ANNUAL REPORT **2019**

9 YEARS OF CONFIDENT STEPS FORWARD

SantaFe
grupo | hotelero

CORPORATE PROFILE

We are one of the leading companies in Mexico's hotel industry, with a focus on acquiring beach and urban hotels in the main domestic tourist destinations, converting property use, and signing operating and development agreements in locations that fully justify this type of measure.

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

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

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

Our operating model is characterized by the multi-functional efficiency of our personnel and strict expense control, which allows us to move quickly, and to adapt to the changing needs of the industry.

Our strategy seeks to grow our hotel platform in Mexico with a clear focus on the Krystal brand, prioritizing the principal markets in the country in four-star hotels, five-star hotels, and in the Grand Tourism category. We also focus on efficiently managing our portfolio of hotels, and supporting the growth of sales and profits by optimizing our assets.

HILTON PUERTO VALLARTA RESORT
Puerto Vallarta, Jalisco

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MISSION

To provide our guests and clients with enjoyable and unforgettable experiences, through employees who are passionate about providing quality service, which, together with good management, allows us to generate the profitability expected by our partners, shareholders and investors.

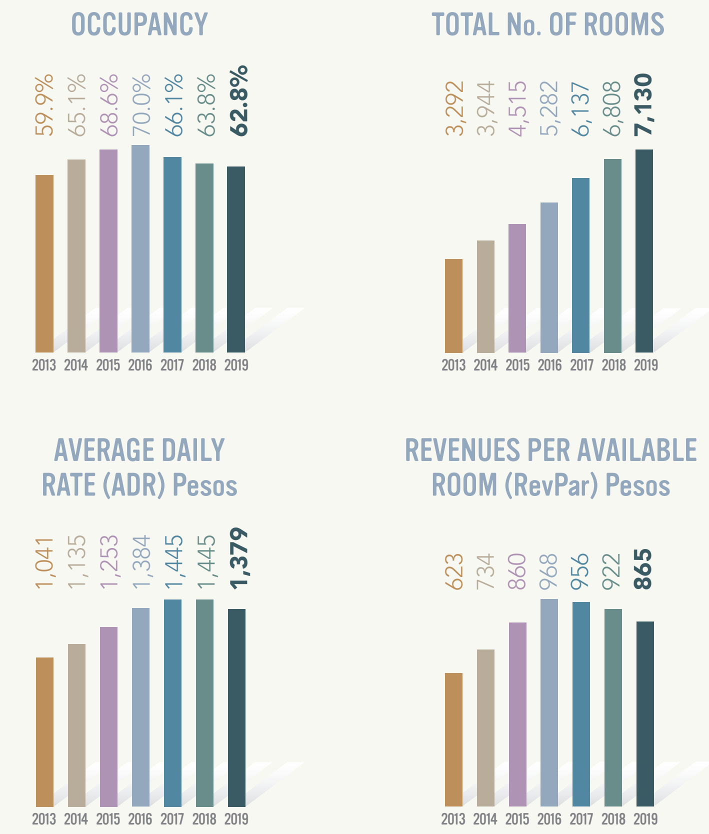
VISION

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

KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

KEY FIGURES

INCOME STATEMENT	2019	2018	% VAR
Numbers in thousands of pesos			
Room Revenues	**1,096,658**	1,105,587	(0.8)
Revenues from Food and Beverages	**860,367**	731,512	17.6
Other Hotel Revenues	**204,120**	157,305	29.8
Third-Party Hotel Management Fees	**76,756**	70,537	8.8
Total Revenues	**2,237,902**	2,064,941	8.4
Operating Costs and Expenses	**1,019,971**	891,123	14.5
Administrative & Sales Exp.	**535,883**	468,381	14.4
Other Expenses	**36,477**	29,643	23.1
Depreciation and Amortization	**237,293**	196,367	20.8
Total Costs and Expenses	**1,829,625**	1,585,514	15.4
Total Non-Recurring Expenses	**29,528**	28,872	2.3
EBITDA	**645,570**	675,794	(4.5)
EBITDA Margin (%)	**28.8%**	32.7%	(3.9 pt)
Operating Income	**378,749**	450,555	(15.9)
Operating Income Margin (%)	**16.9%**	21.8%	(4.9 pt)
Net Financial Cost Income	**(108,655)**	(137,535)	(21.0)
Tax	**108,422**	46,655	NA
Net Income	**164,042**	267,337	(38.6)
Net Income Margin (%)	**7.3%**	12.9%	(5.6 pt)
Earnings from:			
Company Owners	**179,364**	265,949	(32.6)
Non-Controlling Interest	**(15,322)**	1,387	NA




KRYSTAL BEACH ACAPULCO
Acapulco, Guerrero

7,130

ROOMS

in the portfolio at the end of 2019, which was a 4.7% increase over 2018.

HILTON HOTELS & RESORTS GUADALAJARA
Guadalajara, Jalisco

REFELCT KRYSTAL GRAND NUEVO VALLARTA
Puerto Vallarta, Jalisco

29

HOTELS IN 2019

Since our Initial Public Offering, we have more than doubled the number of hotels in our portfolio (including hotels in development and under construction)

KRYSTAL URBAN AEROPUERTO
Mexico City

THE HACIENDA BY HILTON PUERTO VALLARTA
Puerto Vallarta, Jalisco

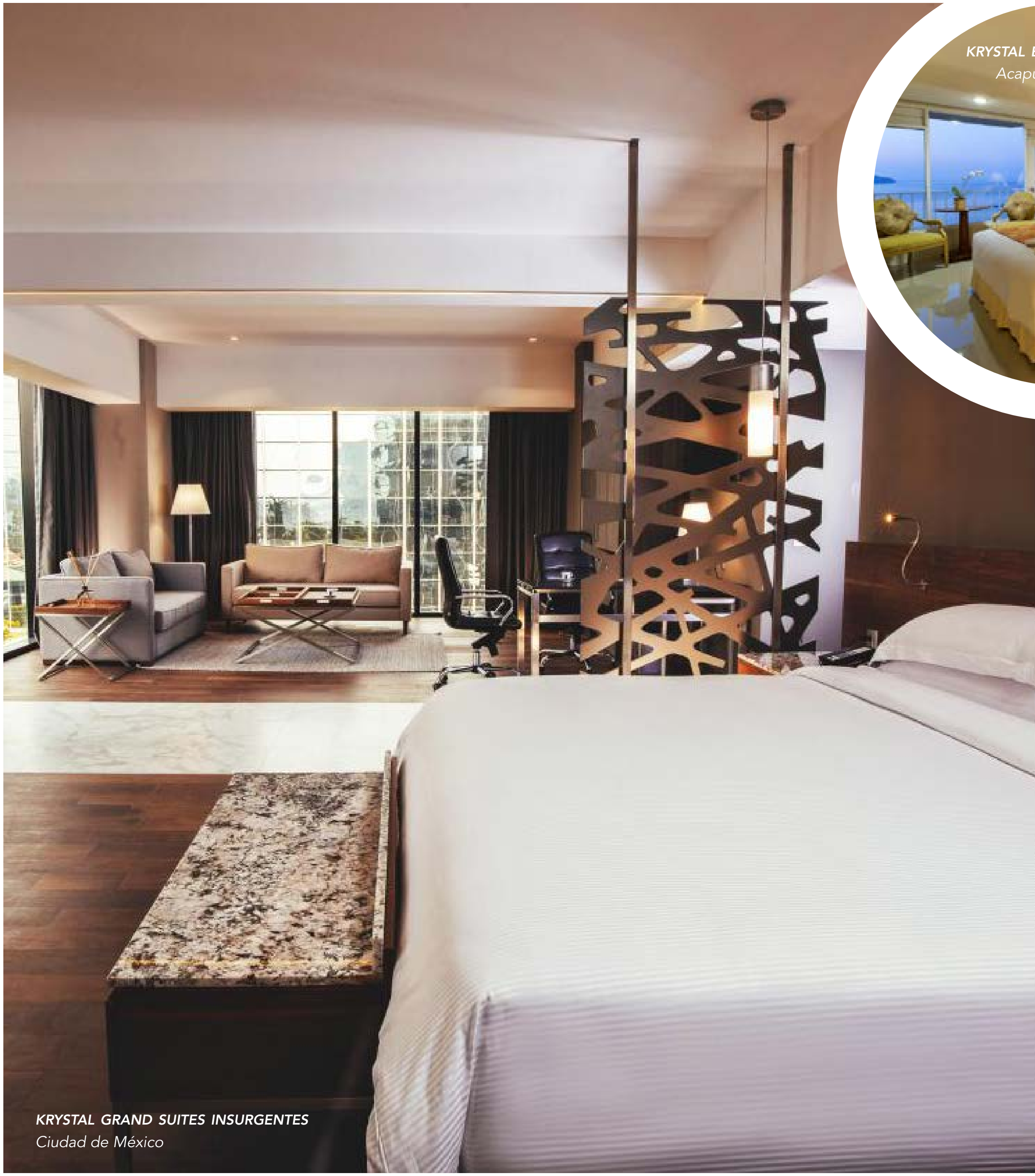
HILTON HOTELS & RESORTS PUERTO VALLARTA
Puerto Vallarta, Jalisco

KRYSTAL URBAN GUADALAJARA
Guadalajara, Jalisco

3,700

COMMITTED EMPLOYEES

Sustainable development at Grupo Hotelero Santa Fe is one of the main pillars in developing the Company’s most important asset, its people.



KRYSTAL GRAND SUITES INSURGENTES
Ciudad de México

KRYSTAL BEACH ACAPULCO
Acapulco, Guerrero

Of the 7,130 rooms in the portfolio, 61% are KRYSTAL brand, with a total of

4,340

ROOMS

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Although 2019 was a challenging year for Grupo Hotelero Santa Fe and the entire hotel industry, our revenues grew more than 8%, compared to 2018. It was thanks to the work of our employees and their commitment that we were able to achieve these results. Our profitability decreased less than 5% in EBITDA in 2019, due to external factors, as well as lower profitability at our Reflect Krystal Grand properties.

At the beginning of 2019, we announced the signature of a second franchise agreement with Hyatt for the Hyatt Regency Insurgentes Mexico City. This hotel, which is in the Grand Tourism category, will have 250 rooms, and will be located on Insurgentes Sur, in front of the World Trade Center and Polyforum Siqueiros. This mixed-used property will also have a food court, commercial areas, residential, and parking.

During the year we also announced two operating contracts. The first was for AC HOTEL by Marriott Santa Fe, with 168 rooms located in the Santa Fe area. The second was for the Courtyard by Marriott Puebla, with 154 rooms located in the city of Puebla. The Company will continue looking for investment opportunities in hotels and properties so that they can be analyzed for acquisition, conversion, development and operating contracts for hotels that are owned by third parties, as part of our ordinary course of business.

We have a very solid expansion plan that is congruent with the Company's strategy. At HOTEL, our focus is very clear: to continue with disciplined growth, adding value to each property we add to our portfolio.

Carlos Gerardo Ancira Elizondo
Chairman of the Board of Directors

MESSAGE FROM THE CEO

The year 2019 was a complicated one for the Mexican economy as a whole, and for the tourism sector in general. Our annual results did not meet our expectations, mainly due to external factors. Tourism in both vacation destinations and in urban areas continued to be less dynamic. At vacation destinations, the main adverse factor was deceleration of international tourism, which began at the end of last year, due to the combined effect of sargassum seaweed on the beaches of Cancún and the Mayan Riviera, and the perception that certain locations were less safe. However, the tourist destinations in the Pacific zone, such as Puerto Vallarta and Los Cabos, recorded positive results, as they received travelers who opted for these destinations instead of the Mexican Caribbean, due to the reasons stated. In urban areas the deceleration in economic activity continued to impact room reservations in several segments, including congresses and conventions, as well as corporate and government clients. The latter segment not only includes government entities, but also the external consultants and service providers that serve this segment.

Delving deeper into our annual performance, the results were also impacted by the factors mentioned previously, in combination with performance at the Reflect Krystal Grand properties, which were also impacted by the same issues, putting downward pressure on our results throughout the year. Total revenues in 2019 were Ps. 2,237.9 million, which was 8.4% higher than in 2018. EBITDA, however, was Ps. 645.6 million, 4.5% lower than in 2018, due mainly to slower growth as mentioned above, in conjunction with below-expected results at the Reflect Krystal Grand properties. This all impacted our margins, since this brand has extremely high standards of service, and therefore higher operating costs; however the expected increase in room rates did not materialize. In relation to our own hotels, the RevPAR contracted 8.2%, due to the combined effect of a 7.4% decrease in the ADR, and a contraction of 0.5% in the occupancy rate.

Without question the achievements of this year are the product of the enormous efforts of our more than 3,700 employees, who are our MAIN ASSET. I would like to thank our shareholders for their trust, and for being part of this great story. You may all be sure that we will continue working diligently to fulfill the objectives that our clients have enjoyable and unforgettable experiences.

Francisco Medina Elizalde
Chief Executive Officer

OUR HOTELS

Grupo Hotelero Santa Fe is present in

18

CITIES

throughout Mexico.

MEXICO CITY AND METROPOLITAN AREA

1 Krystal Urban Aeropuerto Ciudad de México
2 Krystal Satélite María Bárbara
3 Krystal Grand Suites
4 Hyatt Regency Insurgentes Mexico City
5 AC Hotel by Marriott Santa Fe

MONTERREY

6 Krystal Urban Monterrey
7 Hilton Garden Inn Monterrey Aeropuerto
8 Krystal Monterrey
9 AC By Marriot Distrito Armida

GUADALAJARA

10 Hilton Guadalajara
11 Krystal Urban Guadalajara

CANCÚN AND THE RIVIERA MAYA

12 Krystal Resort Cancún
13 Reflect Krystal Grand Punta Cancún
14 Krystal Urban Cancún Centro
15 Breathless Tulum Resort & Spa

PUERTO VALLARTA AND NUEVO VALLARTA

16 Krystal Resort Puerto Vallarta
17 Hilton Puerto Vallarta
18 Reflect Krystal Grand Nuevo Vallarta

LOS CABOS

19 Reflect Krystal Grand Los Cabos

LEÓN

20 Hyatt Centric Campestre León

IXTAPA

21 Krystal Resort Ixtapa

AGUASCALIENTES

22 Hyatt Place Aguascalientes

ACAPULCO

23 Krystal Beach Acapulco

ZACATECAS

24 Curio Collection By Hilton Zacatecas

IRAPUATO

25 Ibis Irapuato

TOLUCA

26 Doubletree By Hilton Toluca

TABASCO

27 Hampton Inn & Suites Paraíso, Tabasco

CIUDAD JUÁREZ

28 Krystal Urban Ciudad Juárez

PUEBLA

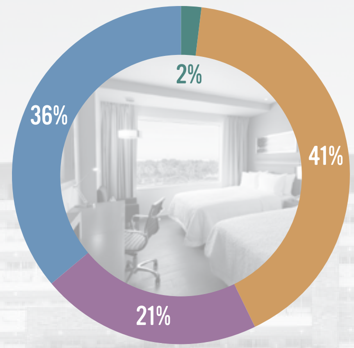
29 Courtyard by Marriott Puebla

PORTFOLIO OF HOTELS

No.	Property	Total Rooms	Property	Type	Category	Months in Operation	Stabilized	City	State
1	Hilton Guadalajara	450	100%	Urban	Grand Tourism	>36	Yes	Guadalajara	Jalisco
2	Krystal Urban Monterrey	150	100%	Urban	4 stars	>36	Yes	Monterrey	Nuevo León
3	Krystal Urban Cd. Juárez	120	100%	Urban	4 stars	>36	Yes	Ciudad Juárez	Chihuahua
4	Krystal Urban Cancún	246	100%	Urban	4 stars	>36	Yes	Cancún	Quintana Roo
5	Krystal Satélite María Bárbara	215	100%	Urban	5 stars	>36	Yes	Estado de México	Estado de México
6	Hilton Garden Inn Monterrey Aeropuerto	134	15%	Urban	4 stars	>36	Yes	Monterrey	Nuevo León
7	Hampton Inn & Suites Paraíso Tabasco	117	-	Urban	4 stars	>36	Yes	Paraíso	Tabasco
8	Krystal Urban Aeropuerto Ciudad de México	96	-	Urban	4 stars	>36	Yes	Mexico City	Federal District
9	Krystal Urban Guadalajara	140	100%	Urban	4 stars	>36	Yes	Guadalajara	Jalisco
10	Krystal Monterrey	207	-	Urban	5 stars	>36	Yes	Monterrey	Nuevo León
11	Ibis Irapuato	140	-	Urban	3 stars	31	In Process	Irapuato	Guanajuato
12	Krystal Grand Suites Insurgentes	150	50%	Urban	Grand Tourism	26	In Process	Mexico City	Mexico City
13	Hyatt Centric Campestre León	140	50%	Urban	Grand Tourism	16	In Process	León	Guanajuato
14	Hyatt Place Aguascalientes	144	-	Urban	4 stars	10	In Process	Aguascalientes	Aguascalientes
15	DoubleTree by Hilton Toluca	142	-	Urban	4 stars	7	In Process	Toluca	Estado de México
16	AC Hotel by Marriott Santa Fe	168	-	Urban	4 stars	5	In Process	Mexico City	Federal District
17	Courtyard by Marriott Puebla	154	-	Urban	4 stars	5	In Process	Puebla	Puebla
Subtotal Urban		**2,913**							
18	Krystal Resort Cancún	502	-	Beach	5 stars	>36	Yes	Cancún	Quintana Roo
19	Krystal Resort Ixtapa	255	-	Beach	5 stars	>36	Yes	Ixtapa	Guerrero
20	Krystal Resort Puerto Vallarta	530	-	Beach	5 stars	>36	Yes	Puerto Vallarta	Jalisco
21	Hilton Puerto Vallarta Resort	451	100%	Beach	Grand Tourism	>36	Yes	Puerto Vallarta	Jalisco
22	Krystal Beach Acapulco	400	100%	Beach	4 stars	>36	Yes	Acapulco	Guerrero
23	Reflect Krystal Grand Punta Cancún	395	100%	Beach	Grand Tourism	>36	Yes	Cancún	Quintana Roo
24	Reflect Krystal Grand Los Cabos	454	50%	Beach	Grand Tourism	31	In Process	Los Cabos	Baja California Sur
25	Reflect Krystal Grand Nuevo Vallarta	480	50%	Beach	Grand Tourism	26	In Process	Nuevo Vallarta	Nayarit
Subtotal Beach		**3,467**							
Total in Operation		**6,380**							
26	Hyatt Regency Insurgentes Mexico City	250	50%	Urban	Grand Tourism			Mexico City	Federal District
27	AC by Marriott Distrito Armida	168	-	Urban	4 stars			Monterrey	Nuevo León
28	Curio Collection Zacatecas	32	-	Urban	Boutique			Zacatecas	Zacatecas
29	Breathless Tulum Resort & Spa	300	-	Beach	Grand Tourism			Tulum	Quintana Roo
Total under Construction		**750**							
Total		**7,130**							

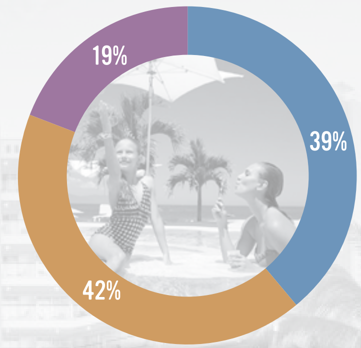
The following graphs summarize the composition of the hotel portfolio in terms of rooms in operation and rooms in development (including construction and conversion) at the close of 2019:

PROPERTY
(Number of rooms)



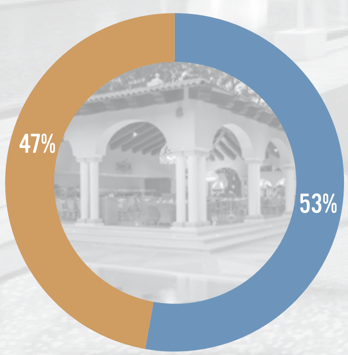
2,955 Third Party
2,567 Wholly Owned
1,474 50% Owned
134 Joint Venture

BRAND
(Number of rooms)



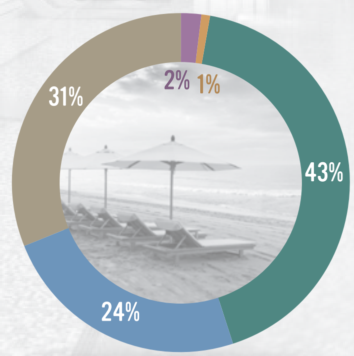
3,011 Krystal
1,329 Reflect Krystal Grand
2,790 Others

SEGMENT
(Number of rooms)



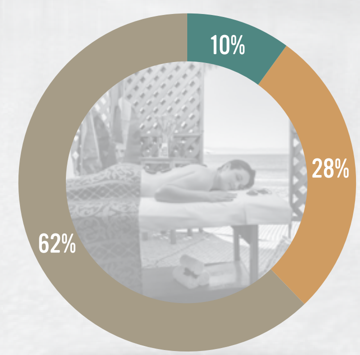
3,767 Beach
3,363 Urban

CATEGORY
(Number of rooms)



32 Boutique
140 3 Stars
2,179 4 Stars
1,709 5 Stars
3,070 Grand Tourism Category

STABILIZATION
(Number of rooms)



750 In Development
1,972 In Maturation Process
4,408 Stabilized

BRAND SEGMENTATION

REFLECT
KRYSTAL GRAND

CO-BRANDING WITH THE REFLECT BRAND

Enjoy beautiful seaside vacations, with a variety of restaurants, attractive amenities, friendly service, and a wide variety of activities and entertainment, all so you can create memories that will last forever. With Unlimited-Luxury ®, everything and more is included – all you have to do is sit back and enjoy and reflect.

