly adults living on the street or who have been abandoned.

The donations included food, mattresses, medications, and clothing.

Personnel at Hotel Krystal Beach Acapulco organized a Christmas party for elderly adults at DIF in Guerrero, and participated in the reinauguration of the club for the elderly called “Margarita Maza de Juárez,” donating a cake and bottarga to the event.

Hotel Krystal Cancún held a drive to collect adult diapers, which were donated to an elderly person who had previously received a wheelchair from the hotel and its employees.

**ELDERLY ADULTS DIF GUERRERO**
Krystal Beach Acapulco


**COLLECTION OF ADULT DIAPERS**
Krystal Cancún

# Commitments to the COMMUNITY IN 2023

## THE COMMUNITIES WHERE WE OPERATE

- Based on our Social Impact Study, we will continue implementing social and environmental programs in a collaboration between corporate and the hotels in each of the 12 states where we operate

- Have 100% of our hotels sign the National Code of Conduct for the Protection of Girls, Boys, and Adolescents in the travel and tourism sector (SECTUR)

# GUANAJUATO

## HOTELS
**2**

1. IBIS IRAPUATO
2. HYATT CENTRIC CAMPESTRE LEÓN

## ROOMS
**280**

1. 140 rooms
2. 140 rooms

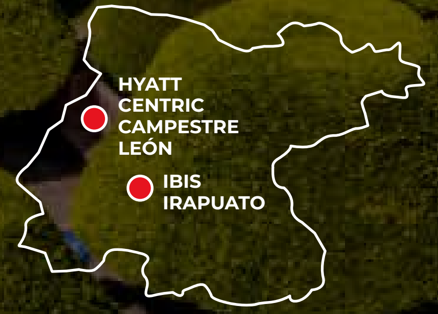
## RESTAURANTS
**3**

1. Ibis Kitchen
2. Xilote - Cien Tios

## BARS
**2**

2. Pool Bar - Terraza Frida

## LOCATION



# About this REPORT

We are pleased to share the fourth Annual Sustainability Report of Grupo Hotelero Santa Fe with our stakeholders.

This document is a reflection of how important it is for our Company not only to follow up on performance indicators in social and environmental matters, but also the importance of communicating with all our stakeholders.

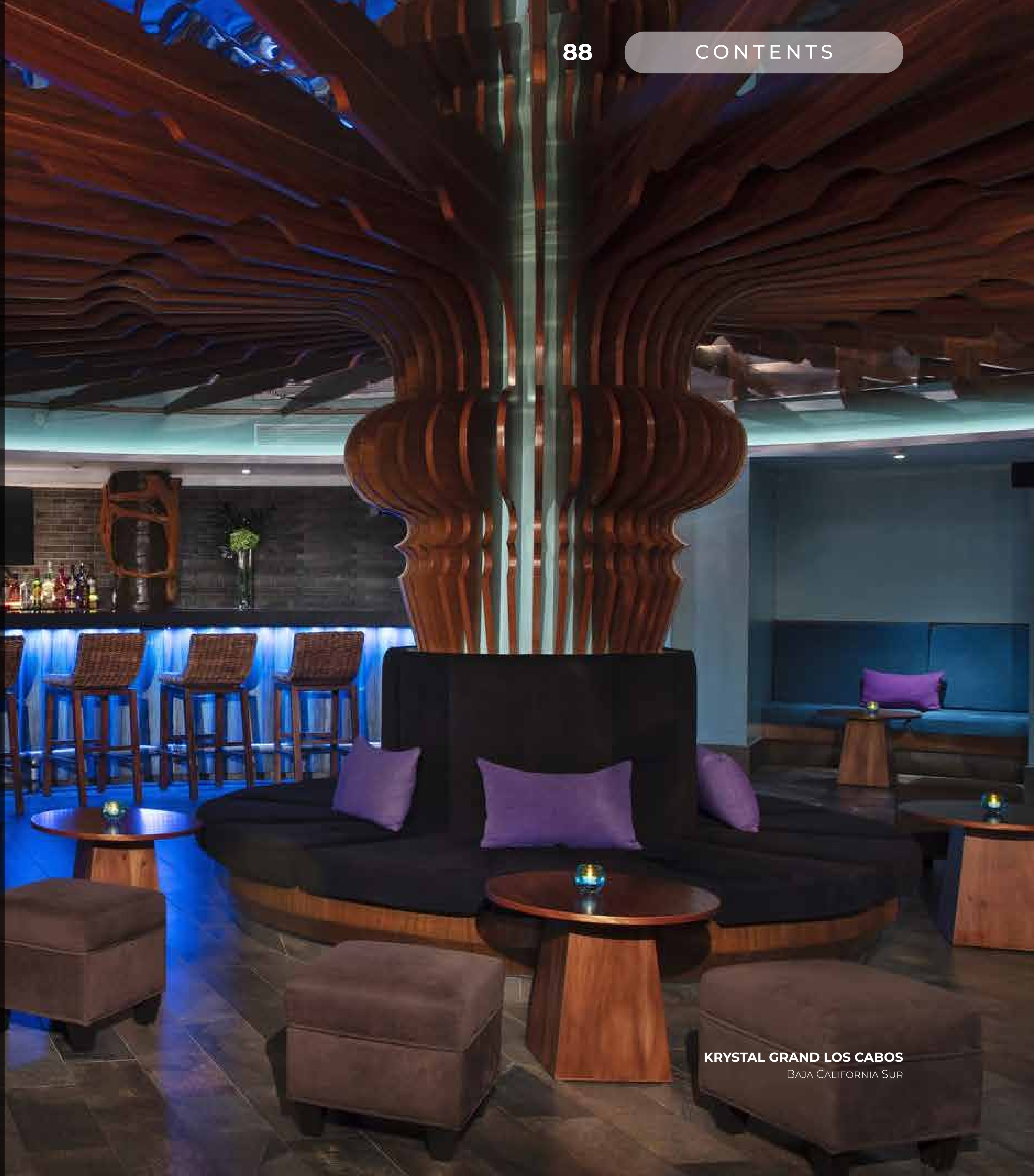
This 2022 report has been prepared referencing GRI standards, and approved as complying with the 10 Principles of the Global Compact and the Sustainable Development Goals, both of which are United Nations initiatives. The period covered by this report is January 1 to December 31, 2022.

If you have any questions about the contents of this report, please contact:

**MAXIMILIAN ZIMMERMANN CANOVAS**

Director of Investor Relations and Sustainability of Grupo Hotelero Santa Fe

**Contact e-mail:** mzimmermann@gsf-hotels.com



**KRYSTAL GRAND LOS CABOS**
Baja California Sur

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# CHIHUAHUA

| HOTELS | ROOMS | RESTAURANTS | BARS | LOCATION |
|---|---|---|---|---|
| 1 | 120 | 6 | 4 | KRYSTAL URBAN CIUDAD JUAREZ |
| KRYSTAL URBAN CIUDAD JUAREZ | | Urban Korner Deli | Lobby Bar | |

# Discussion and Analysis of the FINANCIAL SITUATION

| INCOME STATEMENT | 2022 | 2021 | % Var. |
|---|---|---|---|
| Numbers in thousands of pesos | | | |
| **REVENUES** | | | |
| Rooms | 1,302,470 | 871,627 | 49.4 |
| Food and beverages | 1,017,326 | 666,055 | 52.7 |
| Other hotel revenues | 200,097 | 144,710 | 38.3 |
| Vacation Club revenues | 46,675 | 22,230 | NA |
| Administrative fees for managing third-party hotels | 85,750 | 55,931 | 53.3 |
| **Total revenues** | **2,652,319** | **1,760,553** | **50.7** |
| **COSTS AND EXPENSES** | | | |
| Operating costs and expenses | 1,343,045 | 897,166 | 49.7 |
| Sales and administration | 496,574 | 415,650 | 19.5 |
| Building and insurance | 35,917 | 34,585 | 3.9 |
| Vacation Club costs | 27,632 | 12,497 | NA |
| Depreciation and amortization | 281,203 | 265,058 | 6.1 |
| **Total costs and expenses** | **2,184,371** | **1,624,956** | **34.4** |
| Expansion and new hotel opening expenses | 18,100 | 25,619 | (29.3) |
| Other non-recurring expenses | 95,257 | 40,298 | NA |
| **TOTAL** | **113,358** | **65,917** | **72.0** |
| **EBITDA** | **749,151** | **400,655** | **87.0** |
| EBITDA Margin (%) | 28.2% | 22.8% | 5 .5 pt |
| **OPERATING INCOME** | **354,590** | **69,680** | **NA** |
| Operating margin (%) | 13.4% | 4.0% | 9.4 pt |
| Interest expenses, net | (109,409) | (84,814) | 29.0 |
| Exchange rate (loss) income, net | (106.803) | (88,057) | NA |
| Other financial costs | (9,849) | (6,551) | 50.3 |
| **Financial cost, net** | **(12,455)** | **(179,422)** | **(93.1)** |
| Stake in results of permanent investments | 3,615 | 725 | NA |
| Income before taxes | 345,750 | (109,018) | NA |
| Income tax | 147,445 | (75,605) | NA |
| **Net income** | **198,304** | **(33,412)** | NA |
| Net Income Margin (%) | 7.5% | (1.9%) | 9.4 pt |
| **Earnings attributable to:** | | | |
| Company-owned properties | 162,385 | (141) | NA |
| Non-controlling stake | 35,919 | (33,271) | NA |

The Company's total revenues increased 64.5%, from Ps. 1,760 billion in 2021 to Ps. 2,652 billion in 2022, due to recovery of the tourism industry in Mexico.

Room revenues in 2022 increased by 49.4%. The number of the Company's own rooms in operation increased by 195 rooms with the purchase of Mahekal Beach Resort, and RevPAR rose by 48.9%. The RevPAR was comprised of occupancy that was 14.6% higher than in 2021, and a 14.2% increase in the ADR for the year.

Revenues from Food and Beverages rose 52.7%, increasing from Ps. 666.1 million in 2021, to Ps. 1.017 billion in 2022.

The line Other Hotel Revenues, which includes, among other items, meeting room rental, parking revenues, revenues from laundry, telephone, and rent of commercial locations, grew 38.3%, increasing from Ps. 144.7 million in 2021, to Ps. 200.1 million in 2022.

Vacation Club revenues rose from Ps. 22.2 million in 2021, to Ps. 46.7 in 2022.

Fees for managing third-party hotels increased 53.3% over 2021.

The portfolio of managed hotels decreased from 2,006 rooms to 1,915 rooms, while increasing RevPAR by 40.5%.

The Company sees an opportunity to continue moving ahead with its growth plans by means of third-party operating contracts, mainly with the Krystal® brand, without significantly impacting its operating structure.

## Costs and EXPENSES

The Company's Total Costs and Expenses increased by 34.4%, from Ps. 1.625 billion in 2021, to Ps. 2.184 billion in 2022. This increase was a result of growth in revenues, which in turn was tied to greater hotel activity.

## Operating INCOME

In 2022, Operating Income rose from Ps. 69.7 million in 2021, to Ps. 354.6 million in 2022, due to greater hotel activity.

## EBITDA

Adjusting Operating Income for Non-Recurring Expenses, Depreciation and Amortization, and the All-In Result of Financing, the Company's EBITDA was Ps. 749.25 million for 2022, in comparison with Ps. 400.7 million in 2021, which is an 87.0% increase. EBITDA Margin increased from 22.8% in 2021, to 28.2% in 2022.

## Net FINANCIAL COST

The Net Financial Cost in 2022 showed a loss of Ps. 12.4 million, compared to a loss of Ps. 179.4 million in 2021, an improvement of Ps. 167.0 million. This result was due to an exchange rate gain created by the effect of the market valuation, based on the lower US$/MXN exchange rate applied to our dollar-denominated debt.

## Net INCOME

The Company's Net Loss improved from a loss of Ps. 33.4 million in 2021, to income of Ps. 198.3 million in 2022, which represents a Ps. 231.7 million lower Net Loss.

### CASH FLOW SUMMARY

Numbers in thousands of pesos

| | 2022 | 2021 | Var. | %Var. |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net income | 198,304 | (33,412) | 231,716 | NA |
| Depreciation and amortization | 281,203 | 265,058 | 16,146 | 6.1 |
| Income tax | 147,445 | (75,605) | 223,050 | NA |
| Loss (income) in unrealized exchange | (173,517) | 71,888 | (245,405) | NA |
| Interest expenses, net | 109,409 | 84,814 | 54,595 | 29.0 |
| Other financial costs | 9,849 | 6,551 | 3,298 | 50.4 |
| Non-controlling stake | (3,615) | 725 | (4,340) | NA |
| Dividend income | (12,200) | - | (12,200) | NA |
| **Cash flow before variations in working capital** | **556,879** | **320,019** | **236,860** | **74.0** |
| Working capital | 84,166 | 38,443 | 45,724 | NA |
| **Net cash flows from operating activities** | **641,045** | **358,461** | **282,584** | **78.8** |
| Non-recurring lines | (70,066) | (18,211) | (51,855) | NA |
| **Net cash flows from non-recurring lines** | **570,979** | **340,250** | **230,729** | **67.8** |
| Net cash flows from investment activities | (1,875,240) | (455,192) | (1,420,048) | NA |
| Net cash flows from financing activities | 1,204,159 | 139,352 | 1,064,807 | NA |
| **(Net decrease) Net increase in cash and cash equivalents** | **(100,103)** | **24,410** | **(124,513)** | **NA** |
| Cash and cash equivalents at the start of the period | 564,723 | 539,133 | 25,590 | 4.7 |
| **Cash and cash equivalents at the end of the period** | **464,620** | **563,543** | **(98,923)** | **(17.6)** |
| **Cash from assets intended for sale** | **(20,397)** | - | (20,397) | NA |
| Cash from cash revaluation | - | 1,179 | (1,178) | NA |
| **Total cash at the end of the period** | **444,223** | **564,721** | **(120,498)** | **(21.3)** |

At the end of 4Q22, operating cash flow increased 42.0%, to Ps. 108.7 million, in comparison with Ps. 76.5 million recorded in 4Q21. The difference is mainly attributed to positive working capital in 4Q22

# Cash Flow
# **SUMMARY**

Operating cash flow for 2022 was Ps. 641.0 million, compared to Ps. 358.5 million in 2021. This increase was due to the recovery mentioned above.

## Balance Sheet Statement

Cash and cash equivalents

At the end of 2022, the Company's position in cash and banks was Ps. 600.0 million, comprised of Ps. 444.2 million in cash and cash equivalents, and Ps. 155.8 million in restricted cash, related to debt. Dollar-denominated cash and cash equivalents was 49.2%.

## Property, furniture, and equipment (including non-productive fixed assets)

This item recorded Ps. 9.282 billion at the end of 2022, a 7.5% increase over the Ps. 8.636 billion reported at the end of 2021, due mainly to the acquisition of the Mahekal Beach Resort, and construction of the Hyatt Regency Insurgentes.

## Net debt and maturities

At the close of 2022, the Company's Net Debt was Ps. 3.152 billion. Of the Company's Total Debt, 79.7% is dollar-denominated, with an average financial cost of 7.84%, and the remaining 20.3% denominated in pesos, with an average cost of 14.03%.

To further its growth plans, the Company will continue balancing its debt between Mexican pesos and United States dollars. Debt denominated in both Mexican pesos and US dollars is hedged against increases in the reference rate (TIIE and LIBOR), with a value during the fiscal year of 8.5% and 4.5%, respectively.

According to IFRS, numbers in dollars were converted to pesos using the exchange rate published by the Official Gazette of Mexico on December 31, 2022, which was 19.3615 pesos per dollar.

### BALANCE SHEET SUMMARY

Numbers in thousands of pesos

| | **2022** | 2021 | Var. | % Var. |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | (21.3) |
| Cash and cash equivalents | 444,223 | 564,723 | (120,500) | 28.0 |
| Accounts receivable and other current assets | 265,994 | 207,779 | 58215 | 32.6 |
| Taxes creditable | 330,361 | 249,132 | 81,228 | NA |
| Accounts receivable and costs for deferred Vacation Club CP | 44,140 | - | 44,140 | NA |
| Assets held for sale | 818,026 | - | 818,026 | **86.2** |
| **Total current assets** | **1,902,743** | **1,021,634** | **881,108** | 70.6 |
| Restricted cash | 155,761 | 91,296 | 64465 | 2.4 |
| Property, furniture, and equipment | 7,750,859 | 7,569,224 | 181,635 | 43.4 |
| Non-productive fixed assets (works in process) | 1,531,012 | 1,067,449 | 463,563 | NA |
| Accounts receivable and costs for deferred Vacation Club LP | 252,355 | - | 252,355 | (7.9) |
| Other lines in non-current assets | 849,721 | 922,527 | (72,806) | **9.2** |
| **Total non-current assets** | **10,539,709** | **9,650,496** | **889,213** | 16.6 |
| **Total assets** | **12,442,452** | 10,672,130 | 1,770,322 | 65.4 |
| Current debt maturities | 405,295 | 245,110 | 160,185 | NA |
| Revenues from deferred Vacation Club CP | 40,786 | - | 40,786 | 45.5 |
| Other current liabilities | 680,358 | 467,533 | 212,825 | NA |
| Liabilities separated for sale | 100,997 | - | 100,997 | **72.2** |
| **Total current liabilities** | **1,227,436** | **712,643** | **514,793** | 11.9 |
| Long-term debt | 3,330,627 | 2,976,213 | 354,414 | 0.6 |
| Other non-current liabilities | 1,026,982 | 1,021,230 | 5,752 | **9.0** |
| **Total non-current liabilities** | **4,357,608** | **3,997,443** | **360,165** | **15.0** |
| **Total shareholders' equity** | **6,857,408** | **5,962,044** | **895,364** | **16.6** |
| **Total liabilities and shareholders' equity** | **12,442,452** | **10,672,130** | **1,770,332** | |

### CAPEX

Numbers in thousands of pesos

| | **2022** | %Total |
|---|---|---|
| Hotel acquisitions | 1,150,895 | 70.2 |
| Hotels in development | 365,844 | 22.3 |
| Improvements and renovations to own hotels | 37,605 | 2.3 |
| Ordinary CAPEX | 85,944 | 5.2 |
| **Total Capex** | **1,640,288** | **100.0** |

**MAHEKAL**
Quintana Roo

## DEBT

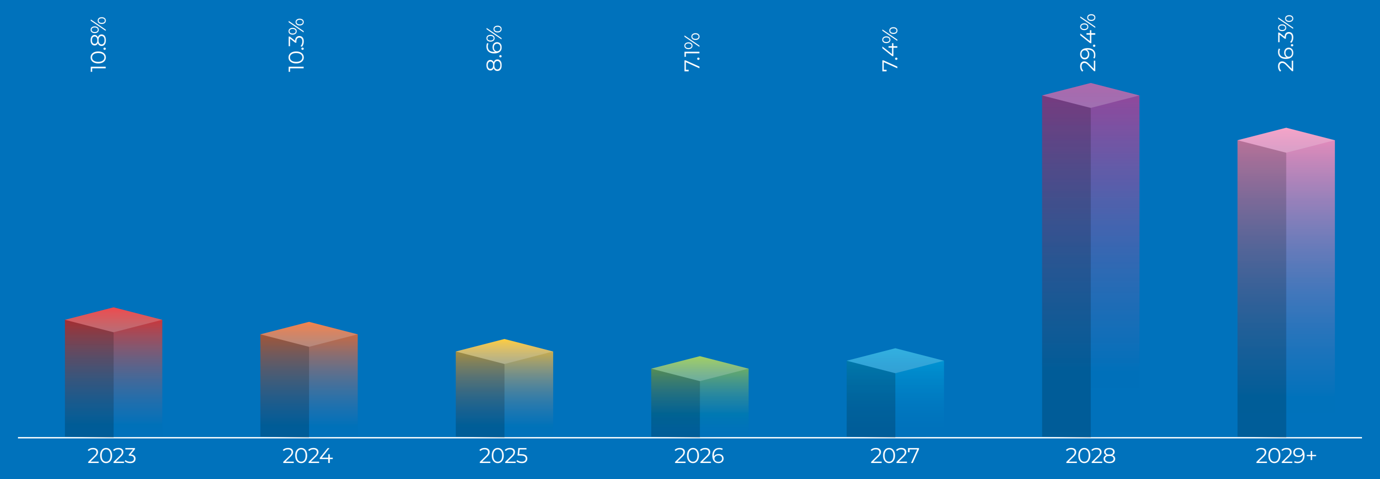
Numbers in thousands of pesos

| | Pesos | Dollars | Total |
|---|---|---|---|
| Short Term | 3,085 | 402,210 | 405.295 |
| Long Term | 755,526 | 2,575,100 | 3,330,627 |
| **Total** | **758,611** | **2,977,311** | **3,735,922** |
| % Total | 20.3% | 79.7% | 100.0% |
| Average rate of financial liabilities | 14.03% | 7.84% | 9.09% |
| Cash and cash equivalents | 252,952 | 191,271 | 444,223 |
| Restricted cash | 51,704 | 104,057 | 155,761 |
| **Cash and banks**** | **304,656** | **295,328** | **599,984** |
| **Net debt** | **453,955** | **2,681,982** | **3,135,938** |
| Net debt / EBITDA (last 12 months, as at December 31, 2021) | | | 4.2x |

*Includes accrued interest payable, and cash from financial instruments related to bank loans.
**Includes restricted cash related to bank loans.