Seaside Vacations

KRYSTAL
GRAND

OUR HIGHEST QUALITY, AT KRYSTAL HOTELS

We provide a Grand Tourism category experience, with the highest-quality products and services for demanding travelers. It is the benchmark in every location where there is a Krystal Hotel.

Spoil Yourself

KRYSTAL
hotel & resort

THE TRADITIONAL KRYSTAL QUALITY

Krystal's five-star hotels are in the main destinations throughout Mexico. With 35 years of history, this brand has made significant renovations to its hotels in recent years, and has become a favorite brand among Mexican and international travelers alike who want to experience the country's local character. This brand provides a wide gamut of choices for rest, fun, and business.

Meaningful Travel

KRYSTAL
URBANHOTELS

THE LATEST DEVELOPMENTS IN THE KRYSTAL FAMILY

Business travelers are ever-more demanding. This type of guest wants to have a modern experience, at unforgettable locations with personalized service. We provide a comfortable and functional product through which we enable guests to make the very best use of their time.

Redefine Business

KRYSTAL
BEACH

FAMILY VACATIONS

This is the brand most focused on family time, providing unforgettable experiences for the youngest in the family. In the four-star segment, it is an extraordinary alternative at beach destinations.

Family Escape

GROWTH

Continuing on the trajectory of growth, total revenues increased 8.4% over 2018, totaling

$2.237 BILLION

REFELCT KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

EFFORT AND DEDICATION FOCUSED ON DEVELOPMENT AND

SUSTAINABILITY

The outstanding performance of Grupo Hotelero Santa Fe would not be possible without the work, tenacity and imagination of its more than

3,700 EMPLOYEES

KRYSTAL BEACH ACAPULCO
Acapulco, Guerrero

OUR SUSTAINABILITY STRATEGY

In Sustainability matters we have a clear vision: to have a responsible and proactive culture with shared values at each of our operations. To achieve this we have been working for five years to implement a solid strategy, which has necessitated establishing short-, medium- and long-term goals.

Since the outset of strategic implementation of Sustainability, Grupo Hotelero Santa Fe created a Sustainability Committee that is responsible for formulating plans and making relevant decisions for the Company's socially responsible performance. It also has a Social Responsibility Committee (SRC) at each hotel, which is headed by Corporate Social Responsibility Coordination, in conjunction with the committees at each hotel, which are coordinated by a "Key Leader."

These groups are comprised of personnel responsible for each basic issue: Quality of Life, the Environment, Ethics and Providers, and Community Involvement.

IBIS IRAPUATO
Irapuato, Guanajuato

ORGANIZATIONAL CHART OF THE SUSTAINABILITY COMMITTEE

FRANCISCO ZINSER
Chairman of the SRC Committee

FRANCISCO MEDINA
Vice Chairman

ANA LUCÍA RODHAS
General Coordination

HOTEL COMMITTEES

HEAD: ALEJANDRO ABAID
Corporate Ethics Sub-Committee

HEAD: JUAN C. QUIJANO
Quality of Life Sub-Committee

HEAD: MAXIMILIAN ZIMMERMANN
Community Involvement Sub-Committee

HEAD: IGNACIO GARAY
Environment Sub-Committee

ORGANIZATIONAL CHART OF THE SOCIAL RESPONSIBILITY COMMITTEE

SRC CORPORATE COORDINATION

KEY LEADER

COMMUNITY INVOLVEMENT COMMITTEE

ENVIRONMENTAL COMMITTEE

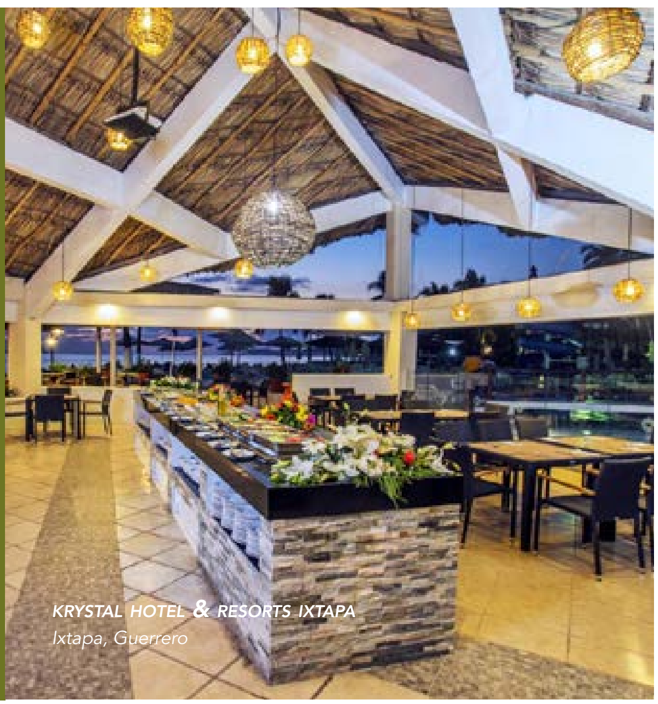
QUALITY OF LIFE COMMITTEE

ETHICS COMMITTEE

MATERIALITY STUDY

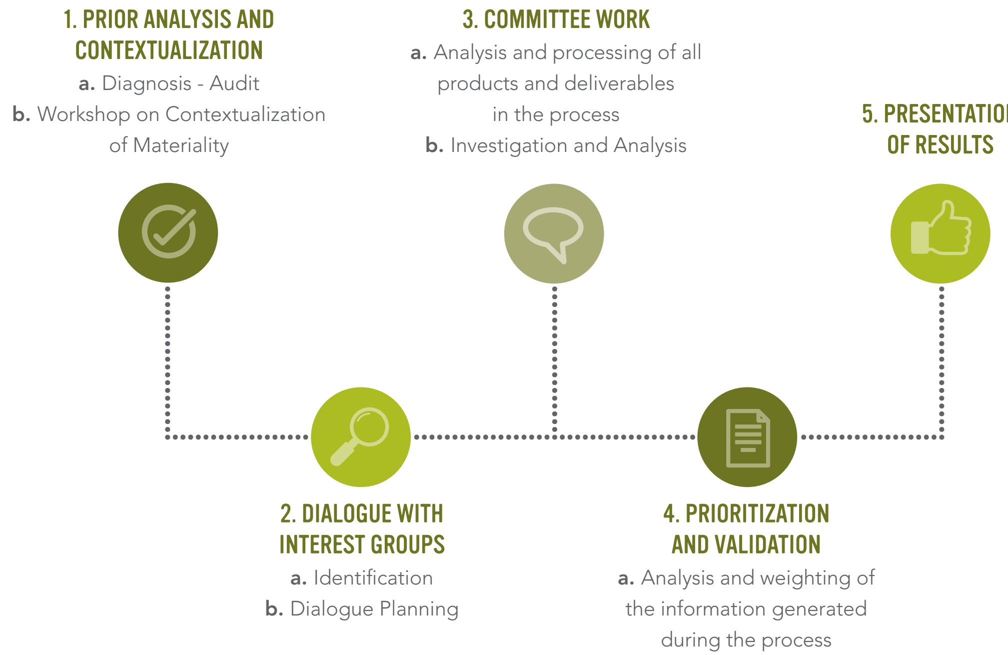
As we shared with our interest groups in the previous report, in 2018 and 2019 we performed a Materiality Study. This allowed us to identify the most relevant issues according to our business strategy, operations, impacts, and the expectations of our interest groups.

The results of this study provided us with high-quality information, and also a matrix of relevant issues on which Grupo Hotelero Santa Fe should not only focus, but also implement initiatives, performance indicators, and present and future commitments, focusing on long-term consolidation of best practices.



KRYSTAL HOTEL & RESORTS IXTAPA
Ixtapa, Guerrero

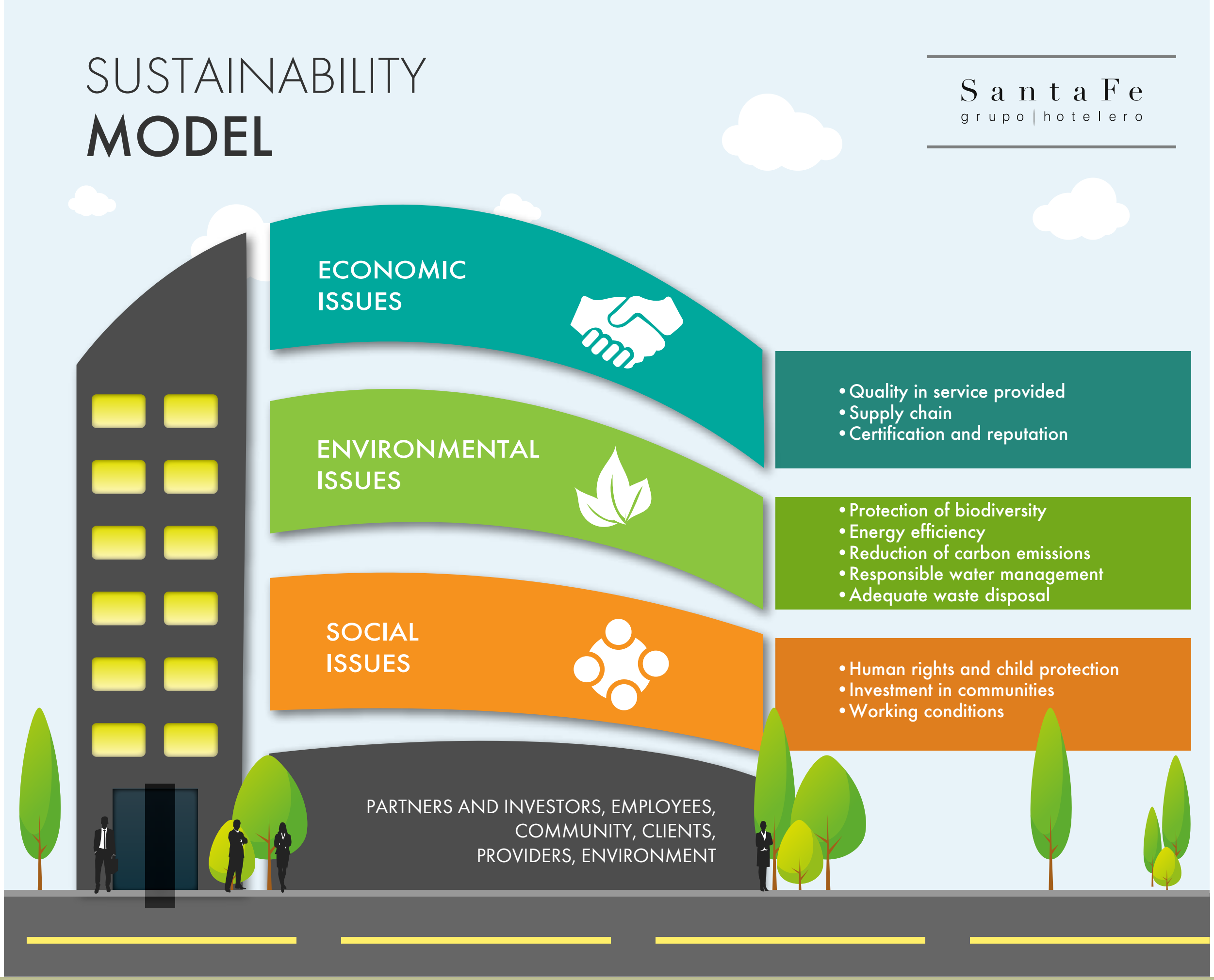
ORGANIZATIONAL CHART OF THE SUSTAINABILITY COMMITTEE



KRYSTAL SATELITE MARÍA BARBARA
Ciudad Satélite, Estado de México

Our Sustainability Model

Defining the relevant issues for Grupo Hotelero Santa Fe brought with it a new stage of maturation and new challenges in implementation of policies, programs and protocols, which facilitated definition of baselines (indicators that would be measured for the first time) within the organization.



THE COMMUNICATION MODEL WITH OUR INTEREST GROUPS

Through the Materiality Study and discussions with interest groups, the priority issues for each relevant player were identified, and a communication model was defined, which is presented below:

The word "Stay" represents our business (lodging, stay), together with the "Green" concept, which is our commitment to Sustainable Development. Through the "Stay Green" concept, at Grupo Hotelero Santa Fe we seek to spread the vision, philosophy and strategy that we have built in relation to Sustainability among our employees, clients, investors, and all of our interest groups.

ORGANIZATIONAL CHART OF THE SUSTAINABILITY COMMITTEE

INTEREST GROUP	RELEVANT ISSUES IDENTIFIED	TYPE OF INTERACTION	FREQUENCY
PARTNERS AND SHAREHOLDERS	• Economic growth • Job creation • Ethical questions • Reputation	• The Company's annual, financial and sustainability report • Quarterly conference calls and reports • Relevant events	On demand Quarterly Annually
DIRECTORS	• Competitors • Job creation • Certifications • Economic growth • Natural disasters • Emissions • Working conditions • Talent retention • Reputation • Energy savings • Community involvement	• Board of Directors • Operations Committees • Financial report • Sustainability reports • Mailing	On demand Monthly Quarterly Annually
EMPLOYEES	• Working conditions • Workday • Community support • Environmental awareness • Turnover • Leadership • Workplace safety	• Employee bulletin • Santa Fe News mailing • Training sessions • Grupo Hotelero Santa Fe University Platform	On demand Daily Quarterly
CLIENTS	• Protecting beaches • Volunteering • Reforestation • Reduction of emissions • Direct communication at hotels	• Web page • Digital announcements on hotel screens • Relevant events	Ongoing
PROVIDERS	• Working conditions • Local economy • Recycling • Value chain • ESG management	• Provider questionnaire • Provider Code of Ethics • Telephone interviews	Annually
CIVIL ENTITIES	• Biodiversity • Climate change • Company relationship • Community • Poverty in tourist communities	• Focus groups to better understand the community • Telephone interviews	Annually
GOVERNMENT ENTITIES	• Biodiversity • Child exploitation • Poverty in tourist communities	• Meeting for the Materiality Study	On demand

The priority matters or expectations mapped out during this process were considered in order to define priorities in the action plans for 2019 and the coming years. We would like to highlight that at Grupo Hotelero Santa Fe, we have committed to maintaining ongoing dialogue with all interested parties, and in-depth studies will be performed every two years.

At Grupo Hotelero Santa Fe we have built a culture based on a firm philosophy that is supported by multiple instruments such as our

Code of Ethics

ETHICAL CULTURE

At Grupo Hotelero Santa Fe we have built a culture based on a firm philosophy that is supported by multiple instruments, such as our Code of Ethics, and various policies and procedures that cover various related matters.

CODE OF ETHICS AND CONDUCT

This document contains our corporate philosophy, and establishes standards of conduct that apply to all levels of the Company. Established within this Code are specific guidelines on the conduct and values expected from all people involved at the various levels of the organization. The established directives range from having respectful relationships, tolerance, human and labor rights, to matters such as conflict of interest, anti-corruption, anti-bribery and information handling.

COMPLETE ETHICS SYSTEM AND COMPLAINTS LINE

For many years the Complaint Line has been considered one of the most useful tools for detecting deviations in compliance with the Code of Conduct guidelines. Note that one of the best global practices is the use of third-party channels, due to the level of trust people making complaints have in them. To attain the highest standards, Grupo Hotelero Santa Fe has contracted the consulting firm Deloitte to act as the external channel to provide these professional services. The various mechanisms offered by the service are available both to our internal interest groups, as well as providers.

ETHICS COMMITTEE

The Ethics Committee is comprised of executives from upper management (partners, shareholders, directors and board members), which underpins the relevance of this matter within the organization. Among its functions, the Committee is responsible for following up on complaints in a timely manner, performing the investigations, and establishing the applicable punishment based on the matrix defined for this purpose. It is important to highlight the commitment to guarantee protection of rights and the anonymity of those making complaints.

ANTI-CORRUPTION INITIATIVES

In 2019, we implemented very relevant Anti-Corruption measures. Our commitment to having an ethical culture and transparency extend well beyond legal compliance, as we have committed to following domestic and international best practices. Our plans and the implementation of various activities are coordinated by the Internal Audit Department, which is the area responsible for developing the protocols and tools that facilitate a cross-disciplinary operational roll-out, both at the corporate level, as well as at every hotel.

ANTI-CORRUPTION MANUAL

In 2019, the audit area worked on developing this Manual, with the objective of establishing the guidelines and mechanisms implemented by Grupo Hotelero Santa Fe for the timely prevention of actions that might violate ethical and Corporate Governance statutes. This document facilitates the understanding and compliance with what is stipulated in the internal programs, and within the reference legal framework, notably:

a) The General Law of Administrative Responsibilities Art. 25
b) The Constitution of the United Mexican States – Section 4
c) Federal Tax Code – Art. 69B

INTEGRITY "POLICY GENERAL" LAW OF ADMINISTRATIVE RESPONSIBILITIES

The integrity policy was presented and approved both by the Board of Directors and the Audit Committee. These guidelines include the internal programs developed by the Company, with the objective of having an ethical culture that will reinforce prior anti-corruption actions, which also resulted in compliance with Article 25 of the General Law of Administrative Responsibilities.

MONEY-LAUNDERING PREVENTION ACTIVITIES

In order to prevent possible violations to what is stipulated by the Company in matters of money-laundering, in 2019 regulatory compliance was improved by appointing and training a compliance officer at each hotel. These officers are responsible for ensuring compliance with legal provisions in three specific areas for Grupo Hotelero Santa Fe: property leasing, exchange and development. The 25 people currently responsible for compliance as required by the law are currently registered on the Money-Laundering Prevention Portal.

ANTI-CORRUPTION TRAINING

In this reporting period, anti-corruption policies and initiatives have been communicated and training provided to 100% of the members who comprise our Corporate Governance area.

ETHICAL TRAINING COURSES BY GENDER

Gender	Number trained
Men	975
Women	964
Total employees	1,939
Total training hours	5,269

KRYSTAL URBAN GUADALAJARA
Guadalajara, Jalisco

Among the measures taken to improve the anti-corruption initiative rolled out in 2019, **50 evaluations** *were performed, and the objective of evaluating 100% of our business units was met.*

ETHICAL TRAINING COURSES BY POSITION

Work Category	Hours
Executive Committee	426
Department Heads	368
Managers	796
Unionized Workers	349

CORRUPTION RISK MATRIX

Among the measures taken to improve the anti-corruption initiative rolled out in 2019, the internal audit team developed a potential corruption risk matrix in the Group's operations. The model includes the concepts described in the General Law of Administrative Liability (Law 3 of 3), wherein the highest-risk operating activities within the hotels in the portfolio of Grupo Hotelero Santa Fe were identified and analyzed. As a result of the action plan, 50 assessments were performed (two per hotel), and the objective of evaluating 100% of our business units was met.