## DEBT MATURITY PROFILE

As at December 31, 2022



# Consolidated Financial STATEMENTS

December 31st, 2022 and 2021
with Independent Auditor's Report

## Contents

# Independent Auditor's **REPORT**

To the Shareholders of
Grupo Hotelero Santa Fe, S.A.B. de C.V. and subsidiaries

**Opinión**

We have audited the accompanying consolidated financial statements of Grupo Hotelero Santa Fe, S.A.B. de C.V. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31st, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Hotelero Santa Fe, S.A.B. de C.V. and its subsidiaries as at December 31st, 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico in accordance with the Código de Ética Profesional del Instituto Mexicano de Contadores Públicos (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**1.- Impairment assessment in the value of goodwill and long-lived assets**

**Why the matter was determined to be a key audit matter**

We have considered as a key audit matter the impairment assessment of goodwill and long-lived assets as at December 31st, 2022, because Group Management uses valuation models that require the use of complex assumptions involving a high degree of subjectivity and complexity in the application of significant judgments for the identification of key assumptions used for the projection of future cash flows, the long-term growth rate and the discount rate used to calculate the recoverable value of the Cash Generating Units (CGUs), which require the involvement of independent experts and the auditor's internal valuation specialists.

As a result of Management's impairment analysis, in 2022 the Group did not identify any impairment in its goodwill and long-lived assets.

The Group's policies for the accounting and recognition of impairment losses of goodwill and long-lived assets, as well as the analysis thereof are disclosed in Note 3h) Impairment to the accompanying consolidated financial statements.

**How we responded to this key audit matter**

We assessed the competence, objectivity and technical capacity of the Group's specialists in determining the recoverable value of goodwill and long-lived assets as at December 31st, 2022, including the scope of their review, results and conclusions. We also assessed the key assumptions used by Management such as: revenue volume, operating costs, inflation, future cash flows, long-term growth rates, discount rates, as well as methods and best practices commonly used and accepted in the hotel industry.

We assessed the projection of future cash flows prepared by Management, and verified the information of said projection for each identified CGU, analyzing whether it is consistent with historical information and the long-term business plans approved by the Board of Directors.

We involved our internal specialists to assist us in the impairment analysis through which we validated the methodology used; we analyzed the key assumptions according to their complexity and degree of subjectivity, and compared them against contrary evidence and comparable market data.

We also evaluated the appropriateness of the disclosures related to the calculation of impairment of goodwill made by Management in the consolidated financial statements as at December 31st, 2022.

**Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report filed with the National Banking and Securities Commission (CNBV, by its acronym in Spanish), but does not include the consolidated financial statements and our auditor's report thereon. We expect to obtain the other information after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 when we have access to it 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 and consider the Annual Report filed with the CNBV, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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.

**Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISA, 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 auditor's 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 auditor's 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 to 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 auditor's 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.

The partner in charge of the audit resulting in this independent auditor's report is the undersigned.

Mancera, S.C. A Member Practice of
Ernst & Young Global Limited

Mexico City March 3rd, 2023

José Fernández Campos

Consolidated Statements of

# FINANCIAL POSITION

*(Amounts in thousands of Mexican pesos)*

| | As at December 31st 2022 | | 2021 | |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents (Note 8) | Ps. | 444,223 | Ps. | 564,723 |
| Accounts receivable, net (Note 9) | | 188,746 | | 118,334 |
| Related party receivables (Note 10) | | 15,462 | | 11,927 |
| Other accounts receivable | | 27,821 | | 2,896 |
| Recoverable taxes (Note 11) | | 530,169 | | 422,428 |
| Inventories (Note 12) | | 31,825 | | 23,027 |
| Prepaid expenses | | 31,850 | | 40,512 |
| Deferred cost – Vacation Club (Note 16) | | 16,500 | | 11,082 |
| Assets held for sale | | 818,026 | | - |
| **Total current assets** | | **2,104,622** | | **1,194,929** |
| **Non-current assets:** | | | | |
| Restricted cash (Note 8) | | 155,761 | | 91,296 |
| Property, furniture and equipment (Note 13) | | 9,281,871 | | 8,636,675 |
| Other assets (Note 14) | | 386,393 | | 193,853 |
| Equity investments in associates (Note 3j) | | 37,225 | | 38,622 |
| Deferred income tax (Note 19) | | 207,148 | | 278,108 |
| Goodwill (Note 6) | | 345,617 | | 345,617 |
| Deferred cost – Vacation Club (Note 16) | | 125,694 | | 66,327 |
| **Total non-current assets** | | **10,539,709** | | **9,650,498** |
| **Total assets** | **Ps.** | **12,644,331** | **Ps.** | **10,845,427** |

| | As at December 31st 2022 | | 2021 | |
|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities:** | | | | |
| Current portion of long-term debt (Note 15) | Ps. | 405,295 | Ps. | 245,110 |
| Suppliers | | 200,804 | | 148,363 |
| Accrued liabilities (Note 17) | | 40,880 | | 38,063 |
| Taxes payable | | 263,823 | | 214,095 |
| Provisions | | 105,854 | | 76,223 |
| Related party payables (Note 10) | | 530 | | 15,687 |
| Short-term security deposits | | 193,514 | | - |
| Trade advances | | 76,833 | | 82,164 |
| Deferred revenue – Vacation Club (Note 16) | | 40,786 | | 19,817 |
| Liabilities held for sale | | 100,997 | | - |
| **Total current liabilities** | | **1,429,316** | | **839,522** |
| **Non-current liabilities:** | | | | |
| Long-term debt, excluding current portion (Note 15) | | 3,330,627 | | 2,976,213 |
| Employee benefits (Note 18) | | 16,815 | | 18,601 |
| Deferred income tax (Note 19) | | 819,307 | | 882,752 |
| Security deposits | | - | | 46,421 |
| Deferred revenue – Vacation Club (Note 16) | | 190,694 | | 118,748 |
| Other liabilities | | 165 | | 1,127 |
| **Total non-current liabilities** | | **4,357,608** | | **4,043,862** |
| **Total liabilities** | | **5,786,924** | | **4,883,384** |
| **Equity (Note 20):** | | | | |
| Attributable to equity holders of the parent: | | | | |
| Share capital | | 4,354,707 | | 3,954,707 |
| Repurchase of shares | | (44,209) | | (41,575) |
| Share premium | | 80,000 | | 80,000 |
| Legal reserve | | 190,493 | | 190,493 |
| Retained earnings | | 807,598 | | 645,213 |
| Total equity attributable to equity holders of the parent | | 5,388,589 | | 4,828,838 |
| Non-controlling interests | | 1,468,818 | | 1,133,205 |
| **Total equity** | | **6,857,407** | | **5,962,043** |
| **Total liabilities and equity** | **Ps.** | **12,644,331** | **Ps.** | **10,845,427** |

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

Consolidated Statements of

# COMPREHENSIVE INCOME

*(Amounts in thousands of Mexican pesos, except for earnings/(loss) per share which is expressed in Mexican pesos)*

| | For the year ended December 31st 2022 | 2021 |
|---|---|---|
| Operating revenue: | | |
| Rooms | Ps. 1,302,470 | Ps. 871,627 |
| Food and beverages | 1,017,326 | 666,055 |
| Other | 332,523 | 222,871 |
| | 2,652,319 | 1,760,553 |
| Department costs and expenses: | | |
| Rooms | 344,791 | 245,558 |
| Food and beverages | 567,881 | 382,495 |
| Other | 64,124 | 37,359 |
| **Total department costs and expenses** | **976,796** | **665,412** |
| **Department profit** | **1,675,523** | **1,095,141** |
| Operating expenses: | | |
| Administrative | 407,582 | 314,701 |
| Advertising and sales | 187,442 | 139,229 |
| Maintenance and energy costs | 393,880 | 244,281 |
| **Total operating expenses** | **988,904** | **698,211** |
| **Profit before finance charges and depreciation** | **686,619** | **396,930** |
| Finance charges and depreciation: | | |
| Property tax | 15,275 | 14,260 |
| Insurance | 20,642 | 20,325 |
| Depreciation (Note 13) | 273,625 | 261,235 |
| Amortization of other assets (Note 14) | 7,578 | 3,823 |
| Pre-operating expenses | 8,503 | 18,022 |
| Expansion expenses | 9,599 | 7,597 |
| Other (expenses)/income (Note 26) | (3,667) | 143 |
| Allowance for expected credit losses | 475 | 1,845 |
| **Total finance charges and depreciation** | **332,030** | **327,107** |

| | For the year ended December 31st 2022 | 2021 |
|---|---|---|
| Operating profit | 354,589 | 69,680 |
| Net financing cost: | | |
| Interest income (Note 10) | 22,317 | 17,674 |
| Interest expense (Note 15) | (131,726) | (102,489) |
| Foreign exchange gain/(loss), net (Note 27) | 106,803 | (88,056) |
| Other finance expenses | (9,849) | (6,551) |
| | (12,455) | (179,422) |
| Share of profit of associates | 3,615 | 725 |
| **Profit/(loss) before income tax** | **345,749** | **(109,016)** |
| Income tax (Note 19) | 147,445 | (75,605) |
| **Net profit/(loss)** | **Ps. 198,304** | **Ps. (33,411)** |
| Net profit/(loss) attributable to: | | |
| Equity holders of the parent | Ps. 162,385 | Ps. (143) |
| Non-controlling interests | 35,919 | (33,268) |
| | Ps. 198,304 | Ps. (33,411) |
| **Basic earnings/(loss) per share (Note 20h))** | **Ps. 0.26** | **(0.05)** |

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

Consolidated Statements of
# CHANGES IN EQUITY

*(Amounts in thousands of Mexican pesos)*

| | Share capital | Share incentive plan | Share premium | Legal reserve | Retained earnings | Total equity attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance as at December 31st, 2020 | Ps. 3,954,707 | Ps. (37,538) | Ps. 80,000 | Ps. 190,493 | Ps. 645,356 | Ps. 4,833,018 | Ps. 1,158,750 | Ps. 5,991,768 |
| Repurchase of shares | - | (4,037) | - | - | - | (4,037) | - | (4,037) |
| Contribution to non-controlling interests | - | - | - | - | - | - | 7,724 | 7,724 |
| Net loss for the year | - | - | - | - | (143) | (143) | (33,269) | (33,412) |
| Balance as at December 31st, 2021 | 3,954,707 | (41,575) | 80,000 | 190,493 | 645,213 | 4,828,838 | 1,133,205 | 5,962,043 |
| Share capital increase | 400,000 | | - | - | - | 400,000 | - | 400,000 |
| Repurchase of shares | - | (2,634) | - | - | - | (2,634) | - | (2,634) |
| Contribution to non-controlling interests, net | - | - | - | - | - | - | 304,694 | 304,694 |
| Cash dividends paid to non-controlling interests | | | | | | | (5,000) | (5,000) |
| Net profit for the year | - | - | - | - | 162,385 | 162,385 | 35,919 | 198,304 |
| **Balance as at December 31st, 2022** | **Ps. 4,354,707** | **Ps. (44,209)** | **Ps. 80,000** | **Ps. 190,493** | **Ps. 807,598** | **Ps. 5,388,589** | **Ps. 1,468,818** | **Ps. 6,857,407** |

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

Consolidated Statements of

# CASH FLOWS

*(Amounts in thousands of Mexican pesos, except for earnings/(loss) per share which is expressed in Mexican pesos)*

| | For the year ended December 31st 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Profit/(loss) before income tax | Ps. 345,749 | Ps. (109,016) |
| Items not affecting cash flows: | | |
| Depreciation | 273,625 | 261,235 |
| Amortization of other assets | 7,578 | 3,823 |
| Interest income | (22,317) | (17,674) |
| Equity investment in associate | (3,615) | (725) |
| Unrealized foreign exchange (gain)/loss | (183,331) | 75,190 |
| Interest expense | 131,726 | 102,488 |
| Net periodic benefit expense | 1,359 | 8,271 |
| Other finance expenses | 9,849 | 6,551 |
| | 560,623 | 330,143 |
| Changes in working capital: | | |
| Accounts receivable | (70,412) | (25,927) |
| Related party receivables | (27,424) | (3,253) |
| Other accounts receivable and recoverable taxes | (211,282) | (142,188) |
| Inventories | (10,942) | (1,398) |
| Prepaid expenses | 7,948 | (8,769) |
| Suppliers | 65,279 | (14,430) |
| Accrued liabilities and taxes payable | 85,396 | 65,322 |
| Provisions | 33,210 | 57,702 |
| Trade advances and security deposits | 177,133 | 71,361 |
| Income tax paid | (99,548) | (31,033) |
| Net cash flows from operating activities | 509,981 | 297,530 |

| | For the year ended December 31st 2022 | 2021 |
|---|---|---|
| **Investing activities** | | |
| Purchase of property, furniture and equipment | (1,640,288) | (392,096) |
| Security deposit for purchase of shares | (123,600) | (50,000) |
| Cash reclassified to assets held for sale | (25,624) | - |
| Loans collected from related parties | - | 1,810 |
| Equity investments in associates | 5,012 | - |
| Interest income | 22,317 | 17,674 |
| Net cash flows used in investing activities | (1,762,183) | (422,612) |
| **Financing activities** | | |
| Share capital increase, net | 400,000 | - |
| Contributions to non-controlling interests | 304,694 | 7,724 |
| Dividends paid to non-controlling interests | (5,000) | - |
| Repurchase of shares | (2,634) | (4,037) |
| Loans obtained | 954,782 | 391,334 |
| Payment of principal on bank loans | (281,790) | (131,005) |
| Interest paid | (173,885) | (126,705) |
| Net cash flows from financing activities | 1,196,167 | 137,311 |
| Net (decrease)/increase in cash, cash equivalents and restricted cash | (56,035) | 12,229 |
| Cash, cash equivalents and restricted cash at beginning of year | 656,019 | 643,790 |
| **Cash, cash equivalents and restricted cash at end of year** | **Ps. 599,984** | **Ps. 656,019** |

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

Notes to Consolidated
# FINANCIAL STATEMENTS

*(Amounts in thousands of Mexican pesos)*

## 1. DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS

### a) Description of the business

Grupo Hotelero Santa Fe, S.A.B. de C.V. (the Group or GHSF) was incorporated in Mexico City and is primarily engaged in acquiring shares, interests, equity interests, among others, of any type of commercial entities, either national or foreign, and investing in their equity and assets, as well as taking part in their management, liquidation, spin-offs and mergers. The Group was incorporated on November 24th, 2006 and started up operations on January 1st, 2010.

The Group's headquarters are located in Juan Salvador Agraz No. 65, 20th floor, Santa Fe, Cuajimalpa, 05348, Mexico City.

The Group's operating period and fiscal year is from January 1st through December 31st.

On March 3rd, 2023, the consolidated financial statements and these notes were authorized by the Group's General Director, Francisco Medina Elizalde; the Finance Director and Legal Representative, Enrique Gerardo Martínez Guerrero; and the Administrative Director, José Alberto Santana Cobián, for their issue and subsequent approval by the Group's Board of Directors and shareholders. Information on subsequent events covers the period from January 1st, 2023 through the above-mentioned issue date of the financial statements.

### b) Relevant events

**Hotel sale agreement**
On December 15th, 2022, the Group entered into an agreement for the sale of one of the Group's hotels, Hilton Guadalajara, to Barceló Hotel Group for USD 59 million. As of that date, the assets and liabilities of this hotel have been classified as available for sale. This transaction is subject to customary terms and conditions for this type of transaction, including corporate, government and/or third party approvals, which are expected to be obtained by the end of Q1 2023.

The Group acquired the Mahekal Beach Resort in a 50/50 partnership with a group of Mexican investors. This resort is a 195-room hotel with 4 restaurants and bars. The property is located in Playa del Carmen (see Note 6) and was acquired for a sale price of USD 56 million, of which 50% was financed by means of a loan obtained at the time of purchase in the amount of USD 33,000,000. See Note 15.

At an ordinary shareholders' meeting held on June 14th, 2022, the shareholders agreed to increase the variable portion of the Group's share capital by 100,000,000 common, registered Class II shares with no par value, issued at a subscription price of Ps. 4.00 per share, for a total amount of Ps. 400,000.

The vacation reform published in the Official Gazette on December 27th, 2022 amends Articles 76 and 78 of the Federal Labor Law, which address vacation periods. The vacation reform extends the vacation period to which employees are entitled. Group management did not identify any material changes arising from this reform.

The global COVID-19 or SARS-CoV-2 outbreak (commonly known as coronavirus), which started in 2020, still has a limited impact on the Group's business and earnings during 2022. Hotel occupancy rates have experienced a significant recovery, primarily in beach resorts, that is in line with the expectations set by Group management.

**Labor outsourcing reform in Mexico**

In April 2021, the Mexican government amended the Federal Labor Law, the Federal Tax Code and other laws that regulate employment in order to prohibit the outsourcing of employees, except under specific circumstances. Derived from this tax reform, entities are not allowed to deduct outsourcing expenses or credit their input value added tax on outsourcing expenses. In a worst-case scenario, labor outsourcing may be considered as tax fraud. This reform became effective on September 1st, 2021.

On February 10th, 2021, the Group announced it entered into an Operation Agreement for the luxury lifestyle hotel SLS Cancun, located in the exclusive area of Puerto Cancun, which has 45 luxury suites, 130 residential units, Leynia Restaurant, Ciel Spa and a state-of-the-art Gym. SLS, Leynia and Ciel Spa are brands owned by sbe, a leading global lifestyle hospitality company that is part of the Accor Hotel Group. The hotel was designed by award-winning architect and designer Piero Lissoni, and was developed by Related Group, Inmobilia and U-Cali. The hotel is located in a residential complex that has 250 meters of beach, a beach club, a sailing club, an 18-hole golf course designed by Tom Weiskopf, and a shopping center with more than 100 high-end shops & boutiques, as well as 16 movie theaters. The hotel began operations on February 10th, 2021.

## c) Description of the business of subsidiaries

The Group's consolidated subsidiaries are primarily engaged in the following activities:

- Hotelera SF, S. de R.L. de C.V. (Hotelera SF) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service; therefore, and all of its revenue is earned from hotel management and operation agreements. Hotelera SF was incorporated on January 8th, 2010 and started up operations on March 1st, 2010.