OUR SUSTAINABILITY PERFORMANCE

In the following sections, our report will discuss the Sustainability performance of Grupo Hotelero Santa Fe considering its Sustainability Model and the indicators to be reported considering the GRI Standards that were defined based on the material issues. The advances will thus be presented, grouped together into our three main focus points:

1. Economic
2. Social

ECONOMIC SPHERE

From the perspective of our Sustainability Model, in this section the actions and results related to issues directly related to the economic value generated and distributed by Grupo Hotelero Santa Fe are presented, their relationship with other relevant areas, such as the quality of our service, the experience of our guests, the value proposition with the supply chain, the importance of being positively perceived, and maintaining an excellent reputation with the various stakeholders.

KRYSTAL URBAN MONTERREY
Monterrey, Nuevo León

3. Environmental

RELATIONSHIP WITH OUR CLIENTS

Grupo Hotelero Santa Fe has a service quality system that is focused not only on standardizing its processes, but on providing every guest with an unforgettable experience, from the time they arrive, until the end of their stay at our hotels.

We have been evaluated by internationally recognized platforms such as Tripadvisor, with ratings of four bubbles or higher, which puts our client satisfaction level at above 80%.

We have been evaluated by internationally recognized platforms such as Tripadvisor, with ratings of four bubbles or higher, which puts our

client satisfaction level above 80%.

OUR VALUE CHAIN

Due to its complexity and requirements, the hotel sector has a highly complex value chain, arising from its multiple activities ranging from providing food and beverages, to the requirements to offer lodging that complies with the demands of our clients. Since we began our operations, we have created programs whose purpose was to reduce negative impacts by introducing good practices that maximize our socially responsible performance.

This vision has also permeated our value chain, with a focus that includes hiring providers who comply with our established criteria, and purchasing products according to responsible criteria.

OUR VALUE CHAIN

1 GEOGRAPHIC LOCATION

- Things to do
- Business objectives
- Target
- Environmental and social impact

2 OWN HOTEL OPERATION

DEVELOP, PURCHASE

100% STAKE MIN. 50%

THIRD-PARTY OPERATION

OPERATING FEE

BUSINESS MODEL
Business Plan
- ROI how many years?
- Revenues
- EBITDA

Revenue-generating source
- Food & Beverages
- Tours
- Laundry
- Events & banquets
- SPA
- Accomodations

3 BRAND

- Standards
- Guidelines
- Manuals
- Appropriate brand definition

4 STAFF

- General Manager
- Food & Beverages
- Room division
- Maintenance
- Comptroller
- Quality
- Line personnel
- Operative brand training
- Social Responsibility

5 PROVIDERS

PRODUCTS	SERVICES
• Food	• Spa
• Linens	• Tour operators
• Amenities	• Measuring platforms
• Furniture	• Internet
• Uniform	• TV
• Beverages	• Gardens
• Paper Supply	• Pest control
• Cleaning Products	• Rug- and window-washing

6 SALES CHANNELS

- OTAS
- Corporate RFP
- Reservation center
- Web page
- Own brand channels

7 CLIENTS

DELIVERY OF EXPERIENCES

- Feedback
- Trip Advisor
- Surveys
- Direct

Fulfill brand promises
- Handle the entire process
- Client quality follow-up

8 ACCOUNTABILITY

- Quality
- Financial
- Social Responsibility
- Mexican Stock Exchange

SUPPLY CHAIN

One of the most important elements in our operations is our supply chain, which, in the case of the hotel sector, is very broad and covers a wide variety of products and services, and has numerous internal policies and processes.

Due to the activities that are specific to our business, we interact with hundreds of providers; these commercial relationships are governed by rigorous quality guidelines, and strict ethical criteria. With the objective of making our acquisition process more transparent, in 2019 we improved our acquisition protocols, and we implemented a Purchasing Committee at each hotel to ensure compliance with the primordial ethical and competitive functions.

SIGNIFICANT OPERATING CHANGES

Our sustained growth has been a constant since our formation 10 years ago, when we began the process to acquire the first three Krystal hotels. We began 2019 with 21 hotels in operation; during this reporting cycle four more operations joined our ranks, and we closed the period with 25 hotels.

KRYSTAL GRAND SUITES INSURGENTES
Mexico City

We began 2019 with 21 hotels in operation; during this reporting cycle four more operations joined our ranks and we closed the year with

25 hotels throughout the country.

THE HACIENDA BY HILTON PUERTO VALLARTA
Puerto Vallarta, Jalisco

NEW HOTELS INCORPORATED IN 2019

HOTEL NAME	CATEGORY	NUMBER OF ROOMS	MONTHS IN OPERATION
HYATT PLACE AGUASCALIENTES	4 stars	144	10
DOUBLE TREE BY HILTON TOLUCA	4 stars	142	7
AC HOTEL BY MARRIOT SANTA FE	4 stars	168	5
COURTYARD BY MARRIOT PUEBLA	4 stars	154	5

OUR EXTERNAL SOCIAL RESPONSIBILITY INITIATIVES (SRI)

At the group level we encourage the adoption of standards, distinctions and programs that help us to corroborate our sustainable development, notably:

UNITED NATIONS GLOBAL COMPACT

Our Company has been part of this international initiative since 2015, and since that time, every year we have reported in our communications report the progress made in promoting and implementing the 10 Principles in four areas: human rights, protection of the environment, anti-corruption, and working conditions.

SOCIALLY RESPONSIBLE COMPANY DISTINCTION

In 2019, for the fourth year our Company was awarded the Socially Responsible Company Distinction granted by the Mexican Center for Philanthropy (CEMEFI), in recognition of our performance in five pillars: SRI Management, Employee Quality of Life, Environmental Protection, Ethics and Corporate Governance, and Creating Value for the Community.

PNUD PILOT PROGRAM TO CALCULATE SUSTAINABILITY IN ORDER TO COMPLY WITH SUSTAINABLE DEVELOPMENT OBJECTIVES

In November 2019, our Group was invited by the United Nations Development Program (PNUD México) to participate in a pilot workshop on implementing Sustainable Development Objectives within the hotel sector. Operating personnel from the hotels, and the corporate coordinator from the Social Responsibility area attended the workshop. This program allowed us to obtain an evaluation, and to establish a work plan with specific activities.

KRYSTAL URBAN CIUDAD JUÁREZ
Ciudad Juárez, Chihuahua

In 2019, for the fourth year our Company obtained the

Socially Responsible Company Distinction

granted by the Mexican Center for Philanthropy (CEMEFI) in recognition of our performance in five key areas: SRI Management, Employee Quality of Life, Environmental Protection, Ethics and Corporate Governance, and Creating Value for the Community.

SOCIAL SPHERE

At Grupo Hotelero Santa Fe, we seek to provide optimal working conditions for our employees. The Human Resources Department is committed to legal compliance, and internalizing labor and human rights, thus we promote initiatives that contribute to providing the best conditions for the development of our work force.

Within this space as well, we share the current and future commitments and actions with our stakeholders that we are implementing to benefit the communities where we operate.

OUR EMPLOYEES

Our more than 3700 employees are the most valuable asset we have to ensure that the operation of every hotel is successful and offers unforgettable experiences to our guests. Since the beginning of Grupo Hotelero Santa Fe, we have worked hard to attract and retain a talented team of men and women who provide their skills and knowledge, in compliance with strict labor standards, while also being respectful of our employees' quality of life.

Number of Employees at GHSF

Year	Total
2018	3,554
2019	3,702

Having a committed work force is one of our strategic objectives. However, the large turnover of personnel as a sector trend (especially at beach destinations) is a challenge for the Company. For this reporting period, Grupo Hotelero Santa Fe reported a Turnover Rate of 10.56%, as shown in the following table:

Turnover by Gender and Age Group

Sex	Age	Turnover Rate
Women	18 to 29 years	5.13%
	30 to 45 years	3.45%
	Older than 46 years	1.26%
Men	18 to 29 years	5.49%
	30 to 45 years	4.21%
	Older than 46 years	1.06%
Overall Turnover Rate		**10.56%**

We know that our turnover rate is within the average parameters of the hotel sector; however, it has been imperative for our Company to create conditions to reduce these numbers through competitive salaries and working conditions that encourage our personnel to remain on our team.

Employees by Gender and Type of Contract

Contract	Women	%	Men	%	Total
Temporary	979	43%	1,278	57%	2,257
Permanent	566	39%	879	61%	1,445
Total by Gender	1,545	42%	2,157	58%	3,702

WORKING CONDITIONS

We are always seeking to implement improvements, so that in addition to having optimal working conditions that promote the feeling of belonging and well-being, our employees will feel committed and loyal towards our brands. Following is a list of our commitments and initiatives in this area.

BENEFITS AND SALARIES

In order to make competitive offers to our employees, a package of salaries and benefits has been created that are well above what is required by the law. These packages have a series of benefits that vary according to the needs of the different positions.

EMPLOYEE BENEFITS

Description

a) Bonus
b) Vacation
c) Vacation Leave
d) Savings Fund
e) Food Vouchers
f) Annual Bonus
g) Life Insurance
h) Medical Expense Insurance
i) Uniform
j) Food
k) Auto Insurance
l) Preventive car maintenance service
m) Tire replacement

FREEDOM OF ASSOCIATION

As part of managing its human resources, the Company is very cognizant of laws and workers' rights, among which is the right to collective bargaining. In 2019, 59% of our employees were part of one of the 21 unions with which we have a relationship.

We also work hard to maintain respectful relationships with ongoing dialogue with union representatives. All of our collective bargaining agreements are in compliance with legal provisions, and reviews of working conditions and agreements reached are negotiated annually. Only 3.87% of these agreements have specific clauses on health and safety matters.

WORK AND FAMILY LIFE BALANCE

At Grupo Hotelero Santa Fe we are concerned about the well-being of our employees. Providing a healthy environment is one of our priorities, as is generating the conditions for a good work-life balance. Some of the initiatives that our hotels have implemented during this reporting period are mentioned below:

- Scholarships and incentives for our employees' children: Several of our hotels (Krystal Reflect Cancún, Krystal Cancún, Krystal Beach Acapulco) provide various incentives (bonus, backpacks, aid) to students who receive excellent grades.
- Maternity and paternity leave: As part of compliance with the current legislation regarding days off work for maternity and paternity leave, the Group grants leave in accordance with those who need it.

Maternity and paternity leave		
Gender	**No. of employees**	**No. of days**
Women	28	2,301
Men	44	220

It is estimated that more than 95% of men and women returned to work after the end of their leave.

*At **Grupo Hotelero Santa Fe** we are constantly seeking to implement improvements so that our workers*

will feel committed and loyal

to our brands.

GENDER EQUITY AND INCLUSION

At our Company, we promote a culture of diversity, inclusion, and equal opportunities for all our employees. We have institutional tools such as the Code of Ethics and a Gender Equity and Inclusion Policy, both of which guidelines establish clear commitments in the matter.

During 2019, specific activities were held that drove the matter of gender equity and inclusion forward, namely sign language workshops, gender equity training, and contracting and promotions based on equal opportunities.

From the perspective of gender, for the first time ever, Grupo Hotelero Santa Fe analyzed salary fairness, considering working and gender categories. The data showed that a more in-depth analysis of our opportunities to create a plan to reduce the current gaps is required. In the study we also included the report published by the Mexican government in coordination with INMUJERES (2016); the cross-comparison of data showed us that our gaps are smaller than the average presented by the study, both at the state level and at the national level, for the various labor categories compared. The information obtained is presented below:

SALARY RATIO BY WORK CATEGORY AND GENDER

Work category	Gender*	Ratio
Executive Committee	Men	+16%
Department heads	Men	+18%
Managers	Men	+2%
Unionized employees	Men	+7%

On average, salaries for men are 14% higher than salaries for women.

* In the Gender column, the gender that had a favorable salary ratio appears

TRAINING AND EDUCATION

Over the last two years, Grupo Hotelero Santa Fe oversaw a radical change in the quality and scope of its training programs, through development of a digital platform known as Grupo Hotelero Santa Fe University.

Hours of training and average per capita	
Employees	**Hours**
3,702	128,520
Average per employee	34.71

Training hours by gender	
Gender	**Hours**
Men	29.41
Women	42.12

Training hours by work category	
Work category	**Hours**
Executive committee	20,602
Department heads	19,691
Managers	41,352
Unionized employees	46,875

PERFORMANCE EVALUATIONS

At the Company we work under the premise that every manager and supervisor is responsible for having a development and well-being plan for their team of workers, which must fulfill the objectives for that area, while at the same time creating greater commitment and work stability among our personnel.

In order to comply with the established goals, performance evaluations are the tool that allow us to measure the degree of compliance with the proposed objectives at the individual level.

During this reporting period, 62% of our employees received an evaluation and the respective feedback. The evaluation forms are found on our internal platform, which allows us to keep a history and create a more efficient and easily accessible process.

HEALTH AND SAFETY

At Grupo Hotelero Santa Fe, we are concerned about the health and well-being of all of our employees. During this reporting period, several initiatives were carried out, notably: health campaigns, awareness videos, collaboration with the Mexican Social Security Institute to promote a culture of prevention, and free vision exams, among others.

Our compliance with health and safety legislation is noteworthy, as at each of the Group's hotels there is a Mixed Safety and Hygiene Commission in which employees and representatives of the Company work. There are various committees that are part of this Commission, including: safety and hygiene, firefighting brigades, first aid, evacuation, search and rescue, and communication. The committees meet monthly, and perform inspections on the facilities to detect possible unsafe acts or conditions. Based on their findings, action, prevention and remediation plans are put into place.

OUR INVESTMENT IN COMMUNITIES

Currently within the Group, investment in communities is coordinated autonomously by each hotel. Our Corporate Sustainability Strategy, and the Social Impact Study performed in 2019, will help us to create some wide-ranging programs; however, it is the responsibility of each unit to support the local causes that are most important to each community. Below we share some of the most noteworthy initiatives:

YCI PROGRAM

As it does each year, the Hotel Hilton Guadalajara sponsored the YCI Program, which provides tools to vulnerable students to receive training in an integral plan that combines theory and practice to develop technical skills in the different departments of the hotel. Some of the courses that were included in the program were: English classes, sessions from the "Órale" institution, classes on corporate image and labeling, cooking with microwave ovens, and a speaking workshop, among others.

FOOD DONATIONS

Hotel Hilton Guadalajara again made donations of unused food in good condition to the local food bank. This program helps support the community, while we contribute to reducing food and organic waste.

*At **Grupo Hotelero Santa Fe** we are concerned about the*
health and well-being of all of our employees,
and we promote health campaigns, and create awareness videos, among other measures.

DONATION OF LINENS

The donation of linens and other items in good condition is encouraged amongst our hotels. The program donates items that are collected throughout the year to various civil society organizations, to benefit different vulnerable groups.

CASA HOGAR EVENT

Hotel Krystal Monterrey invited boys and girls from 5 to 16 years old from “Casa Hogar 121” to the hotel to offer a day of fun and recreation. During the visit a tour of the facilities was given, and the management team gave a talk and held several activities in the swimming pool, and provided games and a special meal for our guests.

BLOOD DONATIONS AND SUPPORT FOR THE ELDERLY

Our Hotel Krystal Cancún has offered talks and awareness activities about the importance of donating blood, which is a very relevant issue in the city of Cancún. This activity motivated 14 employees to make a donation to support the cause. In addition, a nursing home was supported with donations to purchase adult sanitary items.

ANIMAL SHELTER DONATION

In order to provide support to the animal shelter “Patitas y Colitas” for mistreated or abandoned dogs and cats, Hotel Krystal Cancún and its personnel made a donation to support a population of 75 dogs and 25 cats.

SUPPORT FOR INDIGENOUS COMMUNITIES

With the objective of promoting culture and supporting the indigenous communities close to the Hotel Hilton Guadalajara, a program was created in which a permanent exhibition space was created, to promote and sell artisanal products on weekends.

COLLECTION OF GAMES

Through coordination by the SRC Committee, several hotels in the Group participated in collecting games, allowing employees to make donations to benefit boys and girls at Casa Hogar in several locations.

PROTECTION OF CHILDREN'S RIGHTS

One of the sustainability areas that was identified as a material issue for the tourism and hotel sector to which we belong, was the protection and promotion of the rights of boys, girls, and adolescents. Since 2018, and throughout 2019, we have promoted and raised awareness about the importance of signing and integrating the National Code of Conduct for the Protection of Girls, Boys, and Adolescents at all of our hotels.

SOCIAL IMPACT STUDY AND DIALOGUE WITH OUR COMMUNITIES

In line with domestic and international methodologies in matters of social studies and dialogue with communities, in 2019, Grupo Hotelero Santa Fe implemented a destination selection strategy for both urban and beach hotels, in order to perform studies and have community dialogues. Using this model, six cities that are statistically representative were chosen, with coverage of 12 hotels (+ 50% of our initial operations in 2019).

RESULTS OF THE STUDY AND DIALOGUE WITH COMMUNITIES

As a result of the discussion and consultation process, in 2019, Grupo Hotelero Santa Fe created a strategic document that shows the social and environmental challenges of the communities where it operates, with the local specificities of each operation. A 2020 plan is being developed, which will contain both working and corporate guidelines at the local level, with the objective of creating programs that are focused on different needs.

Note that the analysis of social impacts has informational bases of identification, characterization, prediction, and assessment of the impacts in their respective areas of influence.

HILTON PUERTO VALLARTA
Puerto Vallarta, Jalisco

One of the sustainability areas that was identified as a material issue for the tourism and hotel sector to which we belong, was the
protection and promotion of the rights of boys, girls, and adolescents.

KRYSTAL BEACH ACAPULCO
Acapulco, Guerrero

ENVIRONMENTAL SPHERE

The tourism and hotel sector to which we belong recognizes the high value of natural resources for its present and future success. At Grupo Hotelero Santa Fe, we seek to minimize our environmental impact through energy efficiency projects, minimization of our carbon footprint, water-saving measures, reducing waste generated, and protecting biodiversity.

REFLECT KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

Our management focuses on this stage when evaluating impacts, particularly in regard to prevention and protection of the surrounding areas.

PROTECTING BIODIVERSITY

One of the matters we identified while performing the Materiality Study is the value to our sector of protecting biodiversity. Grupo Hotelero Santa Fe therefore performed a preliminary analysis on the impact of its operations, particularly in tourist beach areas that are rich in natural biodiversity.

During this reporting period, the Corporate Social Responsibility Committee investigated the impact of its operations in relation to its proximity to high-value zones because of its diversity, considering the species that appear on the Red List of the IUCN (International Union for Conservation of Nature), as well as those on national lists (NOM-059-Semarnat-2010).

Now we have a very precise regional list on the species of flora and fauna that are in any high-risk category, which facilitates creation of plans to implement starting next year.

Below we share some of the activities that our hotels have been engaged in for years. Their actions add even more value since they contribute to the material vision of sustainability of the sector and of our Company.

BEACH CLEAN-UP

Hotel Krystal Beach Acapulco organized a beach clean-up initiative in conjunction with the city. This program met the objective of removing cigarette butts and other types of waste thrown out by tourists on the beaches.

Hotel Krystal Cancún also sponsored a volunteer project to collect and properly separate waste on the beaches, and Hotel Krystal Ixtapa sponsored its traditional program known as the Trash Challenge, in which an internal brigade participates every year in cleaning up Playa la Madera. Another example of this type of activity occurred at Hotel Reflect Krystal Grand Los Cabos, as it sponsored a beach clean-up with employees and other stakeholders. We are grateful to our more than 300 volunteers and employees for being committed to protecting their environment and participating in these programs.

We are grateful to our more than
300 volunteers and employees
who are committed to protecting their environment.

SEA TURTLE PROTECTION PROGRAM

Since it is in the public domain, many species of sea turtle are in danger of extinction due to different factors, such as:

- Only one out of every 1000 reaches adulthood.
- A turtle's reproductive cycle only begins once it has turned 25.
- The eggs and meat of turtles are considered delicacies in a market that spans the globe.
- Between 17,000-23,000 turtles were captured in clandestine nets in 2019.

REFORESTING LA HUASTECA

Hilton Garden Inn Monterrey participated in the one hundredth-year anniversary of Hilton Hotels. The sister brands Hampton, Homewood Suites and Hilton Garden Inn, were given the task of reforesting an area inside La Huasteca (in the eastern Sierra Madre mountain range). The importance of this area is noteworthy, as it provides 90% of the potable water that the city of Monterrey consumes.

As part of the reforestation, a type of native agave was planted, which is in the category of being in danger of extinction. Not only do these programs protect the environment, they also positively impact the local communities, since agave plants are cultivated locally as production projects that benefit the region's economy. We thank the more than 80 volunteers who joined this activity, as more than 1.5 hectares were reforested.

WORLD SEABIRD DAY

In order to create awareness among our Company's employees, Hotel Krystal Resort Cancún sponsored an informational event about the birds in the region which, due to contamination and the elimination of the mangroves, are migrating away from their nesting grounds.

ENERGY EFFICIENCY AND REDUCTION OF EMISSIONS

According to sector studies, one of the most important components in operating cost structures is energy consumption, due mainly to air conditioning and heating.

Therefore, one of the most important areas in terms of sustainability on which we are focusing is energy efficiency. The adoption of a more strategic sustainability model has resulted in relevant initiatives, such as the creation of an energy and resources area, which is in charge of measuring, monitoring, and proposing savings activities. The area and some hotels have performed the following activities:

100-POINT SAVINGS PROGRAM

This program includes a series of operating activities and/or projects that focus on the medium and long term. The goal is for every facility to implement a plan for efficient resources use.

The 100 points to consider focus on protecting the main resources consumed in the operation: energy, water and fuel (mainly gas). With these actions an innovative spirit is encouraged in searching for new projects and better practices, which will allow us to be more efficient and responsible in relation to the environment.

Some of the actions considered in this program are:

We are grateful to the ***more than 80 volunteers who joined this activity, with***

reforestation of 1.5 hectares.

KRYSTAL CANCÚN
Cancún, Quintana Roo

a) Implementation of good energy savings practices

- Replacement of incandescent lighting systems with LED lights, with estimated progress of 98%.
- Installation of automated systems for turning equipment on and off. With the goal of reducing possible omissions in the tasks of turning off equipment or lighting systems, the decision was made to introduce technology to perform this action autonomously. These actions have generated greater environmental efficiency and economic savings.

b) Implementation of awareness and training programs in energy savings

- We believe that training should be a constant in raising the awareness and sensitivity of our employees, therefore we work to continuously improve our training programs in environmental matters, especially those matters that we have identified in our Materiality Matrix.
- We are also including our providers in these training cycles, since they not only form part of this environmental cycle, but they are specialists in their products. With this initiative we seek to update and guarantee the efficient and proper use of their products and/or services, and to include us in order to create synergies where possible.

c) Maintenance

- To make equipment operation more efficient, in 2019 we implemented an ongoing communication program between our work teams and maintenance providers. This interaction has allowed us to establish a more solid bond between those involved in operating processes, while simultaneously providing them with defined parameters and actions that optimize and extend a better useful life to our facilities.

HUNT SYSTEM

This program consists of implementing a data metering and storage system that allows us to evaluate, analyze, and decide on the actions to take to consume electricity efficiently at our facilities. Currently, the following 10 programs are part of this monitoring program:

- Hilton Guadalajara
- Hilton Puerto Vallarta
- Krystal Beach Acapulco
- Krystal Grand Punta Cancún
- Krystal Urban Cancún
- Krystal Urban Guadalajara
- Krystal Resort Cancún
- Krystal Puerto Vallarta
- Krystal Ixtapa
- Krystal Satélite María Barbara

EVALUATION OF RENEWABLE ENERGY SOURCES

This year our team of employees involved in the Energy and Environment Committee initiated a process to analyze and compare sources of renewable energy supply, in order to sign a Power Purchase Agreement (PPA). This will generate both economic and environmental benefits for our hotels.

EARTH HOUR

As it does every year, Hotel Hilton Guadalajara sponsored the global celebration of "Earth Hour," with the action of turning off the lights inside the hotel in specific areas in collaboration with guests, who were invited to also turn off lights. As a result, a total savings of 1,423 kW was achieved during the specified time period (8:00 PM – 9:30 PM). Other hotels that joined this initiative were Hilton Vallarta, Reflect Krystal Gran Cancún, and Ibis Irapuato.

KRYSTAL GRAND SUITES INSURGENTES
Ciudad de México

HAMPTON INN AND SUITES PARAISO TABASCO
Villahermosa, Tabasco

REFLECT KRYSTAL GRAND NUEVO VALLARTA
Nuevo Vallarta, Jalisco

KRYSTAL URBAN GUADALAJARA
Guadalajara, Jalisco

USE OF OTHER TECHNOLOGIES

This year we also expanded the use of various technologies and methodologies that focus on energy efficiency, including:

- Temperature-regulation systems.
- E-cube device: which helps manage the temperature of cold chambers and refrigerators. The pilot test resulted in energy savings by reducing the number of times the condenser turns on, simultaneously resulting in lower maintenance needs. Because of the pilot test, this device has already been installed at 19 of the Group's facilities.
- Lighting systems with sensors that contribute to electricity savings.
- Water-heating equipment with alternative technologies that allow us to contribute to fuel savings and lower emissions.

OUR ENERGY CONSUMPTION AND CO2E EMISSIONS

Since 2017, Grupo Hotelero Santa Fe has taken significant steps to measure and minimize energy consumption inside its operations. Through the Social Responsibility Coordination Committee, the environmental specialist is in charge of gathering information from each hotel and processing the data to understand consumption and impacts.

In addition to having the energy consumption calculations, the data meant that in 2019, it was possible to measure the greenhouse gas emissions generated by the Group.

The calculated emissions considered by this report only correspond to direct emissions that include: consumption of energy at facilities, consumption of fixed sources of combustion, as well as moveable sources. The results are provided below:

Energy Consumption	
Year	**kW**
2018	55,788,770 kWh
2019	59,101,277 kWh

Greenhouse Gas Emissions	
Year	**Tons of CO2eq**
2019	43,598

Note that these values will be considered as the baseline for the Company (the first time the calculation has been done), and will serve as the reference for the coming years, and as the basis for establishing commitments to reduce electricity and fuel consumption.

RESPONSIBLE WASTE AND WATER MANAGEMENT

Water

Our most important activities for improving water management initially consisted of establishing consumption-measuring methodologies. Beginning in 2019, we began to issue reports, indicating our ongoing commitment to monitoring and processes focused on water savings.

This year we have invested in savings technologies such as changing from traditional urinals to dry-type urinals with LEED certification, in areas defined by Hotel Hilton Guadalajara used by employees. In addition, Hotel Krystal Cancún installed and put into operation an inverse osmosis plant in order to treat seawater to use in our facilities.

At the Group level, one of the high-impact initiatives that we are putting into place is the voluntary towel replacement program, which translates into thousands of liters of water saved by reducing laundering, allowing us to raise awareness among our guests and involve them in this commitment to save water.

Building awareness about protection of resources is one of the Company's objectives. Creating a culture of Sustainability requires a process of continuous training and communication, thus one of our programs is having a dedicated telephone number for immediately reporting water waste, which involves both the internal team as well as our clients.

The Purchasing Committees already have guidelines to place and acquire cleaning products that require less water to perform cleaning activities, although under the assumption that the quality of our services will not be compromised.

Water extraction	
Extraction source	**Volume in m3**
Groundwater	169,975
Municipal water supply and other public or private water sources	1,171,021
Total volume of water extracted by GHSF	1,340,996

WASTE

One important issue found during the Materiality Study was the matter of waste. This process has positively impacted the evaluation, control and monitoring of waste, allowing us to establish short- and medium-term metrics and plans for more efficient management.

Currently our hotels Krystal Acapulco, Krystal Cancún, Krystal Ixtapa, Hilton Puerto Vallarta, Krystal Puerto Vallarta, Reflect Cancún, María Barbara, Krystal Urban Aeropuerto CDMX, Krystal Urban Cancún, Krystal Suites Insurgentes, Reflect Los Cabos, Reflect Nuevo Vallarta, Ibis Irapuato, Hilton Garden Inn Aeropuerto Monte rrey, Hilton Guadalajara and Hampton Inn Tabasco are already putting waste-measurement and monitoring processes into place at their facilities, and the possibility of standardizing and extending this measure to the other hotels in the Group is being considered.

Some of the practices our hotels have implemented are noteworthy, such as at the Hilton Guadalajara, which has been separating waste and more precisely controlling the material to be recycled, in collaboration with a recycling company that provides a certificate that converts the volumes of waste into energy and water savings.

INTEGRAL WASTE MANAGEMENT PROCEDURE

One of the challenges involved in waste management is that each hotel handles its process individually and autonomously. Since 2019, the Social Responsibility Coordination team and the Environmental team, comprised of the SRC Committees and the maintenance areas at each hotel, have worked to standardize processes and to provide information on waste generation, which will allow us to go beyond separating by category and advance toward creating reduction and disposal strategies.

During this cycle, a procedure was developed at the corporate level to establish guidelines and general rules regarding the integral management of hazardous waste, urban solids, and special handling in order to evaluate, monitor, and reduce consumption. Our objective for 2020 is to implement that procedure in all of our hotels, and improve training in this area.

Non-Hazardous Waste Generated	
Type of Waste	**Total**
Non-Hazardous Waste	1,481,719 kg.
Vegetable oil separated for biodiesel generation	14,289 lts.

Waste

was one of the important issues found during the Materiality Study. This process has had a positive impact, allowing us to establish metrics and plans for more efficient management.

AWARDS AND RECOGNITION

HIGH TECHNOLOGY

Recognition for the commitment to providing guests the latest in communications technology and connectivity.

THE HOTELS THAT WON THIS PRIZE ARE:

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

AAA 3 DIAMOND AWARD AND AAA 4 DIAMOND AWARD

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

THE HOTELS THAT WON THESE AWARDS ARE:

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

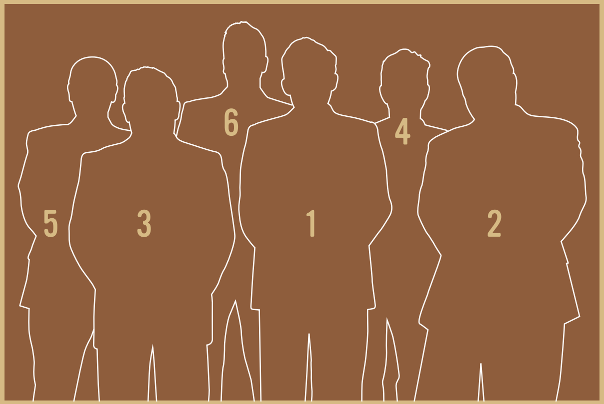
RCI GOLD CROWN

This award is given to developments that have fulfilled or exceeded standards in specific areas and in check-in and check-out procedures, hospitality, maintenance of the property, maintenance of the buildings and cleaning, as well as an evaluation of the complex's facilities.

THE HOTELS THAT HAVE OBTAINED THIS RECOGNITION ARE:

- Krystal Puerto Vallarta
- Krystal Cancún

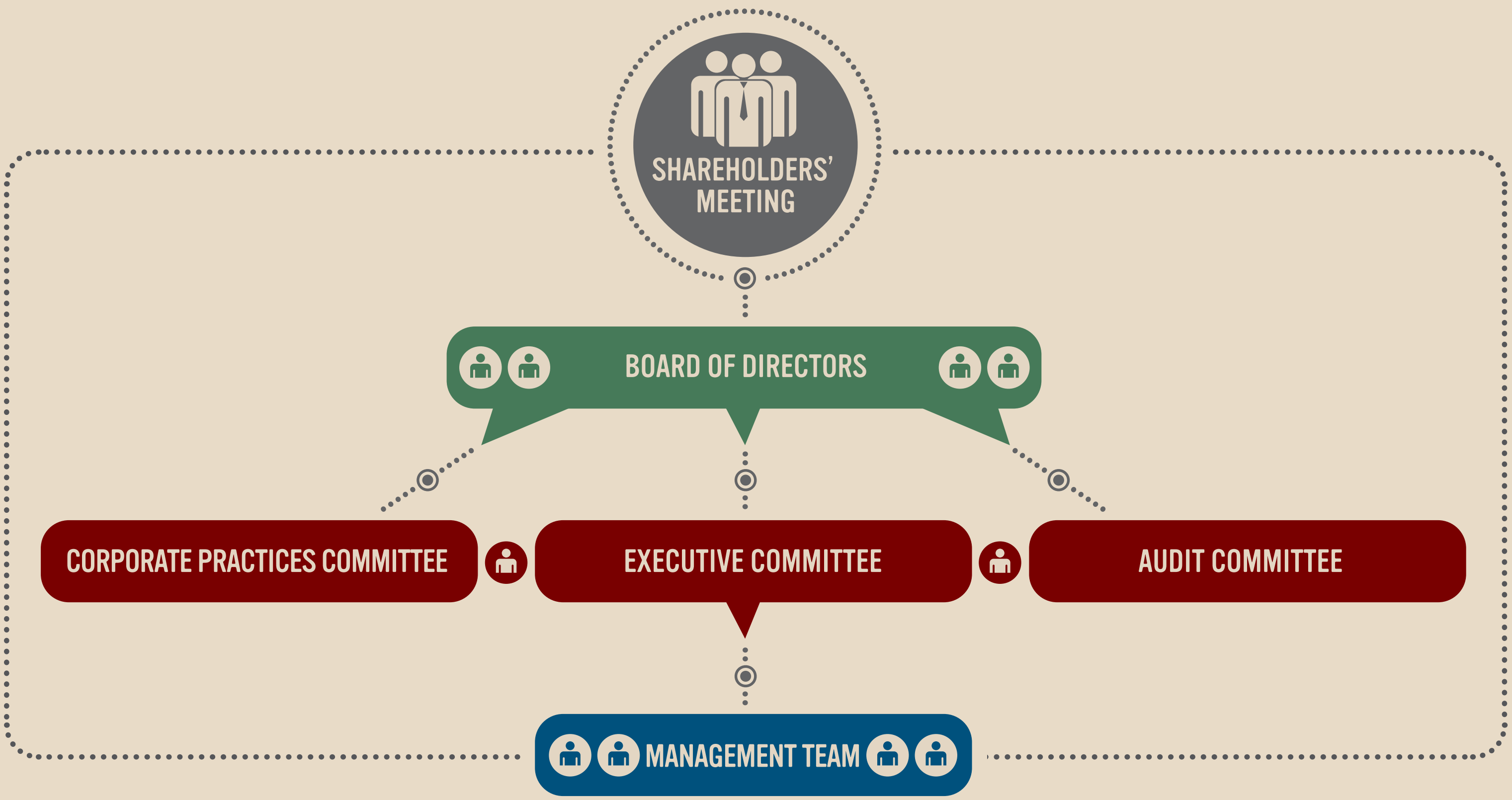
MANAGEMENT TEAM



1. **CARLOS GERARDO ANCIRA ELIZONDO**
   Chairman of the Board of Directors
2. **FRANCISCO ZINSER CIESLIK**
   Executive Vice President
3. **FRANCISCO MEDINA ELIZALDE**
   Chief Executive Officer
4. **ENRIQUE MARTÍNEZ GUERRERO**
   Chief Financial Officer
5. **RENÉ DELGADO CHAPMAN**
   Legal Director
6. **MAXIMILIAN ZIMMERMANN CANOVAS**
   Director of Investor Relations

CORPORATE GOVERNANCE

We face new challenges by evolving and renewing our commitment to improve corporate governance every day, which helps create value for our shareholders and stakeholders through mechanisms that have high monitoring and control standards. This allows us to continue operating as an institution that shows stability and certainty for the markets.



BOARD OF DIRECTORS

LIC. CARLOS GERARDO ANCIRA ELIZONDO
Chairman

ING. ROBERTO LANGENAUER NEUMAN
Board Member

LIC. GUILLERMO ANCIRA ELIZONDO
Board Member

ING. ARTURO JOSÉ SAVAL PÉREZ
Board Member

LIC. FEDERICO MARTÍN DEL CAMPO FLORES
Board Member

LIC. DIEGO GUTIÉRREZ AGUAYO
Board Member

LIC. LUIS ALBERTO HARVEY MACKISSACK
Board Member

C.P. FRANCISCO JAVIER MOGUEL GLORIA
Independent Board Member

LIC. EDUARDO CHAILLO ORTIZ
Independent Board Member

C.P. EDUARDO DIAZ BALOGH
Independent Board Member

LIC. JERÓNIMO MARCOS GERARD RIVERO
Independent Board Member

AUDIT COMMITTEE

C.P. FRANCISCO JAVIER MOGUEL GLORIA
Chairman

EDUARDO CHAILLO ORTIZ
Board Member

EDUARDO DIAZ BALOGH
Board Member

CORPORATE PRACTICES COMMITTEE

ARTURO JOSÉ SAVAL PÉREZ
Chairman

EDUARDO CHAILLO ORTIZ
Board Member

JERÓNIMO MARCOS GERARD RIVERO
Board Member

COMMENTS AND ANALYSIS OF FINANCIAL SITUATION

INCOME STATEMENT	2019	2018	% VAR
Numbers in thousands of pesos			
Room Revenue	**1,096,658**	1,105,587	0.8
Food and Beverage Revenue	**860,367**	731,512	17.6
Other Revenue from Hotels	**204,120**	157,305	29.8
Third-Party Hotel Management Fees	**76,756**	70,537	8.8
TOTAL REVENUES	**2,237,902**	2,064,941	8.4
Operating Costs and Expenses	**1,019,971**	891,123	14.5
Sales and Administrative Expenses	**535,883**	468,381	14.4
Other Expenses	**36,477**	29,643	23.1
Depreciation and Amortization	**237,293**	196,367	20.8
TOTAL COSTS AND EXPENSES	**1,829,625**	1,585,514	15.4
Total-Non-Recurring Costs	**29,528**	28,872	2.3
EBITDA	**645,570**	675,794	(4.5)
EBITDA Margin (%)	**28.8%**	32.7%	(3.9 pt)
Operating Income	**378,749**	450,555	(15.9)
Operating Income Margin (%)	**16.9%**	21.8%	(4.9 pt)
Net Financial Cost	**(108,655)**	(137,535)	(21.0)
Income Tax	**108,422**	46,655	NA
Net Income	**164,042**	267,337	(38.6)
Net Income Margin (%)	**7.3%**	12.9%	(5.6 pt)
Earnings Attributable to:			
Company Owners	**179,364**	265,950	(32.6)
Non-Controlling Interest	**(15,322)**	1,387	NA

The Company's Total Revenues rose 8.4%, from Ps. 2,064.9 million in 2018, to Ps. 2,237.9 million in 2019. The majority of that Ps. 173 million increase in total revenues was due mainly from hotel activity, as well as the stabilization of hotels that are in the maturation stage.

Room Revenues in 2019 decreased slightly by 0.8%. The number of own rooms in operation increased by 8.0%, which could not offset a decrease in the RevPAR of 8.2%. The RevPAR was comprised of occupancy that was 0.5% lower than in 2018, and a 7.4% decrease in the ADR during the year. In 2019, the portfolio of stabilized own hotels showed an increase of 8.9% in the number of rooms in operation, and a decrease of 11.6% in RevPAR. In turn, the portfolio of own hotels in the maturation stage increased its number of rooms by 6.3%. For these hotels, the RevPAR was in line with 2018, comprised in turn of a 2.0% increase in ADR, and a 1.1% decrease in occupancy.

Revenue from Food and Beverages grew 17.6%, climbing from Ps. 731.5 million in 2018, to Ps. 860.4 million in 2019. This growth was driven mostly by the Krystal Grand Los Cabos and Krystal Grand Nuevo Vallarta hotels, which are in the maturation stage.

THE COMPANY'S TOTAL REVENUES INCREASED 8.4%

from Ps. 2,064.9 million in 2018 to Ps. 2,237.9 million in 2019. The majority of that increase of Ps. 173 million in total revenues is mainly due to hotel activity, as well as the stabilization of hotels that are in the maturation stage.