- Servicios en Administración Hotelera SF, S. de R.L. de C.V. (SAH) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAH was incorporated on January 8th, 2010, started up operations on March 1st, 2010 and ceased operations as of July 1st, 2021.

- Grupo Hotelero SF México, S. de R.L. de C.V. (GHSFMEX) is primarily engaged in owning a hotel property located in the city of Acapulco, Guerrero, Mexico, with 400 rooms operating under the "Krystal Beach Acapulco" brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of an income-based fee plus a percentage of operating profit. GHSFMEX was incorporated on December 1st, 2011 and started up operations on April 24th, 2014.

- Administración SF del Pacífico, S. de R.L. de C.V. (ASFP) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFP was incorporated on April 9th, 2013, started up operations on April 25th, 2013 and ceased operations as of July 1st, 2021.

- Servicios e Inmuebles Turísticos, S. de R.L. de C.V. (SIT) is primarily engaged in owning a hotel located in the city of Guadalajara, Jalisco, Mexico, with 450 rooms operating under the "Hilton" brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of an income-based fee plus a percentage of operating profit. SIT was acquired by the Group on March 1st, 2010. On December 15th, 2022, the Group entered into an agreement for the sale of one of the Group's hotels, Hilton Guadalajara, to Barceló Hotel Group for USD 59 million. As of that date, the assets and liabilities of this hotel have been classified as available for sale. This transaction is subject to customary terms and conditions for this type of transaction, including corporate, government and/or third party approvals, which are expected to be obtained by the end of Q1 2023.

- Administración SF Occidente, S. de R.L. de C.V. (ASFO) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFO was incorporated on January 8th, 2010, started up operations on March 1st, 2010 and ceased operations as of July 1st, 2021.

- Inmobiliaria en Hotelería León Santa Fe, S de R.L. de C.V. (IHL) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets. IHL was incorporated on September 18th, 2015 and started up operations on March 1st, 2015.

- Corporación de Servicios Los Ángeles Vallarta, S.A. de C.V. (CSA) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. CSA was incorporated on November 24th, 2016, started up operations on January 1st, 2018 and ceased operations as of July 1st, 2021.

- Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R.L. de C.V. (IHJ) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IHJ, the holding company of Chartwell Inmobiliaria de Juárez, S. de R.L. de C.V., was incorporated on January 8th, 2010 and started up operations on March 1st, 2010.

- Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V. (IHG) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IHG, the holding company of Servicios e Inmuebles Turísticos, S. de R.L. de C.V., was incorporated on January 8th, 2010 and started up operations on March 1st, 2010.

- Chartwell Inmobiliaria de Juárez, S. de R.L. de C.V. (CIJ) is primarily engaged in owning a hotel property located in the city of Ciudad Juárez, Chihuahua, Mexico, with 120 rooms operating under the "Krystal Business Ciudad Juárez" brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. CIJ was acquired by the Group on March 1st, 2010.

- Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V. (IHM) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IHM, the holding company of Chartwell Inmobiliaria de Monterrey, S. de R.L. de C.V., was incorporated on January 8th, 2010 and started up operations on March 1st, 2010.

- Chartwell Inmobiliaria de Monterrey, S. de R.L. de C.V. (CIM) is primarily engaged in owning a hotel property located in the city of Monterrey, Nuevo León, Mexico, with 150 rooms operating under the “Krystal Urban Monterrey” brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. CIM was acquired by the Group on March 1st, 2010.

- Administración SF del Norte, S. de R.L. de C.V. (ASFN) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFN was incorporated on January 8th, 2010, started up operations on March 1st, 2010 and ceased operations as of July 1st, 2021.

- Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V. (IHV) is primarily engaged in owning a hotel property located in the city of Puerto Vallarta, Jalisco, Mexico, with 451 rooms operating under the “Krystal Altitude Vallarta” (formerly Hilton) brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on May 23rd, 2011 and started up operations on October 1st, 2012.

- Corporación Integral de Servicios Administrativos de Occidente, S. de R.L. de C.V. (CISAO) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. CISAO was incorporated on February 7th, 2012, started up operations on February 9th, 2012 and ceased operations as of June 1st, 2021.

- Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V. (IHC) is primarily engaged in owning a hotel property located in the city of Cancun, Quintana Roo, Mexico, with 398 rooms operating under the“Krystal Altitude Cancún“ (formerly Krystal Grand Cancún”) brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. IHC was incorporated on May 16th, 2013 and started up operations on September 24th, 2013.

- Administración SF de Quintana Roo, S. de R.L. de C.V. (ASFQ) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. ASFQ was incorporated on June 20, 2013, started up operations on October 1st, 2013 and ceased operations as of July 1st, 2021.

- Inmobiliaria Hotelera Cancún Urban, S. de R.L. de C.V. (IHCU) is primarily engaged in owning a hotel property located in the city of Cancun, Quintana Roo, Mexico, with 246 rooms operating under the “Krystal Urban Cancún” brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. IHCU was incorporated on October 21st, 2014 and started up operations on December 16th, 2014.

- Servicios Administrativos Urban Cancún, S. de R.L. de C.V. (SAUC) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAUC was incorporated on November 3rd, 2014, started up operations on December 16th, 2014, and ceased operations as of July 1st, 2021.

- SF Partners II, S. de R.L. de C.V. (SFP) is primarily engaged in owning a hotel property located in the city of Guadalajara, Jalisco, Mexico, with 140 rooms operating under the “Krystal Urban Guadalajara” brand name. SFP was acquired by the Group on March 24th, 2014.

- Administración y Operación SF, S. de R.L. de C.V. (AYO) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service. AYO was incorporated on December 4th, 2014 and started up operations on July 1st, 2021.

- Moteles y Restaurantes María Bárbara, S.A. de C.V. (MRMB) is primarily engaged in owning a hotel property located in the municipality of Naucalpan, State of Mexico, Mexico, with 215 rooms operating under the “Krystal Satélite María Bárbara” brand name. MRMB was acquired by the Group on May 7th, 2015.

- Servicios Administrativos Tlalnepantla, S.A. de C.V. (SATL) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SATL was incorporated on April 14th, 2015 and started up operations on July 1st, 2015.

- Inmobiliaria MB Santa Fe, S.A. de C.V. (IMB) is primarily engaged in acquiring, through any legal means, shares and equity interests, among others, of any type of corporate entities, either national or foreign, and investing in their equity and assets, as well as participating in their management, liquidation, spin-offs and mergers. IMB, the holding company of Moteles y Restaurantes María Bárbara, S.A. de C.V., was incorporated on March 4th, 2015 and started up operations on that same date.

- Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. (IHI) is primarily engaged in owning a hotel property under construction located in Mexico City, Mexico. IHI was incorporated on May 15th, 2015 and construction of the hotel began on January 22nd, 2016. The hotel is expected to open by the end of March 2023.
- ICD Sitra, S.A. de C.V. (ISI) is primarily engaged in owning a hotel property located in San José del Cabo, Baja California Sur, Mexico, which is leased to its subsidiary Promotora Los Ángeles Cabos, S.A. de C.V. The Group acquired control of ISI on February 21st, 2017.
- Promotora Los Ángeles Cabos, S.A. de C.V. (PAC) is primarily engaged in operating a hotel property located in San José del Cabo, Baja California Sur, Mexico, with 454 rooms under the "Krystal Grand Los Cabos" brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. This subsidiary was incorporated on November 24th, 2016 and started up operations on March 1st, 2017.
- Servicios Ángeles SJC, S.A. de C.V. (SAS) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAS was incorporated on November 24th, 2016, started up operations on March 1st, 2017, and ceased operations as of July 1st, 2021.
- Sibra Vallarta, S.A. de C.V. (SAV) is primarily engaged in owning a hotel property located in Nuevo Vallarta, Nayarit, Mexico, which is leased to its subsidiary Arrendadora Vallarta. The Group acquired control of SAV on February 21st, 2017.
- Arrendadora los Ángeles Vallarta, S.A. de C.V. (AAV) is primarily engaged in operating a hotel property located in Nuevo Vallarta, Nayarit, Mexico, with 480 rooms. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. AAV was incorporated on November 24th, 2016 and started up operations on May 1st, 2017.
- CER Diecinueve 91, S. de R.L. de C.V. (CDN) is primarily engaged in providing food and beverage services to the guests of "Krystal Grand Suites Insurgentes 1991" and the general public. CDN was incorporated on July 4th, 2017 and started up operations on September 13rd, 2017.
- Inmobiliaria K Suites 1991, S.A.P.I. de C.V. (IKS), through September 2018, was primarily engaged in owning a suite complex in Mexico City with 150 suites. The operation consisted of renting furnished suites under the "Krystal Grand Suites Insurgentes 1991" brand name. In September 2018, IKS operations were transferred to Grupo Inmobiliario 1991, S.A. de C.V., who acquired all the rights and assumed all the obligations of Inmobiliaria K Suites. The suites are managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. IKS was incorporated on May 11st, 2016 and started up operations on September 13rd, 2017.
- Servicios Administrativos Suites 1991, S. de R.L. de C.V. (SAS) is primarily engaged in providing hotel administrative and operating services, as well as any other hotel service, to its related parties. SAS was incorporated on June 26th, 2017, started up operations on October 1st, 2017 and ceased operations as of July 1st, 2021.
- Inmobiliaria Hotelera del Bajío S.F., S.A. de C.V. (IHB) is primarily engaged in owning a hotel property located in Leon, Guanajuato, Mexico, with 140 rooms operating under the "Hyatt Centric Campestre León" brand name. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. IHB was acquired by the Group on August 24th, 2018.
- Servicios en Administración Hotelera M.P.S.F., S. de R.L. de C.V. (SMP) is primarily engaged in providing hotel and operating services, as well as any other hotel service, to its related parties. SMP started up operations on August 9th, 2018 and ceased operations as of July 1st, 2021.
- Grupo Inmobiliario 1991, S.A. de C.V. (GIM1991), as of August 18th, 2018, is primarily engaged in owning a suite complex in Mexico City through a merger agreement entered into by and between the shareholders of IKS (the disappearing company) and GIM1991 (the surviving company), whereby GIM1991 now runs 150 suites. The operation consists of renting furnished suites under the "Krystal Grand Suites Insurgentes 1991" brand name.
- MHK – Inmobiliaria, MHKL Hotel Venture México, S.A. de C.V. (MHKL) is primarily engaged in owning a hotel property located in Playa del Carmen, Quintana Roo, which is leased to its subsidiary HPC Santa FE, S.A. de C.V. MHKL started up operations on December 14th, 2022.

- HPC Santa FE, S.A. de C.V. (HPC) is primarily engaged in operating a hotel property located in Playa del Carmen, Quintana Roo, with 195 rooms. The hotel is managed by Hotelera SF under hotel administrative and operating service agreements that establish the payment of income-based fee plus a percentage of operating profit. HPC started up operations on December 14th, 2022.

# 2. BASIS OF PREPARATION

## a) Compliance statement

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective as at December 31st, 2022, as issued by the International Accounting Standards Board (IASB).

IFRS include all standards and interpretations issued by the IASB as well as the IFRS Interpretations Committee (IFRIC).

The Group has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern.

In accordance with the Mexican Corporations Act and the bylaws of each individual group company, the shareholders have the authority to modify the consolidated financial statements.

Note 3 provides further information on the Group's accounting policies.

## b) Basis for measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain items of property, furniture and equipment that were measured at assumed cost as at February 28th, 2010 (date of transition to IFRS) and at the date of the business combinations described in Note 6. The assumed cost of this land, buildings and furniture has been determined based on appraisals performed by independent experts (fair value) at that date.

## c) Functional currency and presentation currency

The Group's consolidated financial statements are presented in thousands of Mexican pesos, which is the Group's functional and presentation currency. Certain amounts are shown in U.S. dollars (USD). All financial information presented in Mexican pesos is rounded to the nearest thousand. The exchange rate used by the Group to translate amounts in Mexican pesos as at December 31st, 2022 and 2021 was $ 19.3615 pesos and $ 20.5157 pesos, respectively, per U.S. dollar. As at March 3rd, 2023, the exchange rate was $ 18.17 pesos per U.S. dollar.

## d) Use of judgments and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

The Group's judgments, estimates and assumptions are based on historical and forecast information, as well as regional economic conditions and the industry in which it operates. Any changes could adversely affect such estimates. Although the Group believes it has made reasonable assumptions about the eventual resolution of the estimation uncertainties, it cannot ensure that the ultimate outcome will reflect the information presented in the Group's assets, liabilities, income and expenses.

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in Note 3h related to goodwill impairment testing.

Information about assumptions and estimation uncertainties as at December 31st, 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following note:

- Note 6 -Impairment testing in the value of goodwill and long-lived assets: key assumptions for the valuation of the recoverable amount.

Determination of control over certain equity investments

The Group has assessed critical control factors as set forth in IFRS 10 Consolidated Financial Statements and has concluded that it should consolidate the financial statements of certain entities in which it does not hold a majority or full equity interest, considering the substantive decision-making rights over the relevant activities set forth in the bylaws of such entities, together with the hotel operating agreements, to determine whether the Group is able to exercise its power to direct the relevant activities of the business to alter the corresponding variable returns.

In 2022, the Group, together with an external partner, incorporated MHKL Hotel Venture Mexico, S.A. de C.V. (MHKL) to acquire the assets of the "Mahekal Beach Resort" hotel. The Group owns a 50% equity interest in this entity, but it additionally entered into a hotel operating agreement through which it exercises power and control over this entity. As at December 31st, 2022, the Group consolidates the balances and transactions of MHKL into its consolidated financial statements.

## e) Fair value measurement

A number of the Group's accounting 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 includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, 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 valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a 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: quoted 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 asset 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 21 - 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 at December 31st, 2022 applying the same accounting and measurement criteria under IFRS. Intra-group balances and transactions are eliminated on consolidation.

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

Entities consolidated in the financial statements:

| | Number of entities |
|---|---|
| December 31st, 2022 | 40[1] |
| December 31st, 2021 | 38 |

*(1)- In 2022, MHKL Hotel Venture México, S.A. de C.V. and HPC Santa FE, S.A. de CV. began their consolidation process.*

### g) Statement of comprehensive income presentation

Since the Group is a service company, ordinary costs and expenses are analyzed by their nature, since such classification allows for a more accurate evaluation of the Group's operating and gross profit margins. The Group also includes department profit, profit before finance charges and depreciation and operating profit, which are the difference between operating profit from department costs and expenses, indirect expenses and finance charges and depreciation, and they are an important indicator for evaluating the Group's financial and business performance, in accordance with the standards of the hotel industry.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group, as well as all Group entities, have consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except where otherwise indicated.

### a) Basis of consolidation

#### (i) Business combination

Business combinations are accounted for using the acquisition method as of the acquisition date (the date when the Group acquires control of an entity). Control is achieved when the Group (i) has power over the investee, (ii) is exposed, or has rights, to variable returns from its involvement with the investee, and (iii) has the ability to affect those returns through its power over the investee. The Group considers the potential voting rights that can be exercised or converted when assessing whether it has control over an investee.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred, plus
- The amount recognized for any non-controlling interests in the investee, plus
- If the business combination is achieved in stages, the fair value of existing equity interests of the acquiree, less
- The net amount (normally, the fair value) of identifiable assets acquired and identifiable liabilities assumed

When there is an excess of the fair value of net assets acquired over the aggregate consideration transferred, any gain on a bargain purchase is recognized in profit or loss. Goodwill is recognized on acquisition and is considered to have an indefinite useful life. Therefore, it is subject to annual impairment testing.

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

Transaction costs, other than those associated with the issuance of debt or equity instruments, that are incurred by the Group in respect of a business combination are recognized in profit or loss as incurred.

Contingent consideration payable is recognized at fair value at the acquisition date. If 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 contingent consideration are recognized in profit or loss.

#### (ii) Acquisition of non-controlling interests

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

#### (iii) Subsidiaries

The subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Specifically, the Group controls an investee if, and only if, the Group has:

1) Power over the investee
2) Exposure, or rights, to variable returns from its involvement with the investee
3) The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including potential voting rights, and control over entities in which the Group owns less than 50% of voting rights but can direct its relevant activities. Consolidation of a subsidiary ceases when the Group loses control of the subsidiary.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

An analysis of the Group's equity investments in subsidiaries is as follows:

| Subsidiary | % Equity investment | Primary activity |
|---|---|---|
| Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V. | 100% | Real estate management |
| Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V. | 100% | Real estate management |
| Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R.L. de C.V. | 100% | Real estate management |
| Inmobiliaria MB Santa Fe, S.A. de C.V. | 100% | Real estate 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 |

| Subsidiary | % Equity investment | Primary activity |
|---|---|---|
| Administración y Operación SF, S. de R.L. de C.V. | 100% | Administrative services |
| Servicios en Administración Hotelera SF, S. de R.L. de C.V. | 100% | Administrative services |
| Administración SF del Norte, S. de R.L. de C.V. | 100% | Administrative services |
| Administración SF Occidente, S. de R.L. de C.V. | 100% | Administrative services |
| Corporación Integral de Servicios Administrativos de Occidente, S. de R.L. de C.V. | 100% | Administrative services |
| Administración SF del Pacífico, S. de R.L. de C.V. | 100% | Administrative services |
| Administración SF de Quintana Roo, S. de R.L. de C.V. | 100% | Administrative services |
| Servicios Administrativos Urban Cancún, S. de R.L. de C.V. | 100% | Administrative services |
| Servicios Administrativos Tlalnepantla Santa Fe, S. de R.L. de C.V. | 100% | Administrative services |
| Inmobiliaria en Hotelería León Santa Fe, S. de R.L. de C.V. | 100% | Hotel management |
| Corporación de Servicios Los Angeles Vallarta, S. A de C.V. | 100% | Administrative services |
| 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% | Hotel management |
| Servicios Administrativos K Suites 1991 S. de R.L. de C.V. | 100% | Administrative services |
| Sibra Vallarta, S.A. de C.V. | 50% | Real estate management |
| ICD Sitra, S.A. de C.V. | 50% | Real estate management |
| Promotora los Ángeles Cabos, S.A. de C.V. | 50% | Hotel management |
| Servicios Ángeles SJC, S.A. de C.V. | 50% | Administrative services |
| Arrendadora los Ángeles Vallarta, S.A. de C.V. | 50% | Hotel management |
| CER diecinueve 91, S de R.L. de C.V. | 100% | Consumer services |
| Servicios en Administración Hotelera M.P.S.F.S. de R.L. de C.V. | 50% | Administrative services |
| Inmobiliaria en Hotelería Querétaro S.F., S.A. de C.V. | 50% | Hotel management |
| Grupo inmobiliario 1991, S.A. de C.V. | 50% | Hotel management |
| Inmobiliaria en Hotelera del Bajío S.F., S.A. de C.V. | 50% | Hotel management |
| MHKL Hotel Venture Mexico S.A. de C.V. | 50% | Real estate management |
| HPC Santa Fe, S.A. de C.V. | 50% | Hotel management |

(iv) Balances and transactions eliminated on consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated on consolidation.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's 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 initially translated using the prevailing exchange rate on the day of the initial transactions. Foreign currency denominated assets and liabilities are translated using the exchange rate ruling at the reporting date. Exchange differences are recognized in profit or loss as part of finance costs.

Transactions in foreign currency are initially translated into the Group's functional currency using the prevailing exchange rate on the day of the initial transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. The exchange gain or loss on monetary items is the difference between the amortized 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 ruling at the reporting date. Exchange differences resulting from the re-translation are recognized in profit or loss.

Non-monetary items that are recognized at their historical cost in a foreign currency are translated using the exchange rate prevailing on the date of the transaction.

## c) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

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 reclassifie on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL. 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 amortized cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

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

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

Financial assets that are held for trade and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

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

Financial assets - subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at fair value through profit or loss | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

**Financial liabilities –** Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest income and foreign exchange gains and losses 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 from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**Financial liabilities**

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

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

### (iv) Offsetting

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

### (v) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk 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.

The Group has not complied with the hedge accounting provisions. Therefore, changes are recognized directly in profit or loss in the period in which they are incurred.

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

## d) Inventories

The Group's inventories consists mainly of the following items: food, beverages and other hotel operating supplies. Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined using the average cost method, which includes all expenses incurred to acquire inventories.

When required, the Group records provisions to recognize write downs in the value of its inventories due to impairment, obsolescence, low turnover and other circumstances that indicate that the recoverable amounts of inventories are less than their carrying amounts.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## e) Prepaid expenses

Prepaid expenses are primarily comprised of prepaid insurance with a term of less than one year that is amortized over its lifetime. Prepaid expenses are expensed in profit or loss when the good or service is received.

## f) Property, furniture and equipment

### (i) Recognition and measurement

Property, furniture and equipment is recognized at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land is measured at cost. Assets acquired through business combinations are recognized at fair value (see Note 6).

Costs include all expenditures directly attributable to the acquisition of the asset. The cost of assets built for the Group's own use includes the costs of materials, direct labor costs and other costs required to get the asset ready for use, including the borrowing costs of qualifying assets. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property, furniture and equipment have different useful lives, then they are accounted for as separate items (major components) of property, furniture and equipment.

Gains and losses from the sale of an item of property, furniture and equipment are determined by comparing the proceeds of the sale against the net carrying amount of property, furniture and equipment, and are presented on a net basis as part of the "Other" caption under operating income and property expenses and depreciation in the consolidated statement of comprehensive income.

Operating equipment is mainly comprised of earthenware, glassware, bedding and cutlery expensed at the start of the hotel's operation. Equipment replacements are directly recognized in profit or loss in the period in which they are made. Operating equipment is not subject to depreciation since it roughly represents the Group's investment.

An item of property, furniture and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

### (ii) Subsequent costs

The cost to replace an item of property, furniture and equipment (except for replacements of operating equipment) is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and they can be reliably measured. The net carrying amounts of replaced parts are derecognized. Operating costs are expensed as incurred.

### (iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, furniture and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

An analysis of the estimated useful lives of property, furniture and equipment is as follows:

| | Estimated useful life |
|---|---|
| General construction | 70 years |
| Major refurbishments | 20 years |
| Elevators | 30 years |
| Major systems | 23 years |
| Air conditioning | 20 years |
| Furniture and equipment | 10 years |
| Automotive equipment | 4 years |
| Computer equipment | 3 years |

The residual values, useful lives and methods of depreciation of property, furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Minor repair and maintenance costs are expensed as incurred.

The carrying amount of property, furniture and equipment is reviewed annually whenever there are indicators of impairment in the value of such assets. When the recoverable amount of an asset, which is the higher of the asset's expected net selling price and its value in use (the present value of future cash flows) is less than its net carrying amount, the difference is recognized as an impairment loss.

## g) Goodwill

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

## h) Impairment

The Group assesses at the end of each reporting period whether there is any indicator that its long-lived assets may be impaired, considering, as a minimum, the following indicators:

**External sources of information**

(a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

(b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.

(c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(d) the carrying amount of the net assets of the entity is more than its market capitalization.

**Internal sources of information**

(e) evidence is available of obsolescence or physical damage of an asset.

(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

(g) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

### (i) Non-derivative financial assets

Financial instruments

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortized cost;

The Group measures ECL allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; 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 and contract assets are always measured at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, except for the cases in which the Group has information that the risk has not increased significantly.

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the financial asset is more than 90 days past due, or otherwise the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, about past events, current conditions and forecasts of future economic conditions.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or obligor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## i) Other assets

Other assets primarily include exclusivity rights with finite useful lives and are recognized at cost. Amortization is determined on the assets' carrying amounts on a straight-line basis over 10 and 15 years. In addition, certain recoverable assets are included in the consolidated financial statements as at December 31st, 2022 (see Note 14).

## j) Equity investment in associates and other equity investments

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

On December 4th, 2018, the Group entered into a share subscription agreement with Grupo HECFA, S.A. de C.V., in order to develop and build a hotel under the "Breathless" brand in the municipality of Tulum, Quintana Roo. This agreement was entered into through the subsidiary Sunset Tulum, S.A. de C.V., in which the Group holds an equity interest of 25%.

**Other investments**

On June 12nd, 2013, the Group entered into an agreement with OMA Logística, S.A. de C.V. to develop, build and operate a "Hilton Garden Inn" hotel in the Monterrey airport, through the incorporation of a new entity, Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V., in which the Group holds an equity interest of 15%, without exercising control over the investee. This investment is recognized at cost.

## k) Employee benefits gos basados en acciones

### (i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis based on current salaries and charged to profit or loss as the services are rendered. The related liabilities are recognized at nominal value due to their short-term nature and include employee profit sharing payable, compensated absences, paid annual leave, vacation premium and incentives.

Employee profit sharing is presented as part of costs and expenses in the statement of comprehensive income.

### (ii) Defined benefit plan

Statutory seniority premiums are calculated estimating the future benefit accrued by employees in exchange for their service in current and past periods; this benefit is discounted to determine its present value. The discount rate is determined by reference to market yields at the date of the statement of financial position on government bonds that have maturity dates approximating the maturity dates of the Group's obligations and that are denominated in the currency that the pension benefits are expected to be paid out in. The calculation is performed annually by a qualified actuary using the projected unit credit method.

### (iii) Termination benefits

Termination benefits are expensed when the Group can no longer withdraw the offer of those benefits, there is a formal plan to terminate an employee's employment before the normal retirement date, or to provide termination benefits as part of an offer made to encourage voluntary retirement. Termination benefits for cases of early voluntary retirement are expensed only if the Group has made an offer to encourage voluntary retirement, it is probable that the offer will be accepted, and the number of employees who will accept the offer can be reliably estimated. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted to present value.

## l) Share-based payments

The Group has established a share-based payment plan for certain employees, whereby it recognizes an operating expense in the statement of comprehensive income and an increase in equity during the vesting period, measured at the fair value of the equity instruments granted. Vesting periods range from one to three years. In accordance with the plan, shares net of tax withholdings are granted to executives who meet the requirement of working uninterruptedly for the Group during the vesting period (see Note 19).

## m) Accounts payable, accrued liabilities and provisions

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

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, contingencies are recognized only when they generate a loss.

## n) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer.

| Type of product/service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policy |
|---|---|---|
| Hospitality services | Revenue from hospitality services is recognized as the service is rendered. The degree of completion used to determine the amount of revenue to | Revenue from hospitality services is recognized over time as the services are provided. The stage of completion for determining the |

| Type of product/service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policy |
|---|---|---|
| | be recognized is calculated based on a review of the work executed. | amount of revenue to recognize is assessed as the performance obligation is satisfied.<br><br>Trade advances presented as current liabilities correspond to amounts collected for future bookings, for which the hospitality service has not yet been rendered. Trade advances are recognized as revenue when the service is rendered. |
| Food and beverages | Revenue from food and beverages is recognized as such items are consumed at hotel restaurants. | Revenue from food and beverages is recognized as the products are sold. |
| Rental income under IFRS 16 (Group as lessor) | Rental income is recognized on a straight-line basis over the lease term and presented as part of other operating income. | Revenue is recognized over time on a straight-line basis<br><br>Advances received are included in contract liabilities. |
| Revenue from hotel management | Revenue from hotel management is recognized as the services are rendered. | The degree of completion to used determine the amount of revenue to be recognized is calculated over time as the services are rendered. |
| Loyalty program | The Group offers a loyalty program entitled “Krystal Rewards”, through which customers can earn points known as “Krystales”, which are redeemable in exchange for services. The equivalent monetary value of these points is deducted from revenue obtained from hospitality services and recognized as a deferred liability. The fair value of loyalty points is determined based on Management’s estimates. “Krystal” points expire after two years. | Revenue from this service is recognized as the service is rendered. The degree of completion used to determine the amount of revenue to be recognized is calculated based on a review of the work executed. |
| Ingresos Club vacacional | The Group sells memberships that allow customers to enjoy preferential rates and various discounts on hotel services during a certain period. | Revenue is recognized over the term of the agreement. |

## o) Department costs

Department costs represent costs directly related to revenue from hotel services, food and beverages and other operating income. Such costs primarily include personnel costs (wages and salaries and other employee-related costs), consumption of raw materials and food and beverages.

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

## p) Advertising expenses

Advertising expenses are expensed as incurred.

## q) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Group as a lessee

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

## r) Finance income and finance costs

Finance income includes interest income on invested funds. Interest income is recognized as it accrues in profit or loss, using the EIR method.

Finance costs include interest expenses on debt and bank fees. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the EIR method.

Foreign exchange gains and losses are recognized in the statement of comprehensive income on a net basis.

## s) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year for each individual Group entity. Current income tax is determined in accordance with legal and tax requirements for entities in Mexico, applying the tax rates that are enacted or substantively enacted at the reporting date, and any adjustments to taxes from prior years.

Deferred income tax is calculated for each individual Group entity using the asset and liability method. Under this method, deferred taxes are recognized on temporary differences between financial reporting and tax values of assets and liabilities.

Deferred tax is not recognized for the following temporary differences: temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Additionally, deferred taxes are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes are calculated applying the enacted income tax rate as of the date of the statement of financial position, or the enacted rate at the date of the statement of financial position that will be in effect when the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off the recognized amounts and they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the asset will be realized.

### IFRIC Interpretation 23

The Group periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation, and considers whether it is probable that the tax authorities will accept an uncertain tax treatment. Tax balances are determined based on the 'most likely amount method' or the 'expected value' method, depending on which approach best predicts the resolution of the uncertainty.

## t) Employee profit sharing

Current employee profit sharing is determined based on current tax laws and regulations. Under Mexican law, entities are required to distribute 10% of their taxable profit to their employees. Employee profit sharing is presented as part of indirect costs under "Administrative expenses" in the statement of comprehensive income.

As a result of the labor outsourcing reform, as of September 1st, 2021 the method used to calculate employee profit sharing was modified. New requirements were established, whereby the employee profit sharing payable to each employee is capped at three times their current monthly wage or the average employee profit sharing received by the employee in the three prior years (assigned employee profit sharing), whichever is higher.

If the amount of employee profit sharing determined by applying the 10% rate to taxable profit is higher than the sum of the employee profit sharing allocated to each employee, the latter must be considered as the amount of employee profit sharing payable for the period. In accordance with the Mexican Labor Law, the difference between these two amounts does not generate a payment obligation either in the current or future periods.

If current employee profit sharing calculated using a 10% rate of an entity's taxable profit is equal to or less than the amount of the employee profit sharing assigned to each employee, the former shall be considered as the current employee profit sharing for the period.

### u) Contingencies

Contingent liabilities are recognized only when it is probable that they will be realized and the amount of the obligation can be reasonably measured. When the amount of the obligation cannot be reliably measured, a qualitative disclosure is included in the notes to the consolidated financial statements. Contingent revenue, earnings or assets are recognized only when it is virtually certain that they will be realized.

### v) Segment information

Segment results reported by the Group's Board of Directors (decision makers) include items directly attributable to a specific segment, as well as any items that can be reasonably identified and allocated to that segment. Expense items that cannot be directly attributed to hotels (Urban and Resort), such as salaries, office rentals and other administrative expenses, among others, are presented as part of the "Operadora" segment.

### w) Basic earnings/(loss) per share

The Group presents basic earnings per share (EPS) attributable to ordinary shareholders. Basic EPS is calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year and adjusted based on the shares held by the Group.

## 4. NEW ACCOUNTING PRONOUNCEMENTS

Information on new International Financial Reporting Standards (IFRS) that are issued but which are effective for annual periods beginning on or after January 1st, 2022 and 2021 are disclosed below. This information considers the applicable accounting rules under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

**2022**

**Reference to the Conceptual Framework - Amendments to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter

**2021**

**Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16**

In response to the ongoing impact of the COVID-19 pandemic, on March 31st, 2021 the IASB extended by one year the application period of the practical expedient in IFRS 16 Leases to help lessees accounting for COVID-19-related rent concessions. The IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before June 30th, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1st, 2021. A lessee applies the amendment retrospectively. As such, it would recognize the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. A lessee is permitted to apply the amendment early, including in financial statements not authorized for issue as at March 31st, 2021. The adoption of this amendment did not have a material effect on the Group's financial statements.

**Interest Rate Benchmark Reform—Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

On August 27th, 2020, the IASB finalized its response to the ongoing reform that phases out interest rate benchmarks, such as interbank offered rates (IBOR) by issuing a package of amendments to the following IFRS:

- IFRS 9 Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 7 Financial Instruments: Disclosures
- IFRS 4 Insurance Contracts
- IFRS 16 Leases

The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. IBOR are interest reference rates that are published daily and that represent the cost of obtaining unsecured funding in a particular combination of currency and maturity. In view of concerns arising from attempts to manipulate reference rates in recent years, regulators from all over the world have undertaken a radical reform of these benchmark rates in order to increase their long-term viability in international financial markets. The reforms aim to replace interbank offered rates with alternative risk-free rates (RFR), which are based on liquid transactions in the underlying market and are not reliant on expert judgment.

**Phase I Amendments**

The first phase of IASB's reform project focused on providing temporary exceptions to allow entities to continue applying hedge accounting during the period of uncertainty before IBOR rates are replaced. The first phase culminated in 2019 with amendments to IFRS 9, IAS 39 and IFRS 7, which became effective on January 1st, 2020.

**Phase II Amendments**

Phase II amendments complement those issued in Phase I and focus on the effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate. These amendments primarily relate to:

- changes to contractual cash flows—an entity will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting—an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

- disclosures—an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The Phase II amendments are effective for annual periods beginning on or after January 1st, 2021. The amendments require full retrospective application, with certain exceptions. Entities are not required to restate their financial statements from prior years. The amendments had no effect on the Group's financial statements.

**Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework**

On May 14th, 2020, the IASB issued a series of narrow-scope amendments, including amendments to IFRS 3 Business Combinations. The amendments update the references to the Conceptual Framework issued in 2018 used to determine what constitutes an asset or a liability in a business combination. In addition, the IASB added a new exception in IFRS 3 specifying that for certain types of liabilities and contingent liabilities, entities applying IFRS 3 should refer to IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies instead of the 2018 Conceptual Framework. Without this exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize under IAS 37.

These amendments are to be applied prospectively to all business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st, 2022, with early application permitted. The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use**

As part of the narrow-scope amendments published in May 2020, the IASB issued amendments to IAS 16 Property, Plant and Equipment, which prohibit entities from deducting sales proceeds from the cost of an item of property, plant and equipment while that asset is being made available for use. Instead, the entity would recognize those sales proceeds and related costs in profit or loss.

The amendments also clarify that an entity is "testing whether an asset is functioning properly" when it assesses the asset's technical and physical performance. These amendments are effective for annual periods beginning on or after January 1st, 2022, with early application permitted. Such amendments are to be applied retrospectively, but only on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The cumulative effect of initially applying the amendments is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Amendments to IAS 37 Onerous Contracts – Costs of Fulfilling a Contract**

The third standard amended by the IASB in May 2020 was IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments clarify that the direct cost of fulfilling a contract includes both the incremental costs of the contract (e.g. direct labor costs and materials) as well as the allocation of other costs that relate directly to the cost of fulfilling a contract (e.g., allocation of depreciation expense to an item of property, plant and equipment used to fulfill the contract).

These amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Restatement of comparative information is not required. The cumulative effect of initially applying the amendments is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.

The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Annual Improvements 2018-2020 Cycle**

On May 14th, 2020, the IASB issued several small amendments to IFRS in order to clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards. The amendments that may potentially impact the Group are as follows:

- IFRS 9 Financial Instruments: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  These amendments are effective for annual periods beginning on or after January 1st, 2022, with early application permitted.

  An entity will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- IFRS 16 Leases, Illustrative Example 13: The amendment removes potential for confusion regarding lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements. The example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

The adoption of these improvements had no effect on the Group's consolidated financial statements.

**Amendments to IAS 1 Classification of Liabilities as Current or Non-Current**

On January 23rd, 2020, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements to clarify that debt and other liabilities are classified as current or non-current. The amendments clarify that a liability is classified as non-current if, at the reporting date, the entity has a substantial right to defer settlement of the liability for at least 12 months. Classification is not affected by the entity's expectations about events after the reporting date. The amendments include clarifying the classification requirements for debt an entity might settle by converting it into equity. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position, and not the amount or timing of their recognition, nor the related disclosures. However, they could result in entities reclassifying some liabilities from current to non-current, and vice versa. This could affect an entity's loan covenants. These amendments are to be applied retrospectively for annual periods beginning on or after January 1st, 2023. In response to the COVID-19 pandemic, in July 2020 the IASB deferred the amendment's effective date by one year (originally set for January 1st, 2022) to provide entities with more time to implement any classification changes resulting from those amendments. Early adoption is permitted. The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments—Disclosure of Accounting Policies**

On February 12nd, 2021, as the final phase of its improvements to materiality judgments, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments, in order to help entities improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective for annual periods beginning on or after January 1st, 2023, with early application permitted. The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Amendments to IAS 8 Definition of Accounting Estimates**

On February 12nd, 2021, the IASB issued narrow-scope amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in order to help entities distinguish changes in accounting estimates from changes in accounting policies. That distinction is important because changes in accounting estimates are to be applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.
The amendments are effective for annual periods beginning on or after January 1st, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments. The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

On May 7th, 2021, the IASB issued targeted amendments to IAS 12 Income Taxes to specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which entities recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions.

The amendments are effective for annual periods beginning on or after January 1st, 2023, with early application permitted. The adoption of these amendments had no effect on the Group's consolidated financial statements.

**Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On May 28th, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

# 5. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk
- Foreign currency risk
- Interest rate risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. 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 Group's risk management framework. Management is responsible for developing and monitoring the Group's risk management 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 the Group's activities. The Group, through its training and management standards and procedures, aims to maintain 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 policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

## a) Credit risk

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

*Trade receivables, related party receivables and other accounts receivable*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Since the Group provides its services to a large number of customers, there is no significant concentration of business in any one customer.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered for hospitality services. The Group's review includes external ratings, if they are available, and in some cases bank references. Credit limits are established for each customer, representing the maximum amount available. Customers who fail to meet the Group's creditworthiness requirements can only carry out transactions if such transactions are paid in advance or in cash to the Group.

In response to the COVID-19 pandemic, Group management has carried out periodic reviews of credit limits for customers who were significantly affected by the pandemic.

The Group creates a provision for impairment losses representing its best estimate of expected losses in respect of trade receivables and other accounts receivable. The primary factors in this provision are a specific ECL component that corresponds to significant individual risks. The provision is recognized as part of operating expenses in the statement of comprehensive income.

*Investments*

The Group limits its exposure to credit risk by investing only in "over-the-counter" securities, which are highly liquid and low risk.

*Guarantees*

The Group's policy is to provide financial guarantees only for liabilities of subsidiaries in which it holds at least a 90% equity interest.

As at December 31st, 2022, the Group received a loan from BBVA Bancomer, S.A. Institución de Banca Múltiple, guaranteed by the subsidiaries Servicios de Inmuebles Turísticos, S. de R.L. de C.V. and Chartwell Inmobiliaria Monterrey, S. de R.L. de C.V. (see Note 15).

## b) 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 objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are 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 that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations, over a period of 30 days. This excludes the possible impact of extreme circumstances that are not reasonably predictable, such as natural disasters, for which the Group has contracted insurance policies.