The line "Other Hotel Revenues," which includes, among other items, rental for meeting rooms, revenues from parking, laundry, telephone and commercial locations, increased 29.8%, from Ps. 157.3 million in 2018, to Ps. 204.1 million in 2019.

Fees from managing hotels owned by third parties increased 8.8% over 2018.

The portfolio of hotels under management increased 15.2% in number of rooms. For these hotels, the RevPAR decreased 3.5%, comprised in turn by a 0.3% decrease in ADR, and a 2.3% decrease in the occupancy rate.

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

COSTS AND EXPENSES

The Company's Total Costs and Expenses increased 15.2%, from Ps. 1,614.4 million in 2018, to Ps. 1,859.2 million in 2019. This increase was mainly due to higher costs and expenses incurred at Reflect Krystal Grand hotels. As a percentage of total revenues, Total Costs and Expenses were 81.8% in 2019, in comparison with 76.8% in 2018.

OPERATING INCOME

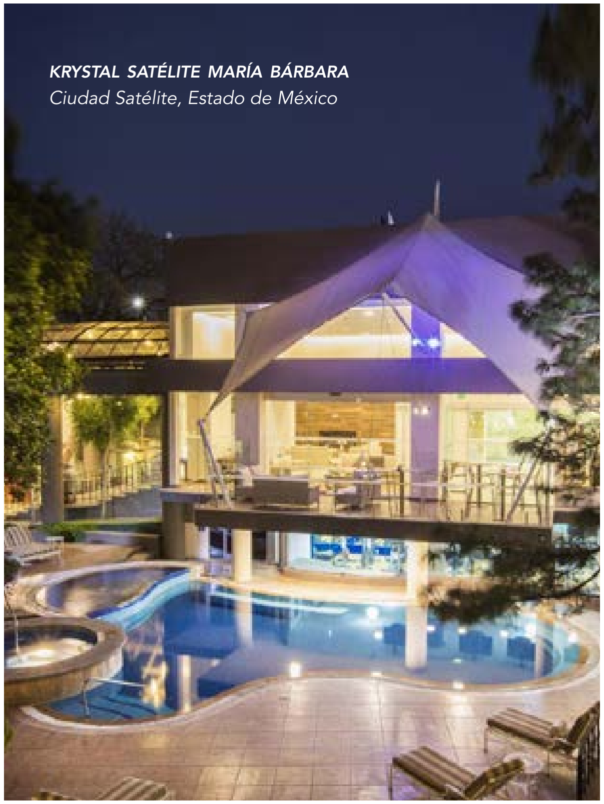
Operating Income decreased 15.9%, from Ps. 450.5 in 2018 to Ps. 378.5 in 2019. The operating margin decreased from 21.8% on total revenues in 2018, to 16.9% in 2019, due to the incorporation of new hotels into the portfolio of hotels we own.

EBITDA

Adjusting Operating Income with Non-Recurring Expenses, Depreciation and Amortization, and the All-In Result of Financing, the Company's EBITDA was Ps. 645.6 million in 2019, compared to Ps. 675.8 million in 2018, which is a decrease of 4.5%. EBITDA Margin decreased from 32.7% in 2018 to 28.8% in 2019, due mainly to the higher costs and expenses incurred at hotels under the Reflect Krystal Grand brand.

NET FINANCIAL COST

The Net Financial Cost in 2019 was a loss of Ps. 108.6 million, compared to a loss of Ps. 137.5 million in 2018, which is a Ps. 28.8-million smaller loss. That difference is mainly derived from the exchange rate gain caused by the market valuation effect of a lower US$/MXN on our dollar-denominated debt.



KRYSTAL SATÉLITE MARÍA BÁRBARA
Ciudad Satélite, Estado de México

KRYSTAL MONTERREY
Monterrey, Nuevo León

NET INCOME

The Company's Net Income decreased from Ps. 267.3 million in 2018, to Ps. 164.0 million in 2019, which income is Ps. 103.3 million lower in 2019. The Net Income Margin decreased from 12.9% in 2018, to 7.3% in 2019, mainly due to lower operating income, plus higher tax payments.

SUMMARY CASH FLOW STATEMENT

Cash Flow for 2019 was Ps. 573.8 million, compared to Ps. 668.6 million in 2018, which is a 14.2% decrease. That drop is mainly due to lower Net Income.

SUMMARY BALANCE SHEET

CASH AND CASH EQUIVALENTS

At the end of 2019, the Company's position in Cash and Cash Equivalents was Ps. 311.3 million, comprised of Ps. 179.9 million in cash and cash equivalents, and Ps. 131.4 million in debt-related restricted cash. Of that position, 75.5% is dollar-denominated.

SUMMARY CASH FLOW STATEMENT

Numbers in thousands of pesos

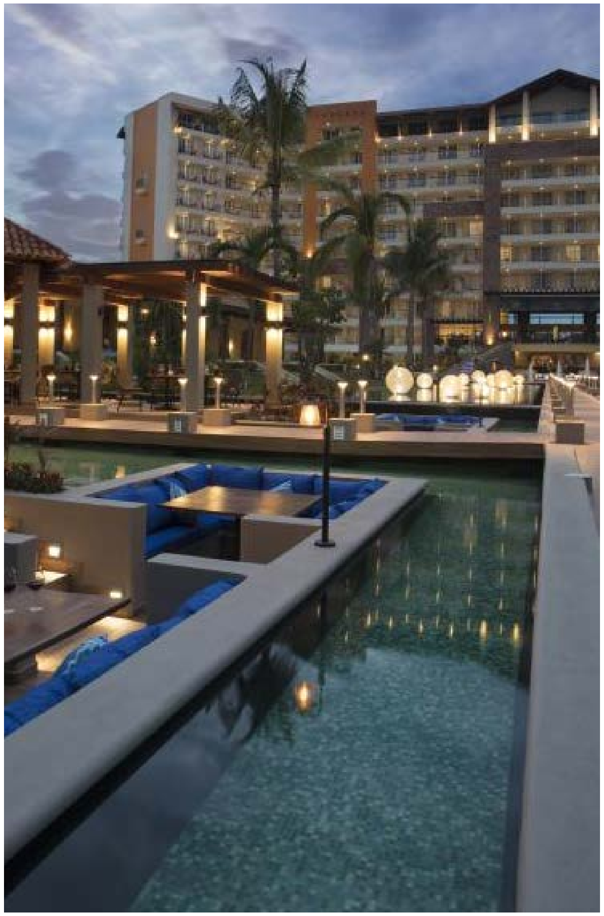
Cash Flow	2019	2018	Var.%	Var.
Cash flow from operating activities				
Net income	164,042	267,337	(103,295)	(38.6)
Depreciation and amortization	237,293	196,367	40,926	20.8
Income taxes	108,422	46,655	61,767	NA
Loss (gain) on unrealized currency exchange	(113,320)	(33,418)	(79,902)	NA
Net interest expense	173,941	137,916	36,025	26.1
Other financial costs	6,647	7,243	(596)	(8.2)
Non-controlling stake	(2,370)	(972)	(1,398)	NA
Income from sale of shares	(3,562)	-	(3,562)	NA
Cash flow before changes in working capital	**571,093**	**621,128**	**(50,035)**	**(8.1)**
Working capital	2,682	47,441	(44,759)	(94.3)
Net cash flows from operating activities	**573,775**	**668,569**	**(94,794)**	**(14.2)**
Non-recurring items	(65,024)	(295,765)	230,741	(78.0)
Net cash flow from non-recurring items	**508,752**	**372,804**	**135,948**	**36.5**
Net cash flow from investment activities	(135,263)	(1,168,475)	1,033,212	(88.4)
Net cash flow from financing activities	(296,408)	610,225	(906,632)	NA
Net (decrease) increase from cash and cash equivalents	**77,081**	**(185,447)**	**262,527**	**NA**
Cash and cash equivalents at the beginning of the period	102,804	288,015	(185,211)	(64.3)
Cash and cash equivalents at the end of the period	**179,885**	**102,568**	**77,316**	**75.4**
Cash in business acquisition	-	-	(235)	(100.0)
Total cash at the end of the period	**179,885**	**102,804**	**77,081**	**75.0**

ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

This line increased by 37.9%, from Ps. 234.2 million in 2018, to Ps. 323.0 million in 2019.

PROPERTY, PLANT AND EQUIPMENT

This item decreased 1.2%, from Ps. 8,172.7 million at the end of 2018, to Ps. 8,077.8 million in 2019.



SUMMARY BALANCE SHEET

Numbers in thousands of pesos

Summary Balance Sheet	Dec-19	Dec-18	Var.	Var %
Cash and cash equivalents	179,884	102,804	77,080	75.0%
Accounts receivable and other current assets	323,031	234,168	88,863	37.9%
Tax credits	357,137	407,204	(50,067)	(12.3%)
Total current assets	**860,052**	**744,176**	**115,876**	**15.6%**
Restricted cash	131,451	134,755	(3,304)	(2.5%)
Property, plant and equipment	8,077,801	8,172,734	(94,932)	(1.2%)
Non-productive fixed assets (works in process)	612,262	509,376	102,886	20.2%
Other non-current assets	558,628	614,365	(55,737)	(9.1%)
Total non-current assets	**9,380,141**	**9,431,229**	**(51,088)**	**(0.5%)**
Total assets	**10,240,193**	**10,175,405**	**64,788**	**0.6%**
Current debt maturities	217,594	254,801	(37,207)	(14.6%)
Other current liabilities	538,650	462,691	75,960	16.4%
Total current liabilities	**756,245**	**717,492**	**38,753**	**5.4%**
Long-term debt	2,564,307	2,740,161	(175,855)	(6.4%)
Other non-current liabilities	887,400	873,667	13,733	1.6%
Total non-current liabilities	**3,451,706**	**3,613,828**	**(162,122)**	**(4.5%)**
Total shareholders' equity	**6,032,242**	**5,844,085**	**188,157**	**3.2%**
Total liabilities and shareholders' equity	**10,240,193**	**10,175,405**	**64,788**	**0.6%**

CAPEX FOR FISCAL YEAR 2019

Numbers in thousands of pesos

Summary Balance Sheet	Amount	Total
Hotels in development	97,285	40.0%
Improvements and adaptations to own hotels	50,716	20.8%
Ordinary Capex	95,318	39.2%
Total Capex	**243,319**	**100.0%**

NET DEBT AND MATURITY PROFILE

At the end of 2019, the Company's Net Debt was Ps. 2,470.6 million. Of the Company's total debt, 94.4% is dollar-denominated, with an average financial cost of 5.0%, and the reamining 5.6% is peso-denominated, with a weighted financial cost of 10.5%.

To continue implementing its growth plans, the Company will continue balancing its debt between pesos and dollars. Both peso- and dollar-denominated debt are hedged against increases in the reference rates (TIIE and LIBOR) with a value for the year of 8.5% and 4.5%, respectively.

In accordance with IFRS, the numbers in dollars were converted to pesos using the exchange rate published by the Official Gazette of Mexico on December 31, 2019, which was 18.8727 pesos per dollar.

DEBT *

Numbers in thousands of pesos

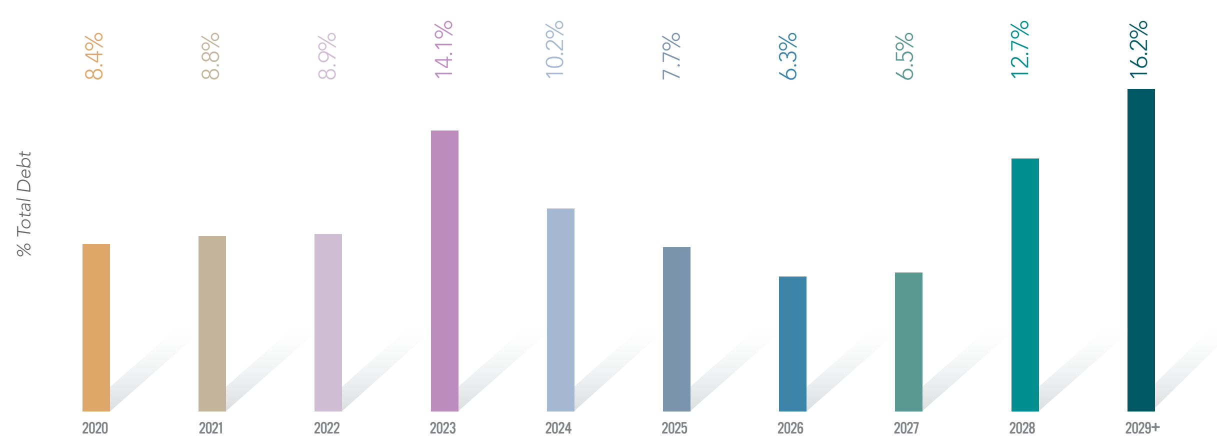
Summary Balance Sheet	Amount	Dollars	Total
Short Term	13,266	204,328	217,594
Long Term	141,339	2,422,968	2,564,307
Total	**154,605**	**2,627,296**	**2,781,901**
% Total	5.6%	94.4%	100.0%
Average rate of financial liabilities	10.48%	5.01%	5.31%
Cash and cash equivalents	69,814	110,071	179,884
Restricted cash	6,477	124,974	131,451
Cash and cash equivalents**	**76,291**	**235,045**	**311,335**
Net debt	**78,314**	**2,392,252**	**2,470,566**
Net Debt / EBITDA (rolling 12 months at December 31, 2019)			3.8x

**Includes interest payable and the effect of financial instruments related to bank loans.*

***Includes restricted cash related to bank loans.*

DEBT MATURITY PROFILE OF GRUPO HOTELERO SANTA FE

As at December 31, 2019



INDEPENDENT AUDITORS' REPORT

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

(thousands of pesos)

KPMG Cárdenas Dosal
Manuel Ávila Camacho 176 P1
Col. Reforma Social
11650 Mexico, D.f.
Phone: + 01 (55) 52 46 83 00
www.kpmg.com.mx

OPINION

We have audited the consolidated financial statements of Grupo Hotelero Santa Fe, S. A. B. de C. V. and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Hotelero Santa Fe, S. A. B. de C. V. and subsidiaries as at December 31, 2019 and 2018, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment testing of goodwill ($354,815 of goodwill)	
(See note 6 to the consolidated financial statements)	
The key audit matter	**How the matter was addressed in our audit**
The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The goodwill derives from the acquisition of Inmobiliaria Hotelera del Bajío SF, S. A. de C. V., Grupo Inmobiliario 1991, S. A. de C. V., ICD Sitra, S. A. de C. V., Sibra Vallarta, S. A. de C. V., Inmobiliaria en Hotelería Cancún, S. de R. L. de C. V. and Moteles y Restaurantes Maria Bárbara, S. de R. L. de C. V. All these acquisitions are considered as Cash Generating Units ("CGU"). The recoverable amount of the CGUs, which is based on the higher between the value in use and fair value less costs for sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes and prices, operating costs, growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures in this area included, among other: - Involving our own valuation specialist to evaluating the appropriateness of the discount rates applied; - Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; - Evaluating the adequacy of the consolidated financial statement disclosures.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Group's 2019 Annual Report to be filed with the National Banking and Securities Commission (CNBV) and the Mexican Stock Exchange, ("the Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be available to us after the date of this auditors' report.

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

KPMG Cárdenas Dosal S. C.

C.P.C. F. José Sánchez González

Mexico City, March 10, 2020.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019 and 2018

(Thousands of Mexican pesos)

ASSETS	NOTE	2019	2018
Current assets			
Cash and cash equivalents	8	$ 179,884	102,804
Accounts receivable	9	232,535	170,882
Due from related parties	10	37,135	10,255
Other receivables	11	363,790	410,252
Inventories	12	26,229	29,052
Prepaid expenses		20,855	20,930
Total current assets		**860,428**	**744,175**
Non-current assets:			
Restricted cash	8	131,451	134,755
Property, furniture and equipment, net	13	8,690,063	8,682,110
Other assets	14	29,051	20,436
Investment in associated companies	3(i)	38,739	120,324
Deferred tax assets	18	148,184	118,790
Goodwill	6	354,815	354,815
Total non-current assets		**9,392,303**	**9,431,230**
Total assets		**$ 10,252,731**	**10,175,405**

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	2019	2018
Current liabilities:			
Current installments of long-term debt	15	$ 217,594	254,802
Trade accounts payable	16	173,894	186,464
Other liabilities	16	250,930	191,448
Accruals	16	42,228	29,890
Due to related parties	10	10,902	10,541
Advances from customers		61,072	44,347
Total current liabilities		**756,620**	**717,492**
Non-current liabilities:			
Long-term debt, excluding current installments	15	2,564,307	2,740,161
Employee benefits	17	7,625	5,473
Deferred tax liabilities	18	888,533	867,715
Other liabilities		3,404	479
Total non-current liabilities		3,463,869	3,613,828
Total liabilities		**4,220,489**	**4,331,320**
Stockholders' equity:	19		
Controlling interest:			
Capital stock		3,454,707	3,454,707
Stock repurcharse reserve		(32,839)	(41,367)
Aditional paid-in capital		80,000	80,000
Legal reserve		190,493	190,493
Retained earnings		1,044,267	864,903
Total controlling interest		**4,736,628**	**4,548,736**
Non-controlling interest		1,295,614	1,295,349
Total stockholders' equity		**6,032,242**	**5,844,085**
Total liabilities and stockholders' equity		**$ 10,252,731**	**10,175,405**

The notes from page 56 to 127 are integral part the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2018
(Thousands of Mexican pesos, except for earning per share)

	NOTE	2019	2018
Revenues:			
Rooms		$ 1,096,658	1,105,587
Food and beverages		860,367	731,512
Other	10	280,876	227,842
Total revenue		**2,237,901**	**2,064,941**
Departmental costs and expenses:			
Rooms		233,185	223,853
Food and beverages		491,808	414,042
Other		45,089	31,590
Total departmental costs and expenses		**770,082**	**669,485**
Departmental income		**1,467,819**	**1,395,456**
Indirect expenses:			
Administrative	10	340,336	280,945
Advertising and sales		208,758	189,787
Maintenance and energy costs		249,989	221,638
Total indirect expenses		**799,083**	**692,370**
Profit before property expenses and depreciation		**668,736**	**703,086**
Property expenses and depreciation:			
Property tax		13,631	7,188
Insurance		22,846	22,454
Depreciation	13	235,366	195,057
Amortization of other assets		1,927	1,310
Preoperative expenses		5,586	13,300
Expansion expenses		9,954	12,717
Other		678	505
Total property expenses and depreciation		**289,988**	**252,531**
Operating income		**378,748**	**450,555**
Financial cost:			
Interest expense, net	10	(173,941)	(137,916)
Foreing exchange gain (loss), net		71,933	7,624
Other financial costs		(6,647)	(7,243)
Financial cost, net		**(108,655)**	**(137,535)**
Equity in earnings from associated companies		2,370	972
Permanent investments		**272,463**	**313,992**
Profit before income tax	18		
Income taxes:		116,997	102,286
Deferred		(8,576)	(55,631)
Total income taxes		**108,421**	**46,655**
Net income		**$ 164,042**	**267,337**
Income (loss) attributable to:			
Controlling interest		179,364	265,950
Non-controlling interest		(15,322)	1,387
		$ 164,042	**267,337**
Basic earnings per share	19(h)	**$ 0.34**	**0.55**

The notes from page 56 to 127 are integral part the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2019 and 2018
(Thousands of Mexican pesos)

	NOTE	CAPITAL STOCK	STOCK REPURCHASE RESERVE	ADITIONAL PAID - IN CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	TOTAL CONTROLLING INTEREST	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
Balances as of December 31, 2017		**$ 3,454,707**	**(13,145)**	**80,000**	**190,493**	**598,953**	**4,311,008**	**1,028,053**	**5,339,061**
Repurchase of shares	19(c)	-	(28,222)	-	-	-	(28,222)	-	(28,222)
Initial recognition of non controlling interest		-	-	-	-	-	-	265,909	265,909
Net income		-	-	-	-	265,950	265,950	1,387	267,337
Balances as of December 31, 2018		**3,454,707**	**(41,367)**	**80,000**	**190,493**	**864,903**	**4,548,736**	**1,295,349**	**5,844,085**
Repurchase of shares	19(c)	-	8,528	-	-	-	8,528	-	8,528
Initial recognition of non controlling interest		-	-	-	-	-	-	15,587	15,587
Net income		-	-	-	-	179,364	179,364	(15,322)	164,042
Balances as of December 31, 2019		**$ 3,454,707**	**(32,839)**	**80,000**	**190,493**	**1,044,267**	**4,736,628**	**1,295,614**	**6,032,242**