The measures taken by the Group to respond to potential future liquidity constraints arising from the COVID-19 pandemic and the impact of these measures on the consolidated financial statements include the following:

- The Group has increased its flexibility in relation to booking, cancellation and modification policies to be more accommodative to its guests;
- The Group has negotiated with its workforce to obtain enough support to maintain its hotels without the need to suspend operations;
- The Group has established strict cost and expense controls primarily including: i) negotiation of adjustments to payment terms and price reductions with suppliers in order to guarantee liquidity during upcoming months; and ii) maintenance that supports operations and adaptation to new sanitary measures;
- The Group has renegotiated its debt agreements and entered into debt amending agreements in April, May and June 2020 with BBVA Bancomer, S.A. to defer the payment of principal and interest for up to 6 months; with Banco Sabadell, S.A. for up to 12 months starting in June and September 2020; and with Banco Santander México and Banco Ve por Más, S.A. for six months, starting in June 2020.
- In October, November and December 2020, the Group entered into new debt amending agreements with BBVA Bancomer, S.A. to defer the payment of principal and interest for up to six months.
- In November 2021, Banorte, S.A. granted a revolving line of credit through a promissory note from which the principal and interest are paid.
- As at December 31st, 2022 and 2021, the Group obtained waivers from banks in relation to the breach of affirmative and negative covenants, guaranteeing that the debt will not be due within the next 12 months (i.e., from January 1st to December 31st, 2022 and 2021).

## c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk*

The Group is exposed to currency risk primarily from the rendering of services and loans denominated in a currency other than its functional currency (Mexican peso). The foreign currency in which these transactions are mainly denominated is the U.S. dollar (USD).

Interest on loans is denominated in the currency of the loan (U.S. dollar).
In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept at an acceptable level by buying or selling foreign currencies in cash or at spot rates when necessary to address short-term imbalances.

## d) Market risk

Interest rate fluctuations affect the fair value (fixed-rate instruments) or future cash flows (variable-rate instruments) of debt instruments. Management does not have formal policies in place to determine how much of its exposure should be at fixed or variable rates. However, when obtaining new loans, management applies judgment to determine whether a fixed or a variable rate would be more favorable for the Group over the life of loan.

The Group's policy is to hedge against benchmark rates of its bank loans based on market conditions. Currently, the Group holds a current position in interest rate options (LIBOR and TIIE) that serve to limit interest rates in variable rate loans.

### e) Capital management

The Group aims to maintain a strong capital base to meet its operating and strategic needs and maintain confidence among market participants. This is achieved through optimal cash management, continuous monitoring of revenue and profits, and long-term investment plans that are used to finance the Group's operating cash flows. Through these measures, the Group seeks to achieve constant profitability.

# 6. BUSINESS COMBINATIONS, GOODWILL AND ASSETS HELD FOR SALE

*Identifiable assets acquired and liabilities assumed*

Business combinations are accounted for using the acquisition method as of the acquisition date (the date when the Group acquires control of an entity). Management determined that the Group has achieved control as it: i) has power over the investee; ii) it 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 its returns.

An analysis of identifiable assets acquired and liabilities assumed in business combinations is as follows:

**MHKL Hotel Venture México, S.A. de C.V.**

On December 14th, 2022, the Group, in association with an external partner, acquired a hotel property located in Playa del Carmen, Quintana Roo, with 195 rooms operating under the "Mahekal Beach Resort" brandname for USD 56,000,000.

This acquisition was partially financed through a bank loan of USD 33,000,000, and the rest was paid by means of shareholder contributions.

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group did not recognize goodwill because the acquired goods were measured at fair value. The Group will use the measurement period of one year from the acquisition date, as established under IFRS 3, to complete the fair value documentation. However, the Group does not expect the recognition of this transaction to have any effect on its consolidated financial statements.

**Grupo Inmobiliario 1991, S.A. de C. V**

On August 18th, 2018, the Group, through a shareholder resolution of the subsidiary Inmobiliaria K Suites, S.A.P.I. de C.V., agreed to a capital contribution in Grupo Inmobiliario 1991, S.A. de C.V. of Ps. 132,000 through the capitalization of debt owed to Inmobiliaria K Suites 1991, S.A.P.I. de C.V., through which the Group acquired a 50%-stake in the company.

The property owned by Grupo Inmobiliario 1991 is the hotel "Krystal Grand Suites 1991", which currently has 150 rooms and is operated by a subsidiary of the Group.

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

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group recognized goodwill net of deferred tax of Ps. 22,762 using the acquisition method at the date of acquisition, which is the date on which control is transferred to the Group.

**Inmobiliaria Hotelera del Bajío S.F., S.A. de C.V.**

On August 24th, 2018, the Group agreed to a variable capital increase in its 50%-owned subsidiary Inmobiliaria Hotelera del Bajío S.F., S.A.de C.V. ("IHB") of Ps. 128,250, through which the share capital of IHB was increased to 256,503,000 shares, with a proportional share being subscribed by the other partner.

With the funds obtained, on the same date the subsidiary acquired property, furniture and equipment in the city of León, Guanajuato, consisting of a hotel with 140 rooms that operates under the "Hotel Hyatt Centric Campestre León" brand name and is operated by the Group.

The capital contribution was financed through a bank loan obtained by a subsidiary of the Group.

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group did not recognize goodwill because the acquired goods were measured at fair value.

**ICD Sitra, S.A. de C.V. and Sibra Vallarta, S.A. de C.V.**

On February 21st, 2017, the Group entered into an agreement whereby it agreed to subscribe a capital increase in the variable portion of the share capital of ICD Sitra, S.A. de C.V. (Sitra), thereby acquiring a 50%-stake in the entity.

Sitra's assets include a hotel with 454 Gran Turismo rooms, which will be operated by the Group under the "Krystal Grand" brand known as "Krystal Grand Los Cabos".

On February 28th, 2017, the Group entered into an agreement whereby it agreed to subscribe a capital increase in the variable portion of the share capital of Sibra Vallarta, S.A. de C.V. (Sibra), thereby acquiring a 50%-stake in the entity.

Sibra's assets include a hotel with 480 Gran Turismo rooms, which will be operated by the Group under the "Krystal Grand" brand known as "Krystal Grand Nuevo Vallarta".

The acquisition of the aforementioned hotels was financed with funds from the Subsequent Public Offering of shares in Mexico and Chile that took place on July 7th, 2016 (see Note 1).

As a result of the recognition of the acquisition in accordance with IFRS 3 Business Combinations, the Group recognized goodwill net of deferred tax of Ps. 224,059 using the acquisition method at the date of acquisition, which is the date on which control is transferred to the Group.

As at December 31st, 2020, the Group recognized impairment of Ps. 9,198 in the value of goodwill corresponding to Sitra. Accordingly, as at December 31st, 2020, the goodwill of both entities in the amount of Ps. 224,059 decreased by the impairment amount. The current balance of goodwill arising from this acquisition is Ps. 214,861, which corresponds to Sibra.

**Moteles y Restoranes María Bárbara, S.A. de C.V.**

On May 7th, 2015, the Group acquired a hotel located in the State of Mexico, in the Municipality of Naucalpan, with 215 rooms operating under the "Krystal Satélite María Bárbara" brand name in the amount of Ps. 205,265. The identifiable assets acquired and liabilities assumed in the acquisition of this entity gave rise to goodwill of Ps. 62,130, which was recognized in the financial statements on the date on which the transaction occurred.

**Inmobiliaria en Hoteleria Cancún Santa Fe, S.A. de C.V.**

On September 24th, 2013, the Group acquired a hotel located in the city of Cancun, Quintana Roo, Mexico. The identifiable assets acquired and liabilities assumed in the acquisition of this entity gave rise to goodwill of Ps. 45,864, which was recognized in the financial statements on the date on which the transaction occurred.

**Assets held for sale**

On December 15th, 2022, the Group entered into an agreement for the sale of one of the Group's hotels, Hilton Guadalajara, to Barceló Hotel Group for USD 59 million. As of that date, the assets and liabilities of this hotel have been classified as available for sale. This transaction is subject to customary terms and conditions for this type of transaction, including corporate, government and/or third party approvals, which are expected to be obtained by the end of Q1 2023.

An analysis of assets and liabilities classified as held for sale is as follows:

| Caption | | Amounts as at December 31st, 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | Ps. | 20,398 |
| Accounts receivable | | 8,732 |
| Other accounts receivable | | 2,098 |
| Inventories | | 2,144 |
| Prepaid expenses | | 714 |
| Restricted cash | | 5,226 |
| Property, furniture and equipment | | 778,714 |
| **Total assets** | **Ps.** | **818,026** |

| Liabilities | | Amounts as at December 31st, 2022 |
|---|---|---|
| Suppliers | Ps. | 12,838 |
| Accrued liabilities | | 259 |
| Provisions | | 3,579 |
| Taxes payable | | 34,127 |
| Trade advances | | 7,241 |
| Employee benefits | | 2,571 |
| Deferred income tax | | 40,382 |
| **Total liabilities** | **Ps.** | **100,997** |

# 7. BUSINESS SEGMENT INFORMATION

## a) Basis for segmentation

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

- Urban Services
- Resort Facilities
- Operator and Holding

The Urban segment comprises City hotels, the Resort segment comprises beachfront hotels, and the Operator and Holding segment comprises third-party hotels and administrative services.

Operating segment performance is measured based on the total revenue and operating profit of each operating segment, since Management believes that such information is the most appropriate to evaluate performance. An analysis of the financial information of each operating segment is as follows:

**2022**

| | Urban | Resort | Operator and Holding | Consolidated |
|---|---|---|---|---|
| Total operating profit | Ps. 611,706 | Ps. 1,749,019 | Ps. 294,492 | Ps. 2,655,217 |
| Depreciation and amortization | 110,510 | 151,861 | 18,832 | 281,203 |
| Operating profit/(loss) | 90,793 | 444,509 | (180,711) | 354,590 |
| Consolidated net (loss)/profit | Ps. (40,805) | Ps. 162,286 | Ps. 76,823 | Ps. 198,304 |

**2021**

| | Urban | Resort | Operator and Holding | Consolidated |
|---|---|---|---|---|
| Total operating profit | Ps. 372,671 | Ps. 1,288,489 | Ps. 99,393 | Ps. 1,760,553 |
| Depreciation and amortization | 88,124 | 165,464 | 11,470 | 265,058 |
| Operating profit/(loss) | 6,132 | 237,626 | (174,078) | 69,680 |
| Consolidated net (loss)/profit | Ps. (40,805) | Ps. 162,286 | Ps. (154,893) | Ps. (33,412) |

An analysis of the Group's consolidated financial position for 2022 and 2021 is as follows:

**2022**

| | Urban | Resort | Operator and Holding | Consolidated |
|---|---|---|---|---|
| Total assets | Ps. 3,272,142 | Ps. 7,041,306 | Ps. 2,330,883 | Ps. 12,644,331 |
| Total liabilities | 1,101,235 | 3,755,550 | 930,138 | 5,786,923 |

**2021**

| | Urban | Resort | Operator and Holding | Consolidated |
|---|---|---|---|---|
| Total assets | Ps. 3,350,127 | Ps. 5,908,000 | Ps. 1,587,300 | Ps.10,845,427 |
| Total liabilities | 1,233,812 | 3,090,655 | 558,917 | 4,883,384 |

# 8. CASH, CASH EQUIVALENTS AND RESTRICTED CASH

An analysis of cash, cash equivalents and restricted cash as at December 31st, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Cash | Ps. 218,830 | Ps. 346,059 |
| Short-term investments | 225,393 | 218,664 |
| Total current cash and cash equivalents | 444,223 | 564,723 |
| Long-term restricted cash [1] | 155,761 | 91,296 |
| **Total cash, cash equivalents and restricted cash** | **Ps. 599,984** | **Ps. 656,019** |

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

As at December 31st, 2022, cash and restricted cash balances in the amount of Ps. 25,624 of the subsidiary SIT were reclassified to "Assets held for sale" (see Note 6).

# 9. ACCOUNTS RECEIVABLE

An analysis of accounts receivable as at December 31st, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Guests and travel agencies | Ps. 95,223 | Ps. 44,399 |
| Vacation Club | 27,640 | 34,036 |
| Airlines | 68,860 | 45,195 |
| | 191,723 | 123,630 |
| Less: allowance for doubtful accounts | 2,977 | 5,296 |
| **Total accounts receivable** | **Ps. 188,746** | **Ps. 118,334** |

As at December 31st, 2022, accounts receivable balances in the amount of Ps. 10,461 of the subsidiary SIT were reclassified to accounts receivable as part of the assets held for sale caption, and an allowance for doubtful accounts of Ps. 1,729 (see Note 6).

The Group's exposure to credit and foreign exchange risks and impairment losses related to accounts receivable is disclosed in Note 20.

# 10. RELATED PARTY BALANCES AND TRANSACTIONS

## a) Control relationships

As at December 31st, 2022, the Group's share capital is comprised as follows:

- Casa de Bolsa Ve por Más, S.A. de C.V., Grupo Financiero Ve Por Más, Fiduciary division as trustee of Trust 154 (the "Control Trust"), which holds 14.66% of the Group's share capital.
- The remaining 85.44% is held by the investing public.

The Group's ultimate parent is the Control Trust.

## b) Key management personnel compensation

Key management personnel received the following salary compensation, which is recognized as part of personnel costs as shown below (see Note 21):

| | 2022 | 2021 |
|---|---|---|
| **Short-term employee benefits** | **Ps. 56,874** | **Ps. 49,617** |

## c) Other related party transactions

An analysis of other related party transactions for the years ended December 31st, 2022 and 2021 is as follows:

(i) Revenue

| | Transaction value | |
|---|---|---|
| | 2022 | 2021 |
| Base management fees: | | |
| Hotelera Chicome, S.A. de C.V. | Ps. 14,823 | Ps. 11,441 |
| Promotora Turística Mexicana, S.A. de C.V. | 8,614 | 5,983 |
| Hotelera Caracol, S.A. de C.V. | 6,266 | 4,343 |
| Consorcio Hotelero Aeroportuario Monterrey, S.A.P.I. de C.V. | 2,822 | 1,574 |
| Incentive fees: | | |
| Hotelera Chicome, S.A. de C.V. | Ps. 15,794 | Ps. 11,664 |
| Promotora Turística Mexicana, S.A. de C.V. | 10,271 | 6,201 |
| Hotelera Caracol, S.A. de C.V. | 6,266 | 4,197 |
| Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V. | 4,399 | 2,073 |

| | Transaction value 2022 | 2021 |
|---|---|---|
| **Interest income:** | | |
| Roseg, S.A. de C.V. | 872 | 651 |
| **Corporate and international advertising revenue:** | | |
| Hotelera Chicome, S.A. de C.V. | Ps. 7,945 | Ps. 5,993 |
| Promotora Turística Mexicana, S.A. de C.V. | 4,139 | 2,121 |
| Hotelera Caracol, S.A. de C.V. | 4,124 | 1,978 |
| **Other income:** | | |
| Hotelera Chicome, S.A. de C.V. | Ps. 1,246 | Ps. 4,224 |
| Promotora Turística Mexicana, S.A. de C.V. | 950 | 1,141 |
| Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V. | 532 | 237 |
| Hotelera Caracol, S.A. de C.V. | 825 | 660 |
| Servicios Corporativos Krystal Cancún, S.A. de C.V. | - | 20 |
| Servicios Corporativos Krystal Vallarta, S.A. de C.V. | - | 20 |
| Servicios Corporativos Krystal Ixtapa, S.A. de C.V. | - | 20 |
| Servicios Hoteleros Aeropuerto Monterrey, S.A. de C.V. | - | 20 |

(ii) Expenses

| | Transaction value 2022 | 2021 |
|---|---|---|
| **Recoverable expenses:** | | |
| Promotora Turística Mexicana, S.A. de C.V. | Ps. 11,576 | Ps. 7,339 |
| Hotelera Caracol, S.A. de C. V | 404 | 47 |
| Servicios Corporativos Krystal Vallarta, S.A. de C. V | 851 | 107 |
| Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I. de C.V. | 33 | - |
| Hotelera Chicome, S.A. de C.V. | - | 74 |
| Servicios Krystal Ixtapa, S.A. de C. V | - | 83 |

| | Transaction value 2022 | 2021 |
|---|---|---|
| **Administrative service expenses:** | | |
| Servicios Administrativos Chartwell, S.A. de C.V. | Ps. 3,295 | Ps. 3,645 |
| **Rent:** | | |
| Inmobiliaria de la Parra, S. de R.L. de C.V. | Ps. 7,177 | Ps. 6,781 |
| **Extraordinary fees (Note 14):** | | |
| Hotelera Chicome, S.A. de C.V. | Ps. 19,782 | Ps. - |
| Promotora Turística Mexicana, S.A. de C.V. | 11,175 | - |
| Hotelera Caracol, S.A. de C.V. | 8,086 | - |

(iii) Pricing policies

In the determination of the prices charged in transactions with related parties, such prices are similar to the prices that would have been used with or between independent parties in comparable transactions.

An analysis of balances due from and to related parties as at December 31st, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| **Receivables:** | | |
| Roseg, S.A. de C.V. [1] | Ps. 11,722 | Ps. 6,446 |
| Hotelera Caracol, S.A. de C.V. | 1,175 | 1,762 |
| Hotelera Chicome, S.A. de C.V. | 1,086 | 2,836 |
| Consorcio Hotelero Aeroportuario Monterrey, S. de R.L. de C.V. | 755 | 316 |
| Servicios Integrales Parimba, S.A. de C.V. | 502 | 345 |
| Administración S.F. Reforma, S. de R.L. de C.V. | 218 | 218 |
| Nexxus Capital Private Equity Fund III, L. P. | 2 | 2 |
| Comercializadora MP, S.A. de C.V. | 2 | 2 |
| **Total related party receivables** | **Ps. 15,462** | **Ps. 11,927** |

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Payables: | | | | |
| Servicios Corporativos Krystal Vallarta, S.A. de C.V. | Ps. | 264 | | 124 |
| Promotora Turística Mexicana, S.A. de C.V. | Ps. | 179 | Ps. | 9,618 |
| Servicios Corporativos Krystal Cancun, S.A. de C.V. | | 50 | | 81 |
| Operadora Inca, S.A. de C.V. | | 35 | | 88 |
| Inmobiliaria Hotelera de la Peninsula, S.A. de C.V. | | 2 | | 2 |
| Grupo ICD Sitra, S.A. de C.V. | | - | | 5,730 |
| Roseg, S.A. de C.V. | | - | | 3 |
| Servicios Integrales Parimba, S.A. de C.V. | | - | | 4 |
| Inmobiliaria en Hoteleria Querétaro SF, S.A. de C.V. | | - | | 3 |
| **Total related party payables** | **Ps.** | **530** | **Ps.** | **15,687** |

(1) This caption includes a term loan that the Group has extended to Roseg, S.A. de C.V. for financing of USD 2,000,000. The loan bears interest at a fixed rate of 10%, payable in 20 monthly installments commencing as of August 1st, 2019 and due on March 1st, 2021. As at December 31st, 2022, the Group has collected interest of USD 56,590. The outstanding balance of this loan as at December 31st, 2022 is USD 602,196.

(2) As at December 31st, 2022 and 2021, balances receivable due from and payable due to related parties correspond to hotel management and operation agreements, and current account balances that bear no interest and have no specific maturities.

The Group's exposure to credit and liquidity risks related to related party payables is disclosed in Note 20.

## 11. RECOVERABLE TAXES

An analysis of recoverable taxes as at December 31st, 2022 and 2021 is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Recoverable value added tax | Ps. | 461,498 | Ps. | 371,877 |
| Recoverable income tax | | 66,952 | | 49,250 |
| Other | | 1,719 | | 1,301 |
| | **Ps.** | **530,169** | **Ps.** | **422,428** |

As at December 31st, 2022, recoverable tax balances in the amount of Ps. 2,070 of the subsidiary SIT were reclassified to "Assets held for sale" (see Note 6).

## 12. INVENTORIES

An analysis of inventories as at December 31st, 2022 and 2021 is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Food | Ps. | 12,199 | Ps. | 7,953 |
| Beverages | | 6,770 | | 5,264 |
| Other operating supplies | | 12,856 | | 9,810 |
| | **Ps.** | **31,825** | **Ps.** | **23,027** |

For the years ended December 31st, 2022 and 2021, inventories are recognized in profit or loss as part of cost of sales.

As at December 31st, 2022, inventory balances in the amount of Ps. 2,144 of the subsidiary SIT were reclassified to "Assets held for sale" (see Note 6).

## 13. PROPERTY, FURNITURE AND EQUIPMENT

An analysis of property, furniture and equipment is as follows:

| Investment | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process (2) | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2021 | Ps. 1,862,624 | Ps. 116,844 | Ps. 6,276,997 | Ps. 1,076,828 | Ps. 992,820 | Ps. 10,326,113 |
| Acquisitions (1) | 741,132 | 4,880 | 452,502 | 103,938 | 405,797 | 1,708,250 |
| Disposals | - | (650) | (2,226) | (2,032) | - | (4,909) |
| Transfers | - | - | - | - | - | - |

| Investment | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process (2) | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2022 | Ps. 2,603,756 | Ps. 121,074 | 6,727,273 | 1,178,734 | 1,398,617 | 12,029,454 |
| Investment | (59,702) | (30,342) | (928,297) | (96,992) | - | (1,115,333) |
| **Balance as at December 31st, 2022** | **Ps. 2,544,054** | **Ps. 90,732** | **Ps. 5,798,976** | **1,081,742** | **Ps. 1,398,617** | **Ps. 10,914,121** |

| Investment | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2020 | Ps. 1,862,624 | Ps. 115,085 | Ps. 6,223,001 | Ps. 1,066,199 | Ps. 652,795 | Ps. 9,919,704 |
| Acquisitions [1] | - | 1,759 | 28,759 | 10,629 | 365,262 | 406,409 |
| Disposals | - | - | - | - | - | - |
| Transfers | - | - | 25,237 | - | (25,237) | - |
| **Balance as at December 31st, 2021** | **Ps. 1,862,624** | **Ps. 116,844** | **6,276,997** | **1,076,828** | **992,820** | **10,326,113** |

| Accumulated depreciation | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2021 | Ps. - | Ps. - | Ps. 962,858 | Ps. 639,778 | Ps. - | Ps. 1,602,636 |
| Depreciation for the year | - | - | 183,693 | 95,855 | - | 279,548 |
| Disposals | - | - | (103) | (15) | - | (118) |
| Transfers | - | - | (4,390) | 4,390 | - | - |
| Balance as at December 31st, 2022 | Ps. - | Ps. - | Ps. 1,142,058 | Ps. 740,008 | Ps. - | Ps. 1,882,066 |
| Accumulated depreciation | Ps. - | Ps. - | Ps. (261,489) | Ps. (75,129) | Ps. - | Ps. (336,618) |
| **Balance as at December 31st, 2022** | **Ps. -** | **Ps. -** | **Ps. 880,569** | **Ps. 664,879** | **Ps. -** | **Ps. 1,545,448** |

| Accumulated depreciation | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2020 | Ps. - | Ps. - | Ps. 849,902 | Ps. 491,499 | Ps. - | Ps. 1,341,401 |
| Depreciation for the year | - | - | 112,956 | 148,279 | - | 261,235 |
| **Balance as at December 31st, 2021** | **Ps. -** | **Ps. -** | **Ps. 962,858** | **Ps. 639,778** | **Ps. -** | **Ps. 1,602,636** |

| Impairment | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2021 | Ps. - | Ps. - | Ps. 86,802 | Ps. - | Ps. - | Ps. 86,802 |
| Increases | - | - | - | - | - | - |
| Reversals | - | - | - | - | - | - |
| **Balance as at December 31st, 2022** | **Ps.** | **Ps.** | **Ps. 86,802** | **Ps.** | **Ps.** | **Ps. 86,802** |

| Impairment | Land | Operating equipment | Buildings | Furniture and equipment | Construction in process | Total |
|---|---|---|---|---|---|---|
| Balance as at December 31st, 2020 | Ps. - | Ps. - | Ps. 86,802 | Ps. - | Ps. - | Ps. 86,802 |
| Increases | - | - | - | - | - | - |
| Reversals | - | - | - | - | - | - |
| Balance as at December 31st, 2021 | Ps. - | Ps. - | Ps. 86,802 | Ps. - | Ps. - | Ps. 86,802 |

| Net book value: | | | | | | |
|---|---|---|---|---|---|---|
| **Balance as at December 31st, 2022** | **Ps. 2,544,054** | **Ps. 90.732** | **Ps. 4,918,407** | **Ps. 416,863** | **Ps. 1,398,617** | **9,281,871** |
| Balance as at December 31st, 2021 | Ps. 1,862,624 | Ps. 116,844 | Ps. 5,227,337 | Ps. 437,050 | Ps. 992,820 | Ps. 8,636,675 |

As at December 31st, 2022 and 2021, the estimated cost to complete construction in process amounts to Ps. 52,103 and Ps. 457,900, respectively.

(1) Includes bank interest of Ps. 57,247 and Ps. 14,313 for construction in process in 2022 and 2021, respectively.
(2) In 2022 and 2021, construction in process corresponds to the construction of the Hyatt Insurgentes 724 hotel.

For the years ended December 31st, 2022 and 2021, there were no indicators of impairment in the value of the Group's long-lived assets.

Depreciation expense for the years ended December 31st, 2022 and 2021 was Ps. 273,625 and Ps. 261,235, respectively.

# 14. OTHER ASSETS

An analysis of other assets is as follows:

| | 2022 | 2021 |
|---|---|---|
| Security deposits (7) | Ps. 173,600 | Ps. 50,000 |
| Accounts receivable - Vacation Club (6) | 126,661 | 90,365 |
| Exclusivity rights (1) (2) (3) (4) (5) | 97,987 | 58,943 |
| Other | 7,496 | 6,317 |
| | 405,744 | 205,625 |
| Less: | | |
| Accumulated amortization | 19,351 | 11,772 |
| | **Ps. 386,393** | **Ps. 193,853** |

(1) On February 23rd, 2020, Hotelera SF, S. de R.L. de C.V. (the Operator) entered into hotel management and operation agreements with Hotelera Chicome, S.A. de C.V., Hotelera Caracol, S.A. de C.V. and Promotora Turística Mexicana, S.A. de C.V. (the Owners), whereby the Owners entrust the Operator with, and the Operator agrees and undertakes to carry out, the management and operation of the hotels, which will be sold under the "Krystal" brand name.

These agreements are for a term of ten years commencing on February 23rd, 2020 (date of startup of operations). The agreements establish an extraordinary fee payable to the Owners for having chosen the Operator. The Operator will pay the Owners on a monthly basis within 60 months after the startup of operations advances on a predetermined monthly extraordinary fee consisting of 4% of gross income plus VAT. The extraordinary fee will be paid by the Operator within a 120-month period beginning on February 23rd, 2020.

For the years ended December 31st, 2022 and 2021, the amount of this fee carried to the statement of comprehensive income was Ps. 5,931 and Ps. 806, respectively.

(2) On November 1st, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Parimba, S.A.P.I. de C.V., for the management and operation of a 144-room hotel, which will be sold under the "Hyatt Place Aguascalientes" brand and trade name. The agreement establishes the payment of an extraordinary fee of Ps. 12,000 as consideration for having been chosen by the owner to operate the hotel for an initial period of 20 years. The extraordinary fee will be paid over the same period. For the years ended December 31st, 2022 and 2021, the amount of this fee carried to the statement of comprehensive income was Ps. 600 and Ps. 600, respectively.

(3) On March 13rd, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Servicios Integrales PIN, S.A.P.I. de C.V., to operate a 140-room hotel in the City of Irapuato, Guanajuato. The hotel operates as a franchise of an international brand. The agreement establishes the payment of a hotel fee to operate the hotel for a period of 15 years. The extraordinary fee is paid on a monthly basis over the same period in the amount of Ps. 7,000 as consideration for having been chosen by the owner to operate the hotel. For the years ended December 31st, 2022 and 2021, the amount of this fee carried to the statement of comprehensive income was Ps. 467.

(4) On March 17th, 2016, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Inca Inmobiliaria Monterrey, S.A. de C.V., which is the owner of the "Krystal Monterrey" hotel. The agreement establishes the payment of an extraordinary fee of Ps. 6,000, as consideration for having been chosen by the owner to operate the hotel for an initial period of 10 years. The extraordinary fee will be paid over the same period. For the years ended December 31st, 2022 and 2021, the amount of this fee carried to the statement of comprehensive income was Ps. 600.

(5) On December 22nd, 2015, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Servicios Hoteleros Metropolitanos S.A. de C.V., which is the owner of the "Krystal Urban Aeropuerto Ciudad de México" hotel. The agreement establishes the payment of an extraordinary fee of Ps. 3,600 as consideration for having been chosen by the owner to operate the hotel for an initial period of 10 years. The extraordinary fee will be paid on a monthly basis over the same period. For the years ended December 31st, 2022 and 2021, the amount of this fee carried to the statement of comprehensive income was Ps. 360.

(6) As of March 2022, the Group sells Vacation Club memberships for the Krystal Grand Cancun, Krystal Grand Los Cabos and Krystal Grand Nuevo Vallarta hotels. This loyalty program offers customers an exclusive club membership, as well as discounts and benefits on booking and food and beverage rates during periods of between five and 20 years, depending on the duration and type of membership purchased.

(7) On September 1st, 2021, the Group entered into a stock purchase and sale agreement subject to conditions precedent with Inmobiliaria Remirez de Ganuza, S. de R.L. de C.V., whereby the Group agrees to acquire a 25% equity interest in the share capital of Sunset Tulum, S.A. de C.V. Under the agreement, the Group agreed to deliver a security deposit of Ps. 50,000 for the acquisition of these shares, which was delivered on September 13rd, 2021.

On June 17th, 2022, the Group's Board of Directors unanimously agreed to increase the security deposit by USD 6,000,000, which was delivered in two installments: (i) USD 3,000,000 on July 27th, 2022 and (ii) USD 3,000,000 on August 3rd, 2022. The Group expects to complete this acquisition in Q1 2023.

## 15. SHORT- AND LONG-TERM DEBT

An analysis of the Group's long-term bank loans as at December 31st, 2022 and 2021 is as follows:

| | **2022** | 2021 |
|---|---|---|
| Term loan extended by BBVA Bancomer, S.A. 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. for financing of up to USD 29,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of June 29, 2011 and due in 10 years. The last payment of USD 8,700,000 corresponds to 30% of the total debt. This loan was restructured in 2019.<br><br>On July 16th, 2019, the Group entered into an amending agreement to the original term loan agreement entered into by and between BBVA and 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 established that the loan will now bear interest at the 90-day LIBOR rate, plus 3.10 percentage points payable in 40 quarterly installments, and due on July 2, 2029.<br><br>On June 5th and December 16th, 2020, the Group entered into two amending agreements to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from June 30th, 2020 to March 31st, 2021 by adding them to the last payment of the loan, which amounts to USD 4,987,284 and is payable on July 2nd, 2029. | Ps. 209,942 | Ps. 236,320 |
| Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V. for financing of up to USD 22,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of October 31st, 2014 and due in 10 years. The last payment of USD 6,600,000 corresponds to 30% of the total debt.<br><br>On April 30 and October 30th, 2020, the Group entered into two amending agreements to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from April 30th, 2020 to February 2nd, 2021 by adding them to the last payment of the loan, which amounts to USD 8,007,375 and is payable on July 14th, 2023. | Ps. 180,432 | Ps. 241,342 |
| Term loan extended by BBVA Bancomer, S.A. to Grupo Hotelero SF de México, S. de R.L. de C.V. for financing of Ps. 120,000. The loan bears annual interest at the TIIE rate, plus 2.95% (two point ninety-five percentage points). If no rate is established in the agreement, the loan shall bear annual interest at the CETES rate, plus 2.95% (two point ninety-five percentage points), payable in 40 quarterly installments commencing as of February 29th, 2016 and due in 10 years. The last payment of Ps. 36,000 corresponds to 30% of the total debt. This loan was restructured in 2019 to change its denomination from Mexican pesos to U.S. dollars.<br><br>Mortgage-backed term loan extended by BBVA Bancomer, S.A. to Grupo Hotelero SF de México, S. de R.L. de C.V. for financing of USD 4,736,223. This loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points payable in 25 quarterly installments commencing as of August 31st, 2019 and due on November 21st, 2025.<br><br>On May 20th and November 26th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from May 31st, 2020 to February 28th, 2021 by adding them to the last payment of the loan, which amounts to USD 2,351,892 and is payable on November 12nd, 2025. | Ps. 69,717 | Ps. 83,191 |
| Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V. for financing of USD 18,300,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 39 quarterly installments commencing as of June 28th, 2014 and due in 10 years. The last payment of USD 5,490,000 corresponds to 30% of the total debt. | | |

| | 2022 | 2021 |
|---|---|---|
| On June 5th and December 16th, 2020, the Group entered into two amending agreements to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from June 30th, 2020 to March 31st, 2021 by adding them to the last payment of the loan, which amounts to USD 6,830,830 and is payable on March 27th, 2024. | Ps. 163,530 | Ps. 193,494 |
| Term loan extended by Banco Ve por Más, S.A. to Inmobiliaria Hotelera Cancún Urban, S. de R.L. de C.V. for financing of up to USD 3,852,101. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 15 quarterly installments commencing as of August 19th, 2019 and due in 4 years. | | |
| On April 22nd, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of two quarterly installments corresponding to the period from May 19th, 2020 to August 19th, 2021 by adding them to the last payment of the loan, which amounts to USD 1,871,642 and is payable on April 19th, 2023. | Ps. 49,363 | Ps. 63,401 |
| Term loan extended by Banco Santander Mexico to SF Partners II, S. de R.L. de C.V. for financing of Ps. 85,000. The loan bears interest at the TIIE rate, plus 2.95 percentage points, payable in 79 monthly installments commencing as of December 16th, 2016 and due in 7 years. The last payment of Ps. 25,500 corresponds to 30% of the total debt. | | |
| On April 22nd, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of six monthly installments corresponding to the period from May 16th, 2020 to October 16th, 2020 by adding them to the last payment of the loan, which amounts to Ps. 30,077. This term loan was repaid in full on November 16th, 2022. | Ps. - | Ps. 43,045 |
| Mortgage-backed term loan extended by Banco Mercantil del Norte, S.A. to Moteles y Restoranes María Bárbara, S.A. de C.V. for financing of Ps. 110,000. The loan bears interest at the 28-day TIIE rate, plus 3.0 percentage points, payable in 15 annual installments due on May 30th, 2031. | Ps. 81,074 | Ps. 87,590 |
| On April 29th, 2020, the Group entered into a current account term loan agreement with Grupo Financiero Banorte, S.A.B. de C.V. for financing of up to Ps. 25,000 to Moteles y Restoranes María Bárbara, S.A. de C.V. The funds were distributed in parts by means of promissory notes payable at maturity on April 27th, 2022, with an option to pay the outstanding balance using the available line of credit. | Ps. - | Ps. 19,781 |
| Mortgage-backed and collateralized term loan extended by SABCAPITAL, S.A. de C.V., SOFOM, E.R. to ICD Sitra, S.A. de C.V. for financing of USD 31,500,000, granting a 12-month grace period for the payment of principal. The loan bears interest at the 90-day LIBOR rate, plus 2.95 percentage points, payable in 45 quarterly installments due on November 15th, 2029. | | |
| On June 5th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from June 5th, 2020 to March 5th, 2021 by adding them to the last payment of the loan, which amounts to USD 8,590,909 and is payable on November 15th, 2029. | Ps. 507,480 | Ps. 570,458 |
| Mortgage-backed and collateralized term loan extended by SABCAPITAL, S.A. de C.V., SOFOM, E.R. to Sibra Vallarta, S.A. de C.V. for financing of USD 28,800,000. The loan bears interest at the 90-day LIBOR rate, plus 2.95 percentage points, payable in 46 quarterly installments due on December 5th, 2029. | | |
| On June 5th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from June 5th, 2020 to March 5th, 2021 by adding them to the last payment of the loan, which amounts to USD 7,808,000 and is payable on December 5th, 2029. | Ps. 465,730 | Ps. 523,101 |

| | 2022 | 2021 |
|---|---|---|
| Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Cancún Santa Fe, S. de R.L. de C.V. for financing of USD 8,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing on October 30th, 2018 and due in 10 years. The last payment of USD 2,540,000 corresponds to 30% of the total debt. | | |
| On April 30 and October 30th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from April 30th, 2020 to February 2nd, 2021 by adding them to the last payment of the loan, which amounts to USD 3,100,000 and is payable on July 6th, 2028. | Ps. 119,654 | Ps. 138,276 |
| Mortgage-backed and collateralized term loan extended by SABCAPITAL, S.A. de C.V. to Grupo Inmobiliario 1991, S.A. de C.V. for financing of USD 13,000,000. This loan bears interest at the LIBOR rate, plus 2.95 percentage points, payable in 40 quarterly installments due on November 30th, 2028. The last payment of USD 2,600,000 corresponds to 20% of the total debt. | | |
| On June 8th, 2021, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from June 6th, 2020 to March 6th, 2021 by adding them to the last payment of the loan, which amounts to USD 3,324,916 and is payable on November 30th, 2028. | Ps. 222,767 | Ps. 248,241 |
| Term loan extended by BBVA Bancomer, S.A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R.L. de C.V. for financing of up to USD 14,000,000. The loan bears interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of November 9th, 2018 and due in 10 years. The last payment of USD 5,134,920 corresponds to 36% the total debt. | | |
| On April 30th and October 30th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from April 30th, 2020 to February 2nd, 2021 by adding them to the last payment of the loan, which amounts to USD 5,134,920 and is payable on October 31st, 2028. | Ps. 239,772 | Ps. 271,980 |
| Term loan extended by BBVA Bancomer, S.A. to Hotelera del Bajío S.F., S.A. de C.V. for financing of USD 6,512,649. The loan bears interest at the LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments commencing as of September 3rd, 2019 and due on May 29th, 2029. | | |
| On May 27th and November 26th, 2020, the Group entered into an amending agreement to the original loan agreement to change the payment schedule, in order to allow the Group to defer payment of four quarterly installments corresponding to the period from June 1st, 2020 to March 1st, 2021 by adding them to the last payment of the loan, which amounts to USD 2,379,071 and is payable on May 31st, 2029. | Ps. 109,992 | Ps. 125,100 |
| On May 7th, 2021, Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. entered into a term loan agreement with Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte S.A. and Banco Sabadell, Institución de Banca Múltiple, for financing of Ps. 255,558. The loan bears annual interest at the TIIE rate, plus 3 percentage points, payable in 28 quarterly installments due on May 7th, 2028. | Ps. 255,558 | Ps. 255,558 |
| On October 26th, 2021, the Group signed a "drawdown request" for a term loan in the amount of Ps. 127,910 that was extended by Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte, S.A. and Banco Sabadell, Institución de Banca Múltiple on May 7th, 2022 to Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. This request is for a drawdown against the loan referred to in the preceding paragraph. | Ps. 127,910 | Ps. 127,910 |

| | 2022 | 2021 |
|---|---|---|
| On March 3rd, 2022, the Group signed a third "drawdown request" for a term loan in the amount of Ps. 106,532. that was extended by Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte, S.A. and Banco Sabadell, Institución de Banca Múltiple on May 7th, 2021 to Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. This request is for a drawdown against the loan referred to above. | Ps. 106,532 | Ps. - |
| On August 22nd, 2022, the Group signed a fourth "drawdown request" for a term loan in the amount of Ps. 100,069 that was extended by Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte, S.A. and Banco Sabadell, Institución de Banca Múltiple on May 7th, 2021 to Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. This request is for a drawdown against the loan referred to above. | Ps. 100,069 | Ps. - |
| On November 15th, 2022, the Group signed a fifth "drawdown request" for a term loan in the amount of Ps. 94,149. that was extended by Banco Mercantil del Norte, Institución de Banca Múltiple, Grupo Banorte, S.A. and Banco Sabadell, Institución de Banca Múltiple on May 7th, 2021 to Inmobiliaria Hotelera Insurgentes 724, S.A.P.I. de C.V. This request is for a drawdown against the loan referred to iabove. | Ps. 94,149 | Ps. - |
| On December 14th, 2022, MHKL Hotel Venture México, S.A. de C.V. entered into a term loan agreement with BBVA México for financing of USD 33,000,000. The loan bears interest at the 90-day 50FR rate, plus 3.00 percentage points, payable in 28 quarterly installments due on November 30th, 2029. | Ps. 638,930 | Ps. - |
| Accrued interest payable | 28,481 | 12,971 |
| Less debt issuance costs | (35,160) | (20,436) |
| | 3,735,922 | 3,221,323 |
| Less current portion | (405,295) | (245,110) |
| **Long-term debt, excluding current portion** | **Ps. 3,330,627** | **Ps. 2,976,213** |

A reconciliation of changes in the Group's bank loans to its cash flows from financing activities is as follows:

| 2022 | Beginning balance | Bank loans received in 2022 | Payments of principal | Interest paid | Total cash-settled transactions | Other finance expenses | Unrealized foreign exchange loss | Accrued interest | Ending balance |
|---|---|---|---|---|---|---|---|---|---|
| **Long-term debt** | **Ps. 3,221,323** | **Ps. 954,782** | **Ps. (281,790)** | **Ps. (173,885)** | **Ps. 3,720,430** | **Ps. 9,849** | **Ps. (183,331)** | **Ps. 188,973** | **Ps. 3,735,92** |

| 2021 | Beginning balance | Bank loans received in 2022 | Payments of principal | Interest paid | Total cash-settled transactions | Other finance expenses | Unrealized exchange loss | Accrued interest | Ending balance |
|---|---|---|---|---|---|---|---|---|---|
| Long-term debt | Ps. 2,889,156 | Ps. 391,332 | Ps. (131,005) | Ps. (126,705) | Ps. 3,022,778 | Ps. 6,551 | Ps. 75,191 | Ps. 116,801 | Ps. 3,221,323 |

Interest expense on bank loans for the years ended December 31st, 2022 and 2021 is Ps. 131,726 and Ps. 102,489, respectively.