The notes from page 56 to 127 are integral part the consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

	2019	2018
Cash flows from operating activities:		
Net income	$ 164,042	267,337
Adjustment for:		
Depreciation	235,366	195,057
Amortization of other assets	1,927	1,310
Income taxes	108,421	46,655
Cash flows from investment activities		
Interest income	(10,704)	(19,802)
Investment in associated companies	(2,370)	(972)
Items related to financing activities		
Unrealized foreign exchange loss	(113,320)	(33,418)
Interest expense	184,645	157,718
Other financial costs	6,647	7,243
Profit on sale of shares	(3,562)	-
	571,092	621,128
Accounts receivable	(61,653)	(35,695)
Due from related parties	3,617	(788)
Other receivables	46,462	40,091
Inventories	2,823	(13,598)
Prepaid expenses	75	(4,332)
Trade accounts payable	(12,570)	76,920
Other liabilities	23,001	(479,028)
Accruals	12,338	(17,045)
Due to related parties	361	(5,383)
Advances from customers	16,725	3,757
Income taxes	(76,486)	(86,803)
Employee benefits	2,152	1,294
Net cash provided by operating activities	**527,937**	**100,518**

	2019	2018
Cash flows from investing activities:		
Acquisition of property, furniture and equipment	(247,348)	(319,796)
Business acquisition (net of cash received)	-	(246,841)
Other assets	(7,617)	(1,575)
Deposits for hotel acquisition	-	24,176
Investment in financial instruments	(484)	(83,382)
Proceeds from sale of shares	88,000	-
Cash loans granted to related parties	(30,497)	-
Interest received	10,704	19,802
Net cash used in investing activities	**(187,242)**	**(607,616)**
Cash flows from investing activities:		
Non-controlling interest contributions	15,587	28,429
Repurchase of shares	8,528	(28,222)
Proceeds from loans	257,783	685,973
Payments of loans	(361,580)	(176,392)
Interest paid	(187,237)	(156,801)
Net cash provided by financing activities	**(266,919)**	**352,987**
Net increase (decrease) in cash, cash equivalents and restricted cash	**73,776**	**(154,111)**
Cash, cash equivalents and restricted cash at beginning of year	237,559	391,670
Cash, cash equivalents and restricted cash at December 31	**$ 311,335**	**237,559**

The notes from page 56 to 127 are integral part the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019 and 2018

(Thousands of Mexican pesos)

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

1. REPORTING ENTITY

Grupo Hotelero Santa Fe, S. A. B. de C. V. (the "Group" or "GHSF") was incorporated in Mexico City. GHSF is domiciled at Juan Salvador Agraz No. 65, 20th floor, Colonia Santa Fe Cuajimalpa, zip code 05348, Mexico City.

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

INITIAL PUBLIC OFFERING CHANGE OF CORPORATE NAME AND SUBSEQUENT PUBLIC OFFERING

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

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

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

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

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

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

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

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

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

- Inmobiliaria en Hotelería Leon Santa Fe, S. de R. L de C. V. (IHL) its main activity is to acquire under any legal title shares, interests, participations, among other of any type of commercial companies both national and foreign and invest in its equity; it was incorporated on September 18, 2015, and began operations on March 1, 2015.

- Corporación de Servicios Los Ángeles Vallarta, S.A. de C.V. (CSA), Whose main activity is to provide management services, hotel operation and any type of hotel service to its related parties; it was incorporated on November 24, 2016 and began operations on January 1, 2018.

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

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

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

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

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

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

- Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. (IHV), whose main activity is to own a hotel located in Puerto Vallarta, Jalisco, México, which operates 451 rooms, under the brand name "Hilton". The operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on May 23, 2011, and began operations on October 1, 2012.

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

- Inmobiliaria en Hotelería Cancún Santa Fe, S. de R. L. de C. V. (IHC), whose main activity is to own a hotel located in Cancún, Quintana Roo, Mexico, which operates 398 rooms, under the brand name "Krystal Grand Punta Cancún". The management and operation of the hotel is carried out by Hotelera SF, which has management and hotel operation contracts that requires the payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on May16, 2013, and began operations on September 24, 2013.

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

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

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

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

- Administración y Operación SF, S. de R. L. de C. V., (AYO) whose main activity is to provide management services, hotel operation and any type of hotel service. It was incorporated on December 4, 2014. As of December 31, 2018, it has not started operations.

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

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

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

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

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

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

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

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

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

- CER diecinueve 91, S. de R. L. de C. V., (CDN) whose main activity is to provide food and beverage services for clients of "Krystal Grand Suites Insurgentes

1991" and the general public; it was incorporated on July 4, 2017 and began operations on September 13, 2017.

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

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

- Inmobiliaria Hotelera del Bajío, S.A. de C. V. (IHB) its main activity is to own a hotel which operates with 140 rooms, located in the City of León, Guanajuato, under the commercial name of "Hyatt Centric Campestre". The operation of the hotel is carried out by Hotelera S.F. which has management and hotel operation contracts that requires payment of a fee over the revenues and an incentive fee over the operating income. It was incorporated on August 24, 2018.

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

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

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

- Grupo Inmobiliario 1991, S.A. (GIM1991), as of August 18, 2018, the main activity is to own a complex of suites, located in Mexico City, through a shareholders agreement, between the shareholders of (IKS) and the shareholders of Grupo Inmobiliario 1991, the latter remaining, which operates 150 suites under the concept of renting furnished spaces and under the brand name "Krystal Grand Suites Insurgentes 1991".

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The accompanying consolidated financial statements were prepared in accordance with international standards of financial reporting ("IFRS") issued by the Council of international accounting standards (IASB, by its acronym in English). IFRS designation includes all the standards issued by the IASB and the related, interpretations issued by the Committee's interpretations of the financial reporting (IFRIC, for its acronym in English).

On March 10, 2020, Francisco Medina Elizalde, Chief Executive Officer, Enrique Gerardo Martínez Guerrero, Chief Financial Officer and Legal

Representative and José Alberto Santana Cobián, Chief Administration Officer, authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Law of mercantile societies (LGSM) and the statutes of the individual companies that were incorporated in the consolidated financial statements of the group, shareholders have the power to amend the financial statements consolidated after their issuance.

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

(B) BASIS OF MEASUREMENT

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

(C) FUNCTIONAL AND REPORTING CURRENCY

The accompanying consolidated financial statements are presented in Mexican pesos ("$" or "MXP"), Mexico's national currency, which is the Group's functional currency and the reporting currency in which these consolidated financial statements are presented. When reference is made to dollars or "USD", it means dollars of the United States of America. All financial information presented in pesos has been rounded to the nearest thousand amount. The exchange rate of the Mexican peso against the dollar, at December 31, 2019 and 2018 was $18.87 y $19.65, respectively. At March 10, 2020 the exchange rate was $ 21.02.

D) USE OF ESTIMATES AND JUDGMENTS

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

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

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

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

- Notes 3 (i) ii y 13 Useful lives of property, furniture and equipment
- Notes 9 Allowance for doubtful receivables
- Notes 3 (j) and 17 Measurement of labor obligations
- Notes 3 (m) and 18 Deferred tax assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the consolidated financial statements at December 31, 2019 is included in the following notes:

- Notes 3 (o) and 23 Contingencies

E) MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

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

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

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

- Note 20 - Financial instruments and risk management

F) SCOPE OF CONSOLIDATION

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

All Group entities prepare their financial statements as of December 31, 2019, applying the same accounting policies and valuation criteria in accordance with IFRS. Intercompany transactions and balances relating to consolidated entities have been eliminated.

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

Entities consolidated in the financial statements:

	ENTITIES
December 31, 2017	**34**
Additions	5 (1)
December 31, 2018	**39**
Additions	
December 31, 2019	**39**
Additions	

(1) Companies included in the Group during 2018 were added through the business acquisition mentioned in note 6.

G) STATEMENT OF COMPREHENSIVE INCOME PRESENTATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF CONSOLIDATION

(I) BUSINESS COMBINATION

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

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

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

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

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

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

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

(II) ACQUISITIONS OF NON-CONTROLLING INTERESTS

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

(III) SUBSIDIARIES

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

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

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

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

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

GHSF SUBSIDIARIES	OWNERSHIP	MAIN ACTIVITY
Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R. L. de C. V.	100%	Property management
Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R. L. de C. V.	100%	Property management
Inmobiliaria en Hotelería Ciudad Juárez Santa Fe, S. de R. L. de C. V.	100%	Property management
Inmobiliaria MB Santa Fe, S. A. de C. V.	100%	Property management
Grupo Hotelero SF de México,S. de R. L. de C. V.	100%	Hotel management
Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V.	100%	Hotel management
Servicios e Inmuebles Turísticos, S. de R. L. de C. V.	100%	Hotel management
Chartwell Inmobiliaria de Juárez, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria en Hotelería Cancún Santa Fe, S. de R. L. de C. V.	100%	Hotel management
Inmobiliaria Hotelera Cancún Urban, S. de R. L. de C. V.	100%	Hotel management
SF Partners II, S. de R. L. de C. V.	100%	Hotel management
Moteles y Restaurantes María Barbara, S. A. de C. V.	100%	Hotel management

GHSF SUBSIDIARIES	OWNERSHIP	MAIN ACTIVITY
Hotelera SF, S. de R. L. de C. V.	100%	Hotel operation
Administración y Operación SF, S. de R. L. de C. V.	100%	Personnel services
Servicios en Administración Hotelera SF, S. de R. L. de C. V.	100%	Personnel services
Administración SF del Norte, S. de R. L. de C. V.	100%	Personnel services
Administración SF Occidente, S. de R. L. de C. V.	100%	Personnel services
Corporación Integral de Servicios Administrativos de Occidente, S. de R. L. de C. V.	100%	Personnel services
Administración SF del Pacífico, S. de R. L. de C. V.	100%	Personnel services
Administración SF de Quintana Roo, S. de R. L. de C. V.	100%	Personnel services
Servicios Administrativos Urban Cancún, S. de R. L. de C. V.	100%	Personnel services
Servicios Administrativos Tlalnepantla Santa Fe, S. de R. L. de C. V.	100%	Personnel 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%	Personnel 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% (1)	Hotel management
Servicios Administrativos K Suites 1991 S. de R. L. de C. V.	100% (1)	Personnel services
Sibra Vallarta, S. A. de C. V.	50% (2)	Property management
ICD Sitra, S. A. de C. V.	50% (2)	Property management
Promotora los Ángeles Cabos, S. A. de C. V.	50% (2)	Hotel management
Servicios Ángeles SJC, S. A. de C. V.	50% (2)	Personnel services
Arrendadora Ángeles Vallarta, S. A. de C. V.	50% (2)	Hotel management
CER diecinueve 91, S de R. L. de C. V.	100% (2)	Consumer services

GHSF SUBSIDIARIES	OWNERSHIP	MAIN ACTIVITY
Servicios en Administración Hotelera M.P.S.F. S. de R. L. de C. V.	50% (3)	Personnel services
Inmobiliaria Hotelera de la Península S. A. de C. V.	50% (3)	Hotel management
Inmobiliaria en Hotelería Querétaro S.F., S. A. de C. V.	50% (3)	Hotel management
Grupo inmobiliario 1991 S. A.	50% (3)	Hotel management
Inmobiliaria Hotelera del Bajío, S.A. de C.V.	50% (3)	Hotel management

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

(IV) BALANCES AND TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

(B) FOREIGN CURRENCY

Operations in foreign currency are converted to the respective functional currencies of the entities of the Group at the exchange rate prevailing on the dates of the transactions. The monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the rate of Exchange at that date. Profit or loss exchange of monetary items is the difference between the cost repaid in the currency functional at the beginning of the period, adjusted for effective interest during the period and payments, and the cost repaid foreign currency converted to the type of change at the end of the period are reported. Exchange rate differences arising from the conversion are recognized in the results of the exercise.

(C) FINANCIAL INSTRUMENTS

(I) RECOGNITION AND INITIAL MEASUREMENT

Trade receivable and debt investment instruments are initially recognized when these assets are originated. All the other financial assets and financial liabilities are initially recognized when the Group has become part of the disposals contractual of the instrument.

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

(II) CLASSIFICATION AND SUBSEQUENT MEASUREMENT

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

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

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

- The financial asset is held within a business model whose objective is to hold the financial assets to collect contractual cash flows; and

- Its contractual terms give rise, on specified dates, to cash flows that are only payments of principal and interest on the principal amount outstanding

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

- The financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets; and

- Its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets - Business model evaluation:

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

- the policies and objectives for the portfolio and the operation of those policies in practice. These include whether Management's strategy focuses on earnings contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group´s management;
- the risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, how those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in previous periods, the reasons for such sales and expectations of future sales activity.

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

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

Financial assets - Assessment whether contractual cash flows are only payments of principal and interest:

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

In assessing whether the contractual cash flows are solely payments of the principal and interest, the Group considers the contractual terms of the instrument.

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

Financial assets -

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

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

Financial assets: Subsequent measurement and gains and losses

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

Financial liabilities - Classification, subsequent measurement, gains and losses

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

III. DERECOGNITION

Financial assets

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

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

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

IV. OFFSETTING

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

V. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments and hedge accounting

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

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

(D) INVENTORIES

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

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

(E) PREPAID EXPENSES

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

(F) PROPERTY, FURNITURE AND EQUIPMENT

(I) RECOGNITION AND MEASUREMENT

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

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

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

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

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

(II) SUBSEQUENT COSTS

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

(III) DEPRECIATION

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

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

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

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

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

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

(G) GOODWILL

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

(H) IMPAIRMENT

Financial instruments

The Group recognizes losses allowances for estimated credit losses on:

- financial assets measured at amortized cost.

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

- debt instruments that is determined that they have a low credit risk as at the date of the financial statements; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

The Group assumes that the credit risk of a financial asset has increased significantly if it´s more than 30 days past due, except in cases where the Company has information that the risk has not increased significantly.

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

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

- the financial asset has a more than 90 days past due, or when the Company has reasonable and supported information to consider that a longer term is a more appropriate criterion.

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

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

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

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

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

Not financial assets
On each reporting period, the Group reviews the carrying amount of its financial assets [other than biological assets, investment properties, inventories and deferred tax assets) to determine whether there is an indication of impairment. If there are such indications, then the recoverable amount of the asset 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.

Recoverable amount of an asset or CGU is the greater between 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 income. 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

They mainly include extraordinary fees with a defined useful life and are recorded at their acquisition value. Amortization is calculated using the straight-line method over a maximum period of 10 to 15 years. Additionally, as of December 31, 2019, certain recoverable assets are included as described in note 14.

(J) INVESTMENT IN ASSOCIATED COMPANIES

On September 24, 2019, through resolutions taken outside the meeting, the shareholders resolved to approve the sale of the shares of GHSF (Inmobiliaria Hoteleria León Santa Fe, S. de RL de C.V.) to Grupo HECFA, SA de CV on 25% of the capital of the company Sunset Tulum, S.A. de C.V.

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

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

(K) EMPLOYEE BENEFITS

(I) SHORT-TERM EMPLOYEE BENEFITS

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

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

(II) DEFINED BENEFIT PLAN

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

(III) TERMINATION BENEFITS

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

(L) SHARE-BASED PAYMENT

The Group has established a payment program based on shares of its equity for certain employees, recognizing an operating expense in the consolidated income statement and an increase in stockholders' equity, during the vesting period, at fair value of the equity instruments granted. The vesting period ranges from one to three years. The plan grants shares to executives, net of taxes withheld, who meet the plan criteria and remain within the Group through the vesting period as disclosed in note 19(c).

(M) ACCRUALS

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

(N) ORDINARY ACTIVITIES INCOME FROM CUSTOMER CONTRACTS

Income is measured based on the obligation to fulfill specified in a contract with a client. The Company recognizes revenue when it transfers control over the goods or services to the customer.

(I) HOSTING SERVICES

Income from lodging services is recognized to the extent that they are provided. The degree of completion to determine the amount of income to be recognized is evaluated on the basis of a review of the work performed.

Customer advances that are presented as current liabilities, correspond to receipts received for future reservations and for which the hosting service has not been provided. Such advances are recognized as income at the time said services are provided.

(II) INCOME FROM RENTS

Rental income is recognized linearly throughout the lease term and is presented under other operating income

(III) INCOME FROM HOTEL ADMINISTRATION

Hotel administration income is recognized to the extent that it is provided. The degree of completion to determine the amount of income to be recognized is evaluated on the basis of a review of the work performed.

(IV) LOYALTY PROGRAM

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

Income from these services as they are provided. The degree of completion to determine the amount of income to be recognized is evaluated on the basis of a review of the work performance.

(O) DEPARTMENTAL COSTS

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

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

(P) ADVERTISING EXPENSES

Advertising costs are expensed as incurred.

(Q) LEASES

Policy applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

I. 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.

Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

(R) FINANCE INCOME AND COSTS

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

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

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

(S) INCOME TAXES

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

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

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

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

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

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

(T) EMPLOYEE STATUTORY PROFIT SHARING (ESPS)

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

(U) CONTINGENCIES

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

(V) SEGMENT INFORMATION

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

(W) EARNINGS PER SHARE

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

4. ACCOUNTING STANDARDS NOT ADOPTED

(A) NEW STANDARDS OR AMENDMENTS NOT ADOPTED STANDARDS

A number of new standards, amended standards and interpretations are effective for annual periods beginning after January 1, 2019 and has not been applied in preparing these consolidated financial statements. The Company does not plan for early adoption of these standards:

- Amendments to references to Conceptual framework in IFRS Standards.
- Definition of a business (Modifications to IFRS 3).
- Definition of Material (Modifications to IAS 1 and IFRS 8).

(B) NEW STANDARDS OR AMENDMENTS TO ADOPTED STANDARDS

A series of new standards, modifications to standards and interpretations are applicable to annual periods beginning after the 1st. January 2019, and have been applied in the preparation of these consolidated financial statements are those shown in the following sheet.

The Group has initially applied IFRS 16 and IFRIC 23 as of January 1, 2019. Some other new standards also were applicable as of January 1, 2019, but did not have a significant effect on the Group's financial statements.

- IFRS 16 Leases

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

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

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

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

- IFRIC 23 Uncertainty over tax treatments

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

This interpretation establishes:

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

The Group applied this interpretation as of January 1, 2019, although no significant impacts are expected in its adoption.

5. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework-

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's operating activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Credit risk-

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

Receivables from customers, related parties and other receivables-

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

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

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

Investments-

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

Guarantees-

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

At December 31, 2019, there is a secured loan with BBVA Bancomer, S. A. Institución de Banca Multiple being guarantors subsidiaries: Servicios de Inmuebles Turisticos, S. de R. L. de C. V. and Chartwell Inmobiliaria Monterrey, S. de R. L. de C. V. (see note 15).

Liquidity risk-

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

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

Market risk-

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

The Group is exposed to transactional foreign currency risk mainly for services render and borrowings denominated in a different currency to the respective functional currency of the Group, that is the Mexican peso. The foreign currency in which these transactions are denominated is the US dollar.

Interest expense on loans are denominated in the currency of the loan, which is the US dollar.

Respect to other monetary assets and liabilities denominated in foreign currency, the Group ensures that its net exposure remains at the acceptable level through the purchase and sale of foreign currencies at exchange rates of spot operations to cover unforeseen contingencies in a short term.

Currency risk-

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

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

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

Interest rate risk-

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

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

Equity management-

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

6. BUSINESS ACQUISITIONS

Assets acquired and liabilities assumed-

Identifiable assets acquired and liabilities assumed in the business combination were as in the show below:

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

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

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

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

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

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

	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Current assets:	
Cash and cash equivalents	$ 235
Account receivables and other accounts receivable	46,369
Non-current assets:	
Property, furniture and equipment	597,237
Other non-current assets	44
Current liabilities:	
Trade accounts payable and other accounts payable	(331,961)

	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Non-current liabilities:	
Deferred taxes	(93,448)
Net assets acquired	218,476
Less: non- controlling interest (1)	109,238
Less: consideration paid in cash	(132,000)
Goodwill	**$ (22,762)**

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

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

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

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

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

On August 24, 2018 GHSF entered into a share subscription contract in which GHSF subscribed a capital increase in the capital of Inmobiliaria Hotelera del Bajio S.F., S.A. de C.V. (IHB) of $128,250 pesos reaching a total of $256,503,000 obtaining 50% of the capital shareholding.

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

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

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

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

	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Current assets:	
Cash and cash equivalents	$ 13,166
Accounts receivable and other accounts receivable	50,838
Non-current assets:	
Property, furniture and equipment	369,902
Current liabilities:	
Trade accounts payable and other accounts payable	(177,422)
Net assets acquired	256,484
Less: non-controlling interés (2)	128,232
Less: consideration paid in cash	(128,232)
Goodwill	**$** -

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

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

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

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

ICD Sitra, S. A. de C. V. y Sibra Vallarta, S. A. de C. V.

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

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

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

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

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

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

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

	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Current assets:	
Cash and cash equivalents	$ 3,720
Accounts receivable and other accounts receivable	81,814
Non-current assets:	
Property, furniture and equipment	3,096,097
Other non-current assets	6,023

	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Current liabilities:	
Trade accounts payable and other accounts payable	(1,393,314)
Non-current liabilities:	
Debt	(297,483)
Deferred taxes	(724,523)
Net assets acquired	772,334
Less non-controlling interest (3)	386,167
Less consideration paid in cash	(610,226)
Goodwill	**$ (224,059)**

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

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

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

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

7. BUSINESS SEGMENTS INFORMATION

A) SEGMENTATION BASIS

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

- Urban Services
- Resort Services
- Operator and Holding

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

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

	2019			
	URBAN	RESORT	OPERATOR AND HOLDING	CONSOLIDATED
Total operating revenues	642,809	1,486,819	108,273	2,237,901
Depreciation and amortization	$ 92,414	110,545	34,334	237,293
Operating profit (loss)	154,150	346,131	(121,535)	378,746
Consolidated net income (loss)	96,045	208,936	(140,939)	164,042

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

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

	2019			
	URBAN	RESORT	OPERATOR AND HOLDING	CONSOLIDATED
Total assets	3,510,894	5,770,571	958,729	10,240,194
Total liabilities	$ 1,088,061	3,017,474	102,416	4,207,951

	2018			
	URBAN	RESORT	OPERATOR AND HOLDING	CONSOLIDATED
Total assets	3,495,064	5,779,495	904,846	10,175,405
Total liabilities	$ 1,176,811	3,064,239	90,270	4,331,320

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	2019	2018
Cash	$ 176,420	100,201
Temporary investments	3,464	2,603
Total cash and cash equivalents in current assets	179,884	102,804
Long term restricted cash (1)	131,451	134,755
Total cash and cash equivalents	**311,335**	**237,559**

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

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	2019	2018
Cash and cash equivalents	$ 179,884	102,804
Long term restricted cash	131,451	134,755
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	**$ 311,335**	**237,559**

9. ACCOUNTS RECEIVABLE

Accounts receivable are summarized as follows:

	2019	2018
Guests and agencies	$ 186,110	161,153
Other	47,142	13,468
	233,252	174,621
Less estimate for doubtful accounts	717	3,739
Total accounts receivable	**$ 232,535**	**170,882**

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

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(A) CONTROL RELATIONSHIPS

At December 31, 2019, the equity of Grupo Hotelero Santa Fe, S. A. B. de C. V. is as follows:

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

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

(B) REMUNERATION TO KEY MANAGEMENT PERSONNEL

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

	2019	2018
Short-term benefits	$ 40,699	36,073

(C) TRANSACTIONS WITH OTHER RELATED PARTIES

As following the transactions with other related parties are described:

(I) REVENUE

	TRANSACTION VALUE	
	2019	2018
Management fee base:		
Hotelera Chicome, S. A. de C. V.	$ 11,764	11,898
Promotora Turística Mexicana, S. A. de C. V.	7,927	6,459
Hotelera Caracol, S. A. de C. V.	5,250	4,694
Servicios Integrales Pin, S. A. de C. V.	-	390
Yaman, S. A. de C. V.	-	276
Consorcio Hotelero Aeroportuario Monterrey, S. A. P. I. de C. V.	3,104	3,432
Incentive fees:		
Hotelera Chicome, S. A. de C. V.	$ 13,777	14,978
Promotora Turística Mexicana, S. A. de C. V.	10,166	8,741
Hotelera Caracol, S. A. de C. V.	5,684	4,890
Servicios Integrales Pin, S. A. de C. V.	-	315
Yaman, S. A. de C. V.	-	127
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V.	4,903	4,203
Corporate and international advertising revenues:		
Hotelera Chicome, S. A. de C. V.	$ 9,827	9,617

	TRANSACTION VALUE	
	2019	2018
Promotora Turística Mexicana, S. A. de C. V.	5,250	4,761
Hotelera Caracol, S. A. de C. V.	2,048	2,425
Servicios Integrales Pin, S. A. de C. V.	-	124
One-time operating fee:		
Operadora Inca S. A. de C. V.	$ -	7,252
Servicios Hoteleros Metropolitanos, S. A. de C. V.	-	2,697
Operadora de Hoteles de Pachuca, S. A. de C. V.	-	180
Other income:		
Promotora Turística Mexicana, S. A. de C. V.	$ 2,421	2,411
Hotelera Chicome, S. A. de C. V.	8,398	1,026
WSC CKD Krystal Grand Reforma F/01057	-	1,649
Hotelera Caracol, S. A. de C. V.	1,248	462
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V.	105	-
Servicios Corporativos Krystal Cancún, S. A. de C. V.	1,860	38
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	39	38
Servicios Corporativos Krystal Ixtapa, S. A. de C. V.	55	38
Yamun, S. A. de C. V.	-	22
Servicios Hoteleros Aeropuerto Monterrey, S. A. de C. V.	39	-
Operadora de Hoteles de Pachuca, S. A. de C. V.	-	1,090
Operadora Inca, S. A. de C. V.	-	341
Servicios Hoteleros Metropolitanos, S. A. de C. V.	-	187
Servicios Integrales Pin, S. A. de C. V.	-	2

(II) EXPENSES

	2019	2018
Refundable expenses:		
Promotora Turística Mexicana, S. A. de C. V.	$ 10,294	8,978
Hotelera Chicome, S.A. de C. V.	2,225	-
Hotelera Caracol, S. A. de C. V	52	-
Servicios Krystal Ixtapa, S. A. de C. V	147	-
Expenses for administrative services:		
Grupo Circum, S. A. de C. V.	$ 9,406	7,714
Servicios Administrativos Chartwell, S. A. de C. V.	3,905	3,396

	TRANSACTION VALUE		
	2019		2018
Expenses for development services:			
Grupo Circum, S. A. de C. V.	$	-	4,935
Leases:			
Inmobiliaria de la Parra, S. de R. L. de C. V.	$	6,208	6,084

(III) TRANSFER PRICING POLICIES

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

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

	2019	2018
Roseg, S. A. de C. V. (1)	30,497	-
Hotelera Chicome, S. A. de C. V.	3,900	4,842
Promotora Turística Mexicana, S. A. de C. V.	-	2,447
Hotelera Caracol, S. A. de C. V.	1,552	1,810
Consorcio Hotelero Aeroportuario Monterrey, S. de R. L. de C.V.	604	635
Servicios Integrales PIN, S. A. de C. V.	-	274
Servicios Corporativo Krystal Ixtapa, S. A. de C. V.	-	14
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	-	7
Servicios Hoteleros Monterrey, S. A. de C. V.	-	4
Nexxus Capital Private Equity Fund III, L. P.	2	2
Comercializadora MP, S. A. de C. V.	2	2
Administración S.F. Reforma, S. de R. L. de C. V.	231	218
Sunset Tulum, S. A. de C. V	290	-
Servicios Integrales Paramba, S. A. de C. V.	25	-
Operadora Hexpla Puerto Bajio, S. A. de C. V.	32	-
Due from related parties	**37,135**	**10,255**

	2019	2018
Due to		
Grupo ICD Sitra, S. A. de C. V.	10,357	10,467
Operadora Inca, S. A. de C. V.	140	61
Comercializadora MP, S. A. de C. V.	-	7
Servicios Corporativos Krystal Cancun, S. A. de C. V.	18	6
Promotora Turística Mexicana, S. A. de C. V.	5	-
ROSEG, S. A. de C. V.	313	-
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	48	-
Administración SF Reforma, S. A. de C. V.	13	-
Servicios Krystal Ixtapa, S. A. de C. V.	5	-
Inmobiliaria en Hoteleria Querétaro SF, S. A. de C. V.	3	-
Due to related parties	**10,902**	**10,541**

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

(1) The receivable from Roseg, S. A. de C. V. corresponds to a credit agreement through which the Company granted a loan of $2,000,000 USD bearing interest at fix rate at 10%, payable in 20 monthly exhibitions, beginning on August 1, 2019 and the due date is March 1, 2021. As of December 31, 2019, the receivable is for $1,600,000 USD and includes accrued interest by $15,950 USD.

11. OTHER RECEIVABLES

Other accounts receivable is summarized as follows:

	2019	2018
Recoverable value added tax	321,778	333,785
Recoverable income taxes	33,496	69,153
Sundry debtors	6,277	6,675
Recoverable cash deposits tax	413	413
Recovered flat rate business tax	226	226
Other	1,600	-
	363,790	410,253

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

12. INVENTORIES

Inventories are comprised as follows:

	2019	2018
Foods	5,659	6,434
Other operating supplies	15,455	16,218
Beverages	5,115	6,400
	26,229	**29,052**

13. PROPERTY, FURNITURE AND EQUIPMENT

The rollforward of property, furniture and equipment is shown as following:

INVESTMENT:	LAND	OPERATING EQUIPMENT	BUILDINGS	FURNITURE & EQUIPMENT IN	CONSTRUCTION PROGRESS	TOTAL
Balance at December 31, 2017	$ 1,769,601	46,009	4,777,200	639,316	1,050,702	8,282,828
Additions	-	18,352	99,303	99,528	381,434	598,617
Disposals	-	(74)	-	(2,869)	(286,986)	(289,929)
Acquisition effect	93,023	27,942	736,534	109,640	-	967,139
Balance at December 31, 2018	**$ 1,862,624**	**92,229**	**5,613,037**	**845,615**	**1,145,150**	**9,558,655**
Balance at December 31, 2018	1,862,624	92,229	5,613,037	845,615	1,145,150	9,558,655
Additions	-	19,463	56,085	16,643	155,157	247,348
Disposals	-	(203)	(3,916)	(438)	(2,533)	(7,090)
Transfer	-	623	503,881	193,769	(698,273)	-
Balance at December 31, 2019	**1,862,624**	**112,112**	**6,169,087**	**1,055,589**	**599,501**	**9,798,913**

ACCUMULATED DEPRECIATION:		LAND	OPERATING EQUIPMENT	BUILDINGS	FURNITURE & EQUIPMENT IN	CONSTRUCTION PROGRESS	TOTAL
Balance at December 31, 2017	$	-	-	455,770	236,826	-	692,596
Depreciation		-	-	133,730	61,327	-	195,057
Disposals		-	-	(11,108)	-	-	(11,108)
Balance at December 31, 2018	$	-	-	578,392	298,153	-	876,545

ACCUMULATED DEPRECIATION:		LAND	OPERATING EQUIPMENT	BUILDINGS	FURNITURE & EQUIPMENT IN	CONSTRUCTION PROGRESS	TOTAL
Balance at December 31, 2018	$	-	-	578,392	298,153	-	876,545
Depreciation		-	-	142,872	92,494	-	235,366
Disposals		-	-	(2,688)	(373)	-	(3,061)
Balance at December 31, 2019	$	-	-	718,576	390,274	-	1,108,850

CARRYING VALUES:							
Balance at December 31, 2018	$	1,862,624	92,229	5,034,645	547,462	1,145,150	8,682,110
Balance at December 31, 2019	$	1,862,624	112,112	5,450,511	665,315	599,501	8,690,063

At December 31, 2019 and 2018, the estimated cost to complete construction in process projects amounts $548,648 and $654,736, respectively.

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

At December 31, 2019 and 2018, there are no impairment losses on the value of long-lived assets, evaluated in accordance with the provisions of IAS 36 "Impairment of long-lived Assets".

14. OTHER ASSETS

The other assets are integrated as follows:

	2019	2018
Extraordinary Fees [1] [2] [3] [4]	$ 23,483	13,675
Other	5,568	6,761
	$ 29,051	**20,436**

(1) On November 1st, 2017 Hotelera SF, S. de RL de CV signed a hotel operation and administration contract with Parimba, S. A. P. I. de C. V., for the administration and operation of the 144 room hotel, which will be marketed under the brand and under the trade name of "Hyatt Place Aguascalientes" which stipulates the payment of an extraordinary fee in the amount of $ 12,000, in consideration for having been chosen by the owner of the hotel to operate it for an initial period of 20 years, the same period for which they will be amortized. As of December 31, 2019, its amortization was $500.

(2) On March 13, 2017, Hotelera SF entered into an operation and hotel management agreement with Servicios Integrales PIN, S. A. P. I. de C. V., to operate 140 rooms hotel in the city of Irapuato, Gto. The aforementioned under the franchise of a well-known international brand, in which it is stated the payment of an extraordinary fee (key money) amounting to $7,000 in consideration for being chosen by the hotel owner to operate for an initial term of 15 years which will be the amortization period. As of December 31, 2019 and 2018, the amortization was $467 and $350 respectively.

(3) On March 17, 2016, Hotelera SF entered into an operation and hotel management agreement with Inca Inmobiliaria Monterrey S. A. de C. V., owner of the Hotel "Krystal Monterrey", in which it is stated the payment of an extraordinary fee amounting to $ 6,000, in consideration for being chosen by the hotel owner to operate for initial term of 10 years, which will be the amortization period. At December 31, 2019 and 2018, amortization was $600.

(4) On December 22, 2015, Hotelera SF, entered into a management and hotel operation agreement with Servicios Hoteleros Metropolitanos S. A. de C.V. (owner of the hotel "Krystal Urban Aeropuerto Ciudad de México"), which stipulated the payment of an extraordinary fee amounting to $3,600 in consideration for being chosen by the owner of the hotel to operate it for a term of 10 years which will be the amortization period. At December 31, 2019 and 2018, amortization was $360.

15. SHORT AND LONG-TERM DEBT

The Group's debt is summarized as follows:

	2019	2018
Unsecured loan originated by BBVA Bancomer, S. A. up to USD 29,000,000 to Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R. L de C. V. and Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R. L. de C. V., which bear interest at 90 day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments, beginning June 29, 2011, maturing in 10 years. The last payment of USD 8,700,000 corresponds to 30% of the total debt. This credit agreement was restructured on July 16, 2019..	$ -	276,409
On July 16, 2019, the Company entered into an amendment agreement to the original credit agreement granted by BBVA in the amount of $12,870,369 USD to Inmobiliaria en Hotelería Guadalajara Santa Fe, S. de R.L. de C.V. and Inmobiliaria en Hotelería Monterrey Santa Fe, S. de R.L. de C.V., which bearing interest at LIBOR rate at 90 days plus 3.10 percentage points, payable in 40 quarterly exhibitions, the due date is July 2, 2029. Last payment for $4,086,360 USD corresponds at 32% of the total debt.	234,397	-
Unsecured loan originated by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. up to USD 22,000,000, which bear interest at the 90 day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments, beginning on October 31, 2014 maturing in 10 years. The last payment of USD 6,600,000 corresponds to 30% of the total debt.	262,991	311,189
Unsecured loan originated by BBVA Bancomer, S. A. to Grupo Hotelero SF de México, S. de R. L. de C. V. for $120,000, which bear interest that results from adding 2.95% (two point ninety-five percentage points) to the defined TIIE rate in the contract and in the absence of this, by reason of an annual interest rate that results from adding 2.95% (two point ninety-five percentage points) to the CETES rate, payable in 40 quarterly installments beginning on February 29, 2016 , maturing in 10 years. The last payment of $36,000 pesos corresponds to 30% of the total debt. This credit agreement was restructured on July 9, 2019.	-	94,153
On July 9, 2019, the Company entered into an amendment agreement to the original credit agreement for $4,736,223.30 USD to Grupo Hotelero SF de México, S. de R.L. de C.V. which bearing interest at LIBOR rate at 90 days plus 3.10 percentage points, payable in 26 quarterly exhibitions, the due date is November 21, 2025. Last payment for $1,897,734 USD corresponds at 40% of the total debt.	85,100	-
Unsecured loan originated by BBVA Bancomer, S. A. to Inmobiliaria in Hotelería Cancún, S. de R. L. de C. V. for USD 18,300,000, which bear interest at the 90 day LIBOR rate, plus 3.10 percentage points, payable in 39 quarterly installments, beginning June 28, 2014, maturing in 10 years. Last payment of USD 5,490,000 corresponds to 30% of the total debt.	202,794	237,043

	2019	2018
Unsecured loan originated by Banco Ve por Más, S. A. to Inmobiliaria Hotelera Cancún Urban, S. de R. L. de C. V. for $3,852,101 USD which bearing interest at annual LIBOR rate plus 3.10 percentage points, payable in 16 quarterly exhibitions beginning on August 19, 2019 and maturing in 4 years. Last payment for $1,566,956 USD corresponds at 41% of the total debt.	66,949	79,583
Unsecured loan originated by Banco Santander Mexico to SF Partners II, S. de R. L. de C. V. for $85,000 which bear interest at the ordinary rate resulting from adding 2.95 percentage points to the rate (TIIE) payable in 79 monthly payments beginning December 16, 2016, maturing in 7 years. The last payment of $25,500 corresponds to 30% of the total debt.	56,776	65,929
Loan granted by the Electric Energy Savings Trust to Grupo Hotelero SF de México S. de RL for the purchase of CHILLER for $5,356 which bear interest at a fixed rate of 8.06% payable to 36 monthly installments beginning on September 18, 2016.	-	1,128
Loan granted by Banco Mercantil del Norte, S. A. to Motels with pledge and mortgage guarantee and Restores María Bárbara, S. A. de C. V. for $ 110,000 which bear interest at the 28 day TIIE rate plus 3.0 percentage points. Payable in 15 annual exhibitions due May 30, 2031.	99,479	104,900
Loan with pledge and mortgage guarantee granted by SABCAPITAL, S. A. of C. V., SOFOM, E. R. for $31,500,000 USD. To ICD Sitra, S. A. de C. V., with a grace period for the payment of the principal of 12 months, which bear interest at the 90 day LIBOR rate plus 2.95 percentage points payable on 45 quarterly exhibits due November 14, 2029.	540,446	607,925
Loan with pledge and mortgage guarantee granted by SABCAPITAL, S. A. de C., V., SOFOM, E.R. for $ 28,800,000 USD., to Sibra Vallarta, S. A. de C. V. which bear interest at the 90 day LIBOR rate plus 2.95 percentage points payable at 46 quarterly exhibits due on December 5, 2029.	495,220	556,046
Unsecured loan originated by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Cancún, S. de R. L. de C. V. up to USD 8,000,000, which bear interest at 90 day LIBOR rate, plus 3.10 percentage points, payable in 40 quarterly installments, beginning October 30, 2018, maturing in 10 years. Last payment $2,540,000 corresponds to 30% of the total debt.	137,771	154,501
Unsecured loan with collateral and mortgage guarantee granted by SABCAPITAL, S.A. de C.V., up to USD 13,000,000, to Grupo Inmobiliario 1991, S.A. de C.V., which bear interest at 90 day LIBOR rate plus 2.95 percentage points payable on 40 quarterly installments maturing on November 30, 2028. Last payment for 2,600,000 corresponds to 20% of the total payment of the debt.	$ 233,253	255,535

	2019	2018
Unsecured loan granted by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. up to $7,000,000 USD, which bears interest at the 90 day LIBOR rate plus 3.10 percentage points, payable in 36 quarterly installments, beginning January 31, 2020 due to 10 years. The last payment for $2,277,380 corresponding to 32% of the total debt.	132,109	137,596
Unsecured loan granted by BBVA Bancomer, S. A. to Inmobiliaria en Hotelería Vallarta Santa Fe, S. de R. L. de C. V. up to $7,000,000 USD, which bears interest at the 90 day LIBOR rate plus 3.10 percentage points, payable in 36 quarterly installments, beginning January 31, 2020 due to 10 years. The last payment for $2,277,380 corresponding to 32% of the total debt.	132,109	-
Unsecured loan with collateral and mortgage guarantee granted by BBVA Bancomer, S. A. for $6,512,649 USD to Inmobiliaria Hotelera del Bajio S.F., S.A. de C.V. (IHB), bearing interest at annual LIBOR rate plus 3.10 percentage points, payable in 40 monthly exhibitions, the due date is May 31, 2029.	121,141	-
Unsecured loan in substitution agreement that celebrates Group Financiero BanRegio to IHB (for $124,996), which bears interest at the 90 day (TIIE) plus 3 percentage points due to May 20, 2026. Last payment of (for $13,712,915) pesos corresponds to 11% of the total debt. This credit agreement was paid on June 20, 2019.	-	123,380
Accrued interest payable	12,069	14,662
Less issuance costs	(30,703)	(25,019)
Total debt	2,781,901	2,994,963
Less current installments	217,594	254,802
Long-term debt, excluding current maturities	**$ 2,564,307**	**2,740,161**

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

2019	BEGINNING BALANCE	LOANS RECEIVED DURING 2019	PAYMENTS PRINCIPAL	OF INTEREST PAID	TOTAL CASH TRANSACTIONS	OTHERS FINANCIAL COST	UNREALIZED FOREIGN EXCHANGE	ACCURED INTEREST	FINAL BALANCE
Long debt	$ 2,994,963	257,783	(361,580)	(187,237)	**2,703,929**	6,647	(113,320)	184,645	**2,781,901**

2018	BEGINNING BALANCE	LOANS RECEIVED DURING 2019	PAYMENTS PRINCIPAL	OF INTEREST PAID	TOTAL CASH TRANSACTIONS	OTHERS FINANCIAL COST	UNREALIZED FOREIGN EXCHANGE	ACCURED INTEREST	FINAL BALANCE
Long debt	$ 2,510,640	685,974	(176,393)	(156,801)	**2,863,420**	7,243	(33,418)	157,718	2,994,963

Interest expense on loans for the years ended December 31, 2019 and 2018 was $184,645 and $157,718, respectively.