As at December 31st, 2022 and 2021, the distribution between the issuing entities of the term loan of up to USD 29,000,000 granted by BBVA Bancomer, S.A. (co-signed 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 as follows:

| | 2022 balance in U.S. dollars | 2021 balance in U.S. dollars |
|---|---|---|
| Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V. | Ps. 9,828,630 | Ps. 10,441,095 |
| Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V. | 1,014,660 | 1,077,888 |
| | **Ps. 10,843,290** | **Ps. 11,518,983** |

The above bank loans establish affirmative and negative covenants, which include the following relevant matters:

- Submit audited annual financial statements within 210 days after the end of fiscal year.
- Submit internal financial statements within 60 calendar days after the end of each semester.
- Report within ten business days any event that could affect the Group's current financial situation or cause the Group to incur in any of the causes for early termination set forth in the agreement, as well as communicate the corrective actions and measures that will be taken.

- Comply with certain financial ratios.
- Refrain from transferring equity interests (whether due to merger, acquisition, spin-off, assignment) or properties, with certain exceptions.
- Refrain from acquiring interest-bearing liabilities, whose amounts could affect the Group's established payment obligations.
- Refrain from granting loans or guarantees to third parties that could affect the Group's established payment obligations.

As at December 31st, 2022 and 2021, the Group failed to meet some of its affirmative and negative financial covenants. However, in December 2022 and 2021, Group management obtained a waiver from the related banks. Accordingly, the loan was not payable on demand as at December 31st, 2022 and 2021.

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

## 16. VACATION CLUB

As of March 2021, the Group began selling Vacation Club memberships in 3 of its hotels. Vacation Club entitles members to unlimited room reservations at a 25% discount rate, as well as discounts on hotel services, including food and beverages, over the term of the agreements, which range from 3 to 25 years. Cost of sales accounts for 59% of revenue, represented primarily by sales commissions. Sales and costs are recognized in profit or loss over the term of the agreement. Deferred costs are recognized in assets and deferred revenue is recognized in liabilities.

An analysis of sales recognized in the statement of comprehensive income is as follows:

| | For the year ended December 31st, 2022 | For the year ended December 31st, 2021 |
|---|---|---|
| Revenue | Ps. 46,675 | Ps. 22,230 |
| Costs and expenses | 27,632 | 12,527 |
| **Profit** | **Ps. 19,043** | **Ps. 9,703** |

Revenue, costs and expenses are included as part of the "Other" caption under Department costs and expenses.

An analysis of balances recognized in the statement of financial position is as follows:

| | Balance as at December 31st, 2022 | Balance as at December 31st, 2021 |
|---|---|---|
| **Assets** | | |
| Deferred cost – Vacation Club – short term | Ps. 16,500 | 11,082 |
| Deferred cost – Vacation Club – long term | 125,694 | 66,327 |
| **Liabilities** | | |
| Deferred revenue – Vacation Club – short term | Ps. 40,786 | Ps. 19,817 |
| Deferred revenue – Vacation Club – long term | 190,694 | 118,748 |

## 17. ACCRUED LIABILITIES

An analysis of the Group´s accrued liabilities is as follows:

| | 2022 | 2021 |
|---|---|---|
| Amounts owed to shareholders from capital redemptions | Ps. 29,647 | Ps. 29,647 |
| Unidentified deposits | 7,073 | 3,093 |
| Rent paid in advance | - | 1,103 |
| Social security dues | - | 650 |
| Other | 4,160 | 3,570 |
| **Total** | **40,880** | **38,063** |

As at December 31st, 2022, accrued liability balances in the amount of Ps. 259 of the subsidiary SIT were reclassified to "Liabilities held for sale" (see Note 6).

# 18. EMPLOYEE BENEFITS

The cost of defined benefit plans and other amounts related to seniority premiums were determined based on independent actuarial calculations performed as at December 31st, 2022 and 2021.

An analysis of the present value of the defined benefit obligation as at December 31st, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| **Seniority premiums** | **Ps. 16,815** | **Ps. 18,601** |

As at December 31st, 2022, employee benefit balances in the amount of Ps. 2,571 of the subsidiary SIT were reclassified to "Liabilities held for sale" (see Note 6).

## a) Changes in present value of defined benefit obligation

| | Seniority premiums | |
|---|---|---|
| | 2022 | 2021 |
| Defined benefit obligation as at January 1st | 15,956 | Ps. 10,330 |
| Benefits paid | (499) | - |
| Current-year service cost | 2,446 | 34 |
| Past service cost | (90) | 8,219 |
| Interest cost | 1,163 | 18 |
| Actuarial losses | (2,159) | - |
| **Defined benefit obligation as at December 31st** | **16,815** | **Ps. 18,601** |

## b) Amounts recognized in profit or loss

| | Seniority premiums | |
|---|---|---|
| | 2022 | 2021 |
| Current-year service cost | 2,446 | Ps. 34 |
| Past service cost | (90) | 8,219 |
| Interest cost | 1,163 | 18 |
| Actuarial losses | (2,159) | - |
| | **1,359** | **Ps. 8,271** |

The Group's net periodic benefit expense for the years ended December 31st, 2022 and 2021 was recognized as part of indirect administrative costs in the consolidated statement of comprehensive income.

## c) Actuarial assumptions

The main actuarial assumptions used at the reporting date (expressed as weighted average) were as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 9.30% | 7.50% |
| Future salary increase rate | 5.00% | 5.13% |

# 19. INCOME TAX

## a) Income tax

a) The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal years 2022 and 2021.

Income tax for the year is calculated by applying the statutory income tax rate to the Group's taxable profit for the year.

The MITL establishes requirements and limits regarding certain deductions, including restrictions on the deductibility of payroll-related expenses that are considered tax-exempt for employees, contributions to create or increase pension fund reserves, and Mexican Social Security Institute dues that are paid by the Group but that should be paid by the employees. The MITL also establishes that certain payments made to related parties shall not be deductible if they do not meet certain requirements.

## b) Labor outsourcing reform in Mexico

In April 2021, the Mexican government amended the Federal Labor Law, the Federal Tax Code and other laws that regulate employment in order to prohibit the outsourcing of employees, except under specific circumstances. Derived from this tax reform, entities are not allowed to deduct outsourcing expenses or credit their input value added tax on outsourcing expenses. In a worst-case scenario, labor outsourcing may be considered as tax fraud. This reform became effective on September 1, 2021.

## c) An analysis of income tax recognized in profit or loss for the years ended December 31st, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Current income tax | Ps. 99,548 | Ps. 31,033 |
| Deferred income tax | 47,897 | (106,638) |
| **Total income tax** | **Ps. 147,445** | **Ps. (75,605)** |

## d) Reconciliation of the effective income tax rate

The tax (benefit)/expense attributable to the profit/(loss) before income tax was different from the taxable profit determined by applying the 30% income tax rate to the profit/(loss) before income tax, as a result of the following items:

| | Income tax | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| Expected expense | Ps. 103,725 | 30% | Ps. 32,705 | 30% |
| Plus/(less): | | | | |
| Taxable effects of inflation, net | 17,603 | 5% | (9,530) | (9%) |
| Non-deductible expenses | 8,495 | 2% | (16,408) | (14%) |
| Allowance for impairment of goodwill | | | | |
| Unrecognized deferred tax assets from tax losses | 17,622 | 6% | (82,373) | (76%) |
| **Income tax expense** | **Ps. 147,445** | **Ps. 43%** | **Ps. 75,506** | **(69%)** |

## e) Deferred income tax assets and liabilities

An analysis of deferred income tax assets and liabilities is as follows:

| | Income tax | |
|---|---|---|
| | 2022 | 2021 |
| Deferred tax assets | | |
| Available tax loss carryforwards | 68,681 | Ps. 109,822 |
| Provisions | 27,459 | 35,339 |
| Trade advances | 21,709 | 3,412 |
| Deductible employee profit sharing | 3,105 | 2,474 |
| Allowance for doubtful accounts | 1,642 | 1,009 |
| Employee benefits | 1,093 | - |
| Other assets | 14,728 | - |
| Total deferred tax assets | 138,417 | 152,056 |
| Deferred tax liabilities: | | |
| Property, furniture and equipment | (735,180) | (711,607) |
| Prepaid expenses | (15,396) | (11,781) |
| Employee benefits | - | (274) |
| Other assets | - | (33,038) |
| Total deferred tax liabilities | (750,576) | (756,700) |
| Deferred tax liability, net | (612,159) | (604,644) |
| Deferred tax assets recognized in the consolidated statement of financial position | 207,148 | 278,108 |
| Deferred tax liabilities recognized in the consolidated statement of financial position | (819,307) | (882,752) |
| | **(612,159)** | **Ps. (604,644)** |

Deferred income tax assets and liabilities are presented in the consolidated statement of financial position based on the grouping of each consolidated legal entity given that the tax effects cannot be netted or offset between the different entities, since there is no legal mechanism that allows it.

As at December 31st, 2022, deferred tax liability balances in the amount of Ps. 40,382 of the subsidiary SIT were reclassified to "Liabilities held for sale" (see Note 6).

### f) Changes in temporary differences

| | January 1st, 2022 | Recognized in profit or loss | Reclassified to held for sale liabilities | December 31st, 2022 |
|---|---|---|---|---|
| Property, furniture and equipment | Ps. (711,607) | Ps. (70,200) | 46,627 | Ps. (735,180) |
| Available tax loss carryforwards | 109,822 | (41,141) | - | 68,681 |
| Liability provisions | 35,339 | (4,048) | (3,832) | 27,459 |
| Trade advances | 3,412 | 20,406 | (2,109) | 21,709 |
| Allowance for doubtful accounts | 1,009 | 633 | - | 1,642 |
| Employee benefits | (274) | 1,367 | - | 1,093 |
| Deductible employee profit sharing | 2,474 | 631 | - | 3,105 |
| Prepaid expenses | (11,781) | (3,829) | 214 | (15,396) |
| Other assets | (33,038) | 48,284 | (518) | 14,728 |
| | **Ps. (604,644)** | **Ps. (47,897)** | **Ps. 40,382** | **Ps. (612,159)** |

| | January 1st, 2021 | Recognized in profit or loss | December 31st, 2021 |
|---|---|---|---|
| Property, furniture and equipment | Ps. (826,388) | Ps. 114,781 | Ps. (711,607) |
| Available tax loss carryforwards | 80,767 | 29,055 | 109,822 |
| Liability provisions | 17,788 | 17,551 | 35,339 |
| Trade advances | 11,487 | (8,075) | 3,412 |
| Allowance for doubtful accounts | 914 | 95 | 1,009 |
| Allowance for impairment of long-lived assets | 26,041 | (26,041) | - |
| Employee benefits | 678 | (952) | (274) |
| Deductible employee profit sharing | 1,132 | 1,342 | 2,474 |
| Prepaid expenses | (14,604) | 2,823 | (11,781) |
| Other assets | (9,097) | (23,941) | (33,038) |
| | **Ps. (711,282)** | **Ps. 106,638** | **Ps. (604,644)** |

To assess the future recovery of deferred tax assets, Group management considers the probability of either a portion or the entire deferred tax asset not being realized in future years. The eventual realization of the Group's deferred tax assets will depend on whether the Group has taxable profit in the periods in which the temporary differences become deductible. Management's evaluation is based on the expected turnaround time of the Group's deferred liabilities, its projected future taxable profit, and its general tax planning strategies.

An analysis of deferred tax assets not recognized in the Group's consolidated financial statements is as follows:

| | 2022 | 2021 |
|---|---|---|
| **Available tax loss carryforwards** | **Ps. 1,350,811** | **Ps. 1,216,675** |

## 20. EQUITY AND RESERVES

An analysis of the Group's equity as at December 31st, 2022 and 2021 is as follows:

### a) Initial public offering

At an ordinary and extraordinary shareholders' meeting held on September 3rd, 2014, the shareholders agreed to change the type of entity of the Group to a publicly traded variable capital corporation (Sociedad Anónima Bursátil de Capital Variable), as well as to make a mixed public offering of shares in Mexico of up to 75,000,000 shares of Ps. 750,000 (Ps. 681,809, net of placement expenses and taxes), which took place on September 11st, 2014.

After the initial public offering, the share capital was represented by 275,500,000 common registered Series "II" shares with no par value, 207,500,000 of which corresponded to the Group's founders and 68,000,000 to the investing public.

### b) Subsequent public offering

At an extraordinary shareholders' meeting held on June 15th, 2016, the shareholders agreed to make a public offering of shares in Mexico and Chile of up to 215,625,000 shares, 215,584,530 of which were offered for Ps. 1,832,469 (Ps. 1,787,961, net of placement expenses and taxes). Such public offering took place on June 17th, 2016.

After the subsequent public offering, the share capital consisted of 491,084,530 common, registered shares with no par value, 264,612,635 of which correspond to the Group's founders and 226,471,895 to the investing public.

### c) Share capital increase

At an ordinary shareholders' meeting held on October 1st, 2020, the shareholders agreed to increase the Group's share capital by 125,000,000 common registered Class II shares with no par value, issued at a subscription price of Ps. 4.00 per share, for a total amount of Ps. 500,000.

After this capital increase, share capital is represented by 616,084,530 common registered shares with no par value. Fixed share capital is 0.0040% and variable share capital is 99.9960%, of which 103,498,713 shares correspond to the Group's founders and 512,585,817 shares to the investing public.

At an ordinary shareholders' meeting held on June 14th, 2022, the shareholders agreed to increase the variable portion of the Group's share capital by 100,000,000 common registered Class II shares with no par value, issued at a subscription price of $ 4.00 per share, for a total amount of Ps. 400,000.

After this capital increase, share capital is represented by 716,084,530 common registered shares with no par value. Fixed share capital is 0.0040% and variable share capital is 99.9960%, of which 104,977,992 shares correspond to the Group's founders and 611,106,538 shares to the investing public.

### d) Repurchase of shares

At ordinary and extraordinary shareholders' meetings held on September 3rd, 2014, the shareholders agreed to repurchase the Group's own shares up to an amount equal to the total balance of the Group's net profit, including retained earnings. The National Banking and Securities Commission allows companies to acquire their own shares on the market, provided that they are paid from their own retained earnings account.

The total net repurchased shares as at December 31st, 2022 were 5,513,808 shares, equal to 0.77% of the Group's total share capital.
Of the repurchased shares, 5,425,111 correspond to the fund for the share-based payment plan for the Group's executives implemented in 2016. As at December 31st, 2022, 88,697 shares were allocated to the repurchase fund. The market value of the shares as at December 31st, 2022 and 2021 is $ 4.80 pesos and $ 4.04 pesos, respectively, per share. The repurchased shares available for sale have been recognized as a decrease in share capital.

### e) Share-based payments

The Group has a trust for the purpose of purchasing its own shares for share-based payments offered to certain Group executives. The plan is for a three-year period and became effective on April 1st, 2016, and 20%, 30% and 50% of the shares will vest on the first, second and third anniversary, respectively. To participate in the share-based payment plan, the executive must have at least one year of seniority within the Group, be recommended by the executive committee and be working for the Group on the date of each anniversary. The plan allows for additions within its effective term, provided that such additions are subject to the same conditions. The Group's Board of Directors authorizes and grants the shares in the plan at least once a year to certain executives who are eligible under Group policies. The fair value for each share allocated in the plan is equal to the average market price of the share at the grant date.

The trust shares for the share-based payment plan as at December 31st, 2022 total 5,425,111 shares, with a market value of $ 4.80 pesos each as at December 31st, 2022.

### f) Share premium

The share premium represents the difference between the payment of the registered shares and their par value resulting from the share capital increase executed on February 26th, 2010.

### g) Legal reserve

In accordance with the Mexican Corporations Act, the Group is required to appropriate at least 5% of the net profit of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Group's share capital. As at December 31st, 2022 and 2021, the legal reserve is Ps. 190,493 and has not reached the required minimum.

Capital contributions (restated for inflation) may be returned to the Group's shareholders tax-free for up to the value of the Group's equity.

Dividends paid from earnings on which the Group has not yet paid income tax and other components of equity will be subject to income tax withholdings at the corporate income tax rate of 30%.

### h) Non-controlling interests

A summary of the most significant changes to the Group's non-controlling interests is as follows:

| Non-controlling interest: | 2022 Capital contributions/ (redemptions) | 2022 Profit/ (loss) |
|---|---|---|
| Mahekal Beach Resort, S.A. de C.V. | Ps. 306,608 | 7,420 |
| Inmobiliaria Hotelera del Bajio SF SA de CV | 8,086 | (2,024) |
| ICD SITRA SA de CV | (5,000) | 4,376 |
| SIBRA Vallarta SA de CV | 5,000 | 20,405 |
| Inmobiliaria Hotelera Insurgentes 724, SAPI de CV | - | 8,715 |
| Grupo Inmobiliario 1991 , SA de CV | - | (2,967) |
| Servicios Bajio, SA de CV | - | (6) |
| **Total** | **Ps. 304,694** | **Ps. 35,919** |

On July 14th, 2022, by means of resolutions adopted at a shareholders' meeting, the shareholders of ICD SITRA, S.A. de C.V. declared and paid a total cash dividend of Ps. 10,000, of which Ps. 5,000 correspond to shares not controlled by the Group.