At December 31, 2019 and 2018, the distribution among the entities in relation with the unsecured loan granted by BBVA Bancomer, S. A. up to USD 29,000,000 (which are guaranteed by Servicios e Inmuebles Turísticos, S. de R. L. de C. V. and Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V.), is shown below:

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

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

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

As of December 31, 2019, the Group did not fulfill some of the restrictive covenants. However, management obtained a waiver from the bank on December 28. As a result, the loan was not due as of December 31, 2019.

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

16. TRADE ACCOUNTS PAYABLES, OTHER LIABILITIES AND ACCRUED LIABILITIES

Accumulated suppliers and liabilities are integrated as shown below:

	2019	2018
Suppliers	$ 173,894	186,464
Other liabilities	250,930	191,448
Accruals	42,228	29,890
	$ 467,052	**407,802**

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

17. EMPLOYEE BENEFITS

The cost of the obligations and other elements of the seniority premium plans were determined based upon calculations prepared by independent actuaries at December 31, 2019 and 2018.

Below is the amount of the benefit obligation of the plans at December 31, 2019 and 2018, and the present value of benefits obligations of the plans at those dates.

	2019	2018
Seniority premium	$ 7,625	5,473

(A) MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (DBO)-

	SENIORITY PREMIUM	
	2019	2018
DBO at January 1st,	$ 5,473	4,179
Benefits paid by the plan	(372)	(242)
Current service cost	849	594
Finance cost	139	16
Actuarial gains	1,536	926
DBO at December 31	**$ 7,625**	**5,473**

(B) RECOGNIZED EXPENSE IN PROFIT OR LOSS-

	SENIORITY PREMIUM	
	2019	2018
Current service cost	$ 849	594
Finance cost	463	347
Actuarial gains	1,536	(304)
	2,848	**637**

The net cost of the period was recognized in 2019 and 2018 in indirect administrative expenses in the consolidated statements of income.

(C) ACTUARIAL ASSUMPTIONS-

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

	2019	2018
Discount rate	7.50%	9.15%
Future salary increases	5.13%	5.13%

18. INCOME TAXES (IT)

IT Law effective as of January 1, 2014 imposes an IT rate of 30% for 2014 and thereafter.

(A) RECONCILIATION OF EFFECTIVE TAX RATE

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

	IT	
	2019	2018
Computed "expected" tax expense	$ 81,739	94,198
Increase (reduction) resulting from:		
Fiscal effects of inflation, net	18,706	(31,130)
Non-deductible expenses	7,976	4,670
Recognition of previously unrecognized deferred assets	-	(21,083)
Income tax expense	**$ 108,421**	**46,655**

(B) DEFERRED INCOME TAX ASSETS AND LIABILITIES RECOGNIZED

Deferred income tax assets and liabilities are presented below:

	IT	
	2019	2018
Deferred assets:		
Tax losses to be amortized	94,962	81,129
Provisions	12,447	8,117
Customer advances	17,054	358
Allowance for doubtful accounts	1,057	954
Employee Profit Sharing deductible	667	337
Employee Benefits	2,183	329
Total deferred assets	**128,370**	**91,224**

	IT 2019	2018
Deferred tax liabilities:		
Property, furniture and equipment	858,026	818,470
Prepaid expenses	9,608	2,973
Other assets	1,085	18,706
Total deferred tax liabilities	**868,719**	**840,149**
Deferred tax liabilities net	740,349	748,925

	IT 2019	2018
Deferred tax assets in the consolidated statements of financial position	$ 148,184	118,790
Deferred tax liabilities in the consolidated statements of financial position	888,533	867,715
	$ (740,349)	**(748,925)**

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

(C) ACTIVITY IN TEMPORARY DIFFERENCES

	JANUARY 1, 2019	RECOGNIZED IN RESULTS	ACQUISITION OF BUSINESS	DECEMBER 31, 2019
Property, furniture and equipment	$ (818,470)	(39,556)	-	(858,026)
Tax loss carryforwards	81,129	13,833	-	94,962
Accruals	8,117	4,330	-	12,447
Advances from costumers	358	16,696	-	17,054
Allowance for doubtful accounts	954	103	-	1,057
Employee benefits	329	1,854	-	2,183
Deductible ESPS	337	330	-	667
Prepaid expenses	(2,973)	(6,635)	-	(9,608)
Other assets	(18,706)	17,621	-	(1,085)
	$ (748,925)	**8,576**		**(740,349)**

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

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

	2019	2018
Tax loss carryforwards	$ 302,515	242,049

At December 31, 2019, tax loss carryforwards expire as follows:

YEAR	TAX LOSS CARRY FORWARDS
2020	$ 66
2021	81
2022	95
2023	3,359
2024	118,089
2025	159,121
2026	134,241
2027	62,307
2028	41,029
2029	100,666
	$ 619,054

19. STOCKHOLDERS' EQUITY AND RESERVES

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

(A) INITIAL PUBLIC OFFERING

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

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

(B) SUBSEQUENT PUBLIC OFFERING

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

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

(C) REPURCHASE OF SHARES

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

The total repurchased shares at December 31, 2019, is 5,764,582 shares, equivalent to 1.17% of the total shares of the Company's capital stock.

Of the repurchased shares, 3,512,719 are related to the fund for the share-based payment plan of the Company's executives, which was implemented in 2016 and 2,251,863 corresponding to the repurchase fund. The market value of the shares at December 31, 2019 is $6.40 and at December 31, 2018 is $8.29 per share. The repurchased shares available for sale have been recorded as a decrease of the capital stock.

(D) SHARE-BASED PAYMENT

The Group has a trust with the purpose of acquiring its own shares for the share-based payment to certain Group executives. The main features of the plan is a three-year term, the start date of the plan was the April 1, 2016 and will release 20%, 30% and 50% of the shares on the first, second and third anniversary respectively. To participate in the share-based payment plan, the executive must be at least one year in the Group, be recommended by the executive committee and remain in the Group on the date of each anniversary. This plan allows incorporations into their validity which must comply with the same conditions. The Group's board of directors authorizes and assigns plan shares at least once a year to certain executives who are eligible under the policies. The fair value for each share allocated in the share plan is equal to the average market price of the share at the date of allocation.

The shares of the trust for the share-based payment at December 31, 2019 is 3,512,719 shares whose market value at December 31, 2019 was $6.40 per share. According to the plan, an expense amounting to $17,237 was recognized and net effect of taxes of $14,975 was credited to the stock repurchase reserve.

(E) ADDITIONAL PAID IN CAPITAL

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

(F) RESTRICTIONS ON STOCKHOLDERS' EQUITY

The net income for the year is subject to the separation of a 5%, to the legal reserve until it reaches one fifth of the capital stock. (see note 19(g)).

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

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

(G) LEGAL RESERVE

At December 31, 2019 and 2018, the legal reserve amounts to $190,493, such amount has not reached the required amount by amount Mexican Corporation Law.

(H) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of shares outstanding during the period. The weighted average number of shares at December 31, 2019 and 2018, is as shown below:

	Number of shares	
	2019	2018
January 1,	487,281,244	488,069,638
Shares repurchase	1,961,296	788,394
Final balance number of shares	485,319,948	487,281,244
Weighted average number of shares	486,988,322	487,784,821
Earnings per share	0.34	0.55

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(A) CREDIT RISK OR COUNTERPARTY

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

(B) CREDIT RISK EXPOSURE

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

	Carrying amount	
	2019	2018
Accounts receivable	232,535	170,882
Due from related parties	37,135	10,255
Other accounts receivable	363,790	410,252
	633,460	**591,389**

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

	CARRYING AMOUNT	
	2019	2018
Domestic	96,022	122,265
Foreign	136,513	48,617
	232,535	**170,882**

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

	CARRYING AMOUNT	
	2019	2018
Business groups	146,313	33,260
Wholesale	86,222	137,622
Retail		-
	232,535	**170,882**

Impairment loss-

The following is the classification of accounts receivable from customers according to their age as of the date of the report:

	GROSS 2019	IMPAIRMENT 2019	GROSS 2018	IMPAIRMENT 2018
Up to date	196,214		129,596	-
Between 0 to 30 days	13,323		20,554	-
Between 31 to 120 days	12,057		14,684	-
More than 120 days	11,658	(717)	9,787	(3,739)
	233,252	(717)	174,621	(3,739)

The movement in the provision for impairment of accounts receivable from customers during the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Balance at the beginning of the year	3,739	3,773
Decrease and write-offs	(3,022)	(34)
Balance at the end of year	**717**	**3,739**

Derivative financial instruments

The fair value of financial assets represents the maximum risk exposure. This exhibition is shown below:

	FAIR VALUE	
Effect in thousands of Mexican pesos	2019	2018
Interest rate options (TIIE 91)		
BBVA Bancomer	$ -	1,031
Interest rate options (LIBOR 3M)		
BBVA Bancomer	238	1,576
	$ 238	**2,607**

(C) LIQUIDITY RISK

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

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

2019	CARRYING UAMOUNT	CONTRACTUAL CASH UFLOWS	1 YEAR	2 YEARS	3 YEARS	MORE THAN 3 YEARS
Non-derivative financial liabilities						
Short and long-term debt	2,781,901	3,633,031	383,710	381,274	369,369	2,498,678
Trade accounts payable	173,894	173,894	173,894			
Accrued liabilities	250,930	250,930	250,930			
	3,206,726	**4,057,855**	**808,534**	**381,274**	**369,369**	**2,498,678**

2018	CARRYING UAMOUNT	CONTRACTUAL CASH UFLOWS	1 YEAR	2 YEARS	3 YEARS	MORE THAN 3 YEARS
Non-derivative financial liabilities						
Short and long-term debt	2,994,963	4,216,840	423,174	464,527	599,856	2,729,284
Trade accounts payable	186,464	186,464	186,464	-	-	-
Accrued liabilities	191,448	191,448	191,448	-	-	-
	3,372,875	**4,594,752**	**801,086**	**464,527**	**599,856**	**2,729,284**

Market risk-

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

Exposure to currency risk-

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

	THOUSANDS OF DOLLARS	
	2019	2018
Accounts receivable	$ 5,864	3,954
Guaranteed bank loans	(140,111)	(129,028)
Trade accounts payable	(2,798)	(1,648)
Net exposure	**$ (137,045)**	**(126,722)**

The peso exchange rate in relation to the dollar at December 31, 2019 and 2018 was $18.8727 and $19.6566, respectively. At March 10, 2020, the exchange rate was $ 21.02.

Exposure to currency risk from derivative financial instruments-

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

The Group does not have financial instruments to protect against currency fluctuations.

Exposure to exchange rate risk-

The following is a summary of the exposure to exchange rate risk originated by derivative financial instruments, originally agreed in dollars:

Effect in thousands USD	2019	2018
Interest rate option (3M LIBOR) BBVA Bancomer	$ 13	80

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

	2019	2018
Mexican peso	$ 18.8727	19.6566

Sensitivity analysis-

A strengthening of the Mexican peso, as indicated below, against the US dollar as of December 31, 2019 and 2018 would have increased (decreased) the net income in the amounts shown. This analysis is based on the changes in the peso-dollar exchange rate that the Group considers will be reasonably possible at the end of the period covered by the report. The analysis assumes that all other variables, especially interest rates, remain constant.

2019	RESULTS
USD (0.3% of strengthening)	$ 408

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

A weakening of the Mexican peso against the US dollar as of December 31, 2019 and 2018 would have had the same effect, but opposite, in the above currencies, in the amounts shown, on the basis that the other variables remain constant.

As of December 31, 2019, the Group had no hedging instruments against currency risk.

Sensitivity analysis of foreign exchange rate on derivative financial instruments:

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

	INCREASE			DECREASE		
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇$0.5	∇$1.0	∇$1.5
December 31, 2019						
Sensitivity to foreign exchange rate on options (LIBOR 3M)	$ 23	16	8	(8)	(16)	(23)

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

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

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

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31 2019						
Sensitivity to foreign exchange rate on financial liabilities in USD	$ (210,167)	(140,111)	(70,056)	70,056	140,111	210,167

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

Interest rate risk-

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

Profile-

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

	CARRYING AMOUNT	
	2019	2018
Variable rate instruments	$ 2,644,279	(2,536,245)
Financial liabilities in USD	137,622	(458,718)
	$ 2,781,901	**(2,994,963)**

Risk of interest on financial derivative instruments:

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

Exposure to interest rate risk-

As following as show is a summary of the exposure to interest rate risk on derivative financial instruments.

	FAIR VALUE	
	2019	2018
Interest rate options (TIIE 91) BBVA Bancomer	-	1,031
Interest rate options (LIBOR 3M) BBVA Bancomer	238	1,576
	238	2,607

Sensitivity analysis of fair value for variable rate instruments-

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

RESULTS:	INCREASE OF 100 BASIS POINTS	DECREASE OF 100 BASIS POINTS
2019		
Variable rate debt	$ 8,459	8,459

RESULTS:	INCREASE OF 100 BASIS POINTS	DECREASE OF 100 BASIS POINTS
2018		
Variable rate debt	$ 36,169	36,169

Sensitivity analysis of interest rate on derivative financial instruments-

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

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇$0.5	∇$1.0	∇$1.5
December 31, 2019						
Interest rate options (TIIE 91)	$ -	-	-	-	-	-

Interest rate sensitivity

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇$0.5	∇$1.0	∇$1.5
December 31, 2018						
Interest rate options (TIIE 91)	$ 2,623	1,682	782	(534)	(895)	(1,062)

Interest rate sensitivity

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31, 2019						
Interest rate options (LIBOR)	$ 163	118	78	8	(22)	(49)

Interest rate sensitivity

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31, 2018						
Interest rate options (LIBOR)	$ 380	249	122	(118)	(233)	(343)

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

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

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31, 2019						
Interest rate sensitivity of financial liabilities MXN	$ (376)	(253)	(128)	131	265	403

	INCREASE			DECREASE		
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31, 2019						
Interest rate sensitivity of financial liabilities USD	$ (2,548)	(1,278)	(879)	908	1,846	2,814

	INCREASE			DECREASE		
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31, 2018						
Interest rate sensitivity of financial liabilities MXN	$ (1,496)	(1,020)	(522)	546	1,119	1,720

	INCREASE			DECREASE		
Effect in thousands of MXP	Δ $1.5	Δ $1.0	Δ $0.5	∇ $0.5	∇ $1.0	∇ $1.5
December 31, 2018						
Interest rate sensitivity of financial liabilities USD	$ (2,845)	(1,904)	(956)	963	1,934	2,913

Accounting classification and fair value of derivative financial instruments-

Fair value and amortized cost

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

		CARRYING AMOUNT	FAIR VALUE
Balance at December 31, 2019			
Interest rate options (TIIE 91)			
BBVA Bancomer	$	-	-
Interest rate options (LIBOR 3M)			
BBVA Bancomer		238	238
Total derivative financial instruments	**$**	**238**	**238**

		CARRYING AMOUNT	FAIR VALUE
Balance at December 31, 2018			
Interest rate options (TIIE 91)			
BBVA Bancomer	$	1,031	1,031
Interest rate options (LIBOR 3M)			
BBVA Bancomer		1,576	1,576
Total derivative financial instruments	**$**	**2,607**	**2,607**

Interest rate used in determining fair value-

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

	2019	2018
Derivatives – LIBOR rate	1.693-1.908%	2.69%-2.81%
Derivatives - TIIE rate	-	8.56%-8.98%

The above rates take into consideration discounts until maturity, being the latest maturity on Jul 31, 2025 (term of due 2,039 days as of December 31, 2019).

Fair value hierarchy-

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

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

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

		LEVEL 1	LEVEL 2	LEVEL 3
December 31, 2019				
Interest rate options (TIIE 91)	$	-	-	-
Interest rate options (LIBOR 3M)		-	238	-
Total derivative financial instruments	**$**	**-**	**238**	**-**

		LEVEL 1	LEVEL 2	LEVEL 3
Bank loans in USD	$		3,949,297	
Bank loans in Mexican pesos			165,566	
Total bank loans	**$**		**4,114,863**	

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

		LEVEL 1	LEVEL 2	LEVEL 3
Bank loans in USD	$	-	2,528,918	-
Bank loans in Mexican pesos		-	472,213	-
Total bank loans	**$**	**-**	**3,001,131**	**-**

21. PERSONNEL COSTS

The main items comprising the personnel costs are as follows:

		2019	2018
Salaries and other related costs	$	439,307	327,424
Christmas bonus		20,073	16,372
Annual bonus		5,439	4,574
Compensations		13,583	9,873
	$	**478,402**	**358,243**

22.OPERATING LEASES

(A) LEASES AS LESSEE

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

The future minimum lease payments subject to cancellation is as shown in the next page.

		2019	2018
Less than one year	$	6,262	7,337
Between one and five years		18,786	14,664
	$	**25,048**	**22,001**

During the years ended December 31, 2019 and 2018, $7,169 and $14,967 respectively, were recognized as rental revenue in the consolidated statement of income.

(B) LEASES AS LESSOR

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

		2019	2018
Less than one year	$	5,500	17,618
Between one and five years		16,673	88,095
	$	**22,173**	**105,713**

During the years ended December 31, 2019 and 2018, $9,946 and $11,146, respectively, were recognized as rental revenue in the consolidated statement of income.

23. CONTINGENCIES

Litigation-

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

Tax contingencies-

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

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

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

24. COMMITMENTS

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

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

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

(D) On December 15, 