### i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year. An analysis of the weighted average number of ordinary shares as at December 31st, 2022 and 2021 is as follows:

| | Number of shares 2022 | Number of shares 2021 |
|---|---|---|
| January 1st | Ps. 608,043,714 | Ps. 609,636,611 |
| Repurchase of shares | 2,527,008 | (1,592,897) |
| Shares issued | 100,000,000 | - |
| Ending balance of shares | 710,570,722 | 608,043,714 |
| Weighted average | 626,688,836 | 609,174,016 |
| Earnings/(loss) per share | 0.26 | (0.05) |

# 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### a) Credit or counterparty 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 principally from the Group's accounts receivable and investments in financial instruments. To mitigate this risk, the Group estimates its exposure to credit risk from its financial instruments.

### b) Exposure to credit risk

The carrying amount of the associated financial assets represents the Group's maximum exposure. An analysis of the Group's maximum exposure to credit risk at the reporting date is as follows:

| | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|
| Accounts receivable | Ps. 188,746 | Ps. 118,334 |
| Related parties | 15,462 | 11,927 |
| Other accounts receivable | 27,821 | 2,896 |
| Recoverable taxes | 530,169 | 422,428 |
| | Ps. 762,198 | Ps. 555,585 |

As at December 31st, 2022 and 2021, the Group's maximum exposure to credit risk related to trade receivables at the reporting date, by geographic region, is as follows:

| | Carrying amount 2022 | Carrying amount 2021 |
|---|---|---|
| Domestic | Ps. 77,433 | Ps. 43,183 |
| Other regions | 111,313 | 75,151 |
| | **Ps. 188,746** | **Ps. 118,334** |

As at December 31st, 2022 and 2021, the Group's maximum exposure to credit risk related to trade receivables at the reporting date, by type of counterparty, is as follows:

| | Carrying amount 2022 | 2021 |
|---|---|---|
| End-user customers | Ps. 65,770 | Ps. 48,869 |
| Wholesale customers | 122,976 | 69,465 |
| | **Ps. 188,746** | **Ps. 118,334** |

Impairment losses

An analysis of aging of trade receivables as at December 31st, 2022 and 2021 is as follows:

| | Gross 2022 | Impairment 2022 | Gross 2021 | Impairment 2021 |
|---|---|---|---|---|
| Current (not past due) | Ps. 161,095 | Ps. - | Ps. 98,153 | Ps. - |
| 1 to 30 days | 15,429 | - | 11,474 | - |
| 31 to 120 days | 7,187 | - | 5,338 | - |
| More than 120 days | 8,012 | (2,977) | 8,668 | (5,296) |
| | **Ps. 191,723** | **Ps. (2,977)** | **Ps. 123,633** | **Ps. (5,296)** |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | Ps. 5,296 | Ps. 3,451 |
| Increases during the year | 475 | 1,845 |
| Decrease | (1,032) | - |
| Effect of available-for-sale assets | (1,762) | - |
| **Ending balance** | **Ps. 2,977** | **Ps. 5,296** |

*Derivative financial instruments*

The fair value of derivative financial instruments represents the maximum credit exposure. An analysis is as follows:

| | Fair value 2022 | 2021 |
|---|---|---|
| *Amounts in thousands of Mexican pesos* | | |
| Interest rate options (3M LIBOR) | Ps. 3,508 | Ps. 922 |
| **BBVA Bancomer** | **Ps. 3,508** | **Ps. 922** |

## c) Liquidity risk

El riesgo de liquidez es el riesgo de que el Grupo no cuente con los fondos suficientes disponibles para cumplir con sus obligaciones relacionadas a sus pasivos financieros. El Grupo busca, en la medida de lo posible, monitorear estas obligaciones, tanto bajo condiciones normales como en escenarios estresados, a fin de no incurrir en pérdidas inaceptables o poner en riesgo la reputación del Grupo.

A continuación se muestran los vencimientos contractuales de los pasivos financieros, incluyendo deuda a corto y largo plazo, proveedores y cuentas por pagar a partes relacionadas. No se prevé que los flujos de efectivo que se incluyen en el análisis de vencimiento pudieran presentarse significativamente antes, o por montos sensiblemente diferentes.

| 2022 | Carrying amount | Contractual cash flows | 1 year | 2 years | 3 years | More than 3 years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Short- and long-term debt | Ps. 3,735,922 | Ps. 5,225,008 | Ps. 405,295 | Ps. 696,573 | Ps. 603,386 | Ps. 3,519,754 |
| Suppliers | 200,804 | 200,804 | 200,804 | - | - | - |
| Related parties | 530 | 530 | 530 | - | - | - |
| | **Ps. 3,937,256** | **5,426,342** | **Ps. 606,629** | **Ps. 696,573** | **Ps. 603,386** | **Ps. 3,519,754** |

| 2021 | Carrying amount | Contractual cash flows | 1 year | 2 years | 3 years | More than 3 years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Short- and long-term debt | Ps. 3,221,323 | Ps. 3,720,397 | Ps. 343,508 | Ps. 525,854 | Ps. 435,831 | Ps. 2,415,205 |
| Suppliers | 148,362 | 148,362 | 148,362 | - | - | - |
| Related parties | 15,687 | 15,687 | 15,687 | - | - | - |
| | **Ps. 3,385,372** | **Ps. 3,884,446** | **Ps. 507,557** | **Ps. 525,854** | **Ps. 435,831** | **Ps. 2,415,205** |

## d) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. To mitigate its market risks, the Group contracts derivative financial instruments. Since such derivatives do not qualify for hedge accounting, they are classified as held-for-trading.

Exposure to currency risk

An analysis of the Group's exposure to currency risk is as follows:

| | Amounts in thousands of U.S. dollars | |
|---|---|---|
| | **2022** | 2021 |
| Trade receivables | Ps. 13,360 | Ps. 1,520 |
| Secured bank loans | (153,775) | (131,358) |
| Suppliers | (4,247) | (1,259) |
| **Net exposure** | **Ps. (144,662)** | **Ps. (131,097)** |

The exchange rate used to translate the above amounts to Mexican pesos as at December 31st, 2022 and 2021 was $ 19.3615 pesos and $ 20.5157 pesos, respectively, per U.S. dollar. The exchange rate as at March 3rd, 2023 was $ 18.17. pesos per U.S. dollar.

*Foreign currency risk in derivatives*

The Group is exposed to foreign currency risk in its derivative financial instruments, which are denominated in U.S. dollars while the Group's functional currency is the Mexican peso. The Group's derivative financial instruments acquired from credit institutions are used solely for hedging purposes and not for trading purposes.

The Group does not have financial instruments to hedge against exchange rate fluctuations.

*Exposure to foreign currency risk*

An analysis of the Group's exposure to foreign currency risk arising from its derivative financial instruments denominated in U.S. dollars is as follows:

| **Amounts in thousands of U.S. dollars** | **2022** | 2021 |
|---|---|---|
| Interest rate options (3M LIBOR): | | |
| **BBVA Bancomer** | **Ps. 181** | **Ps. 45** |

The exchange rate used to translate the above amounts to Mexican pesos as at December 31st, 2022 and 2021 was $ 19.3615 pesos and $ 20.5157, pesos, respectively, per U.S. dollar.

*Sensitivity analysis*

A reasonably possible strengthening of the Mexican peso against the U.S. dollar as at December 31st, 2022 and 2021 would have affected net profit or loss by the amounts shown below.

This analysis is based on variances in the U.S. dollar-Mexican peso exchange rate that the Group considers to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. An analysis is as follows:

| 2022 | Profit or loss |
|---|---|
| USD (0.08% strengthening) | **Ps. 1,019** |

| 2021 | Profit or loss |
|---|---|
| USD (0.02% de fortalecimiento) | Ps. 236 |

Assuming all other variables remain constant, the effect of a weakening of the Mexican peso against the U.S. dollar as at December 31st, 2022 and 2021 would have given rise to an increase in the above amounts.

As at December 31st, 2022, the Group has no foreign currency hedging instruments.

## e) Interest rate risk

Interest rate fluctuations affect the fair value (fixed-rate instruments) or future cash flows (variable-rate instruments) of debt instruments. Group management does not have a formal policy in place to determine how much of its exposure should be at fixed or variable rates. However, when obtaining new loans, Management applies judgment to determine whether a fixed or a variable rate would be more favorable for the Group over the loan term.

### Profile

An analysis of the interest rate profile of the Group's financial instruments at the date of authorization of these consolidated financial statements is as follows:

| | Carrying amount | |
|---|---|---|
| | **2022** | 2021 |
| Variable-rate instruments | | |
| Financial liabilities in U.S. dollars | Ps. 3,011,782 | Ps. 2,694,904 |
| Financial liabilities in Mexican pesos | 724,140 | 533,885 |
| | **Ps. 3,735,922** | **Ps. 3,228,789** |

### Interest rate risk of derivative financial instruments

The Group is exposed to interest rate risk in derivative financial instruments due to potential interest rate fluctuations in the short and long term.

### Exposure to interest rate risk

An analysis of the Group's exposure to interest rate risk arising from its derivative financial instruments is as follows:

| | Carrying amount | |
|---|---|---|
| | **2022** | 2021 |
| Interest rate options (3M LIBOR) | Ps. 3,508 | Ps. 922 |
| BBVA Bancomer | **Ps. 3,508** | **Ps. 922** |

### Fair value sensitivity analysis for fixed-rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

| Profit or loss: | 100 bp increase | 100 bp decrease |
|---|---|---|
| **2022** | | |
| Variable-rate debt | 18,208 | (18,208) |

### Book classification and fair value of derivative financial instruments

*Fair value and amortized cost*

An analysis of the fair value of financial assets and financial liabilities and amortized cost is as follows:

| | Carrying amount | Fair value |
|---|---|---|
| Balance as at December 31st, 2022 | | |
| Interest rate options (3M LIBOR) | | |
| BBVA Bancomer | Ps. 3,508 | Ps. 3,508 |
| **Total derivative financial instruments** | **Ps. 3,508** | **Ps. 3,508** |

| | Carrying amount | Fair value |
|---|---|---|
| Balance as at December 31st, 2021 | | |
| Interest rate options (3M LIBOR) | | |
| BBVA Bancomer | Ps. 922 | Ps. 922 |
| **Total derivative financial instruments** | **Ps. 922** | **Ps. 922** |

Fair value hierarchy

The Group determines fair value using the following fair value hierarchy, which reflects the importance of the variables used when making the respective measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes financial instruments measured using quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other valuation techniques where all significant inputs for the asset or liability are observable, either directly or indirectly, based on market data.
- Level 3: valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique considers factors that are not based on observable data and non-observable factors can have a significant effect on the measurement of the instrument. This category includes financial instruments that are measured based on quoted prices for similar financial instruments with significant unobservable adjustments or that require inputs to reflect the differences between the instruments.

An analysis of the fair values of financial instruments as at December 31st, 2022 and 2021 based on the fair value hierarchy is as follows:

| **December 31st, 2022** | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Interest rate options (3M LIBOR) | Ps. - | Ps. 3,508 | Ps. - |
| **Total derivative financial instruments** | **Ps. -** | **Ps. 3,508** | **Ps. -** |

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Bank loans in U.S. dollars | Ps. - | Ps. 2,983,616 | Ps. - |
| Bank loans in Mexican pesos | - | 752,306 | - |
| **Total bank loans** | **Ps. -** | **Ps. 3,735,922** | **Ps. -** |

| December 31st, 2021 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Interest rate options (3M LIBOR) | Ps. - | Ps. 922 | Ps. - |
| **Total derivative financial instruments** | **Ps. -** | **Ps. 922** | **Ps. -** |

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Bank loans in U.S. dollars | Ps. - | Ps. 3,050,990 | Ps. - |
| Bank loans in Mexican pesos | - | 438,426 | - |
| **Total bank loans** | **Ps. -** | **Ps. 3,489,416** | **Ps. -** |

## 22. PERSONNEL EXPENSES

An analysis of personnel expenses for the years ended December 31st, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Wages and salaries | Ps. 537,458 | Ps. 403,452 |
| Year-end bonus | 24,973 | 17,245 |
| Bonuses | 21,400 | 2,333 |
| Compensations | 16,607 | 9,687 |
| | **Ps. 600,438** | **Ps. 432,717** |

## 23. OPERATING LEASES

### a) Leases as lessee Arrendamientos como arrendatario

The Group leases the property where its offices are located under an operating lease agreement. These leases are generally for an initial period of five years, with an option to renew the lease for additional three-year periods. The lease agreement expires in November 2022. Rent payable under these leases usually increases annually to reflect market prices.

An analysis of future rental payments under operating leases is as follows:

| | 2022 | 2021 |
|---|---|---|
| Less than one year | Ps. 8,000 | Ps. 6,658 |
| One to three years | - | - |
| | **Ps. 8,000** | **Ps. 6,658** |

For the years ended December 31st, 2022 and 2021, the Group recognized expenses of Ps. 7,855 and Ps. 7,854, respectively, relating to lease agreements in profit or loss.

### b) Leases as lessor

The Group leases out a portion of its property under operating lease agreements. An analysis of minimum future lease payments under non-cancellable operating leases is as follows:

| | 2022 | 2021 |
|---|---|---|
| Less than one year | Ps. 8,732 | Ps. 10,849 |
| One to five years | 12,367 | 21,700 |
| | **Ps. 21,099** | **Ps. 32,549** |

For the years ended December 31st, 2022 and 2021, the Group recognized rental income under operating leases of Ps. 12,827 and Ps. 10,849, respectively, in profit or loss.

## 24. CONTINGENCIES

### a) Litigations

Some of the Group's subsidiaries are party to various labor lawsuits and claims arising in the normal course of operations. Group management does not believe that the outcome of these lawsuits will have a material effect on its financial position or future operating results.

### b) Tax environment

In accordance with the current Mexican tax laws, the Group's income tax returns are open to review by the tax authorities for a period of five years from the date they are filed.

In accordance with the MITL, companies that carry out transactions with related parties are subject to tax restrictions and obligations with respect to the determination of the prices charged, since such prices should be similar to the prices that would have been used with or between independent parties in comparable transactions.

Should the tax authorities review and reject the Group's intercompany pricing, they may demand payment of the omitted taxes, plus restatements and surcharges, as well as fines for amounts of up to 100% of the restated omitted taxes.

## 25. COMMITMENTS

**a)** On October 12nd, 2020, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with SBE Hotel Management LLC, for the operation of a hotel with 45 rooms, which will be sold under the "SLS Hotel and Residences" brand name. The hotel started up operations on February 9th, 2021.

**b)** On February 23rd, 2020, Hotelera SF, S. de R.L. de C.V. (the Operator) entered into hotel management and operation agreements with Hotelera Chicome, S.A. de C.V., Hotelera Caracol, S.A. de C.V. and Promotora Turística Mexicana, S.A. de C.V. (the Owners), whereby the Owners entrust the Operator with, and the Operator agrees and undertakes to carry out, the management and operation of the hotels, which will be sold under the "Krystal" brand name. These agreements are for a ten-year term beginning on February 23rd, 2020.

**c)** As indicated in Note 13, as at December 31st, 2022 the Group has certain commitments related to construction and improvements in some of its hotels.

**d)** On March 13rd, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Servicios Integrales PIN, S.A.P.I. de C.V., to operate a hotel in the city of Irapuato, Guanajuato, under the "Ibis" brand name.

**e)** On January 18th, 2017, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Desarrollos Urbanísticos IVC, S.A. de C.V. to operate a hotel under the "AC By Marriot" brand name starting in 2020.

**f)** On March 17th, 2016, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Operadora Inca, S.A. de C.V., to operate a hotel in the city of Monterrey, Nuevo Leon, under the "Krystal" brand name.

**g)** On December 22nd, 2015, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Servicios Hoteleros Metropolitanos, S.A. de C.V., for the management and operation of the hotel, which will be sold under the "Krystal Urban Aeropuerto Ciudad de México" brand name.

**h)** On January 15th, 2014, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with Consorcio Hotelero Aeropuerto Monterrey, S.A.P.I de C.V. to operate a hotel in the city of Monterrey, Nuevo Leon, under the "Hilton Garden" brand name.

**i)** On June 17th, 2013, Hotelera SF, S. de R.L. de C.V. entered into a hotel management and operation agreement with the owner of a property in the state of Tabasco, for the management and operation of the hotel, which will be sold under the "Hampton Inn & Suites" brand name.

## 26. OTHER INCOME AND EXPENSES

An analysis of the Group's other income and expenses caption for the year ended December 31st, 2022 is as follows:

| | For the year ended December 31st, 2022 |
|---|---|
| **Income:** | |
| Reversal of provisions | Ps. 8,573 |
| Dividends received | 7,200 |
| Unidentified deposits | 5,451 |
| Sundry revenue | 5,449 |
| | Ps. 26,673 |
| **Expenses:** | |
| Expenses for change in brand name | Ps. 10,467 |
| Cancellation of contracts | 9,477 |
| Tax restatement | 1,325 |
| Other expenses | 1,737 |
| | Ps. 23,006 |
| | **Ps. 3,667** |

## 27. FOREIGN EXCHANGE GAIN/(LOSS), NET

An analysis of the Group's foreign exchange gain/(loss), net, for the years ended December 31st, 2022 and 2021 is as follows:

| | For the year ended December 31st, | |
|---|---|---|
| | **2022** | 2021 |
| Foreign exchange gain | Ps. 383,196 | Ps. 421,424 |
| Foreign exchange loss | (276,393) | (509,480) |
| | **Ps. 106,803** | **Ps. (88,056)** |

## 28. RELEVANT FINANCIAL INFORMATION (UNAUDITED) – CALCULATION OF ADJUSTED EBITDA*

Adjusted EBITDA represents the result of recurring transactions before taxes, net financing cost, depreciation, amortization and non-recurring items in order to present the Group's consolidated net profit or loss. An analysis is as follows:

| | **2022** | 2021 |
|---|---|---|
| Operating profit | Ps. 354,589 | Ps. 69,680 |
| Depreciation and amortization | 281,203 | 265,058 |
| Hotel acquisition and opening expenses | 18,102 | 25,619 |
| Major maintenance and other non-recurring expenses | 95,257 | 40,298 |
| **Adjusted EBITDA** | **Ps. 749,151** | **Ps. 400,655** |

This information is presented for further analysis purposes only and is not a required disclosure under IFRS for the appropriate presentation of the Group's financial position, operating results or cash flows.

*EBITDA: Earnings before interest, taxes, depreciation and amortization.

# TABASCO

**HOTELS**
**1**
HAMPTON INN & SUITES PARAÍSO TABASCO

**ROOMS**
**117**

**RESTAURANTS**
**1**
Del Rio

**BARS**
**1**
Bar La Piragua

**LOCATION**

# Information for
# INVESTORS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SÚPER EMPRESAS EXPANSIÓN 2022 TOP companies

SÚPER EMPRESAS PARA MUJERES EXPANSIÓN 2022 TOP companies

cotiza en Bolsa Mexicana HOTEL

ESR Empresa Socialmente Responsable

THE GLOBAL COMPACT
APOYAMOS EL PACTO GLOBAL

The information provided in this report contains certain forward-looking statements related to 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 managers, as well as on assumptions and information currently available to the Company. Such statements reflect the current view of HOTEL in regard to future events subject to certain risks, uncertainties, and assumptions. Several factors may cause the results, performance, or current achievements of the Company to differ materially with respect to future results, performance, or achievements of HOTEL that may be included, express or implied, within such statements in regard to the future, including, among others: changes in general economic conditions and/or politics, government, and commercial changes globally and within the countries in which the Company has any business interests, changes in interest rates and inflation, exchange rate volatility, changes in the demand for and regulation 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 matters. If one or more of these risks or uncertainties materialize, or if the assumptions are incorrect, actual results may differ materially from those described herein as anticipated, believed, expected, or envisioned HOTEL undertakes no obligation to update or revise any forward-looking statements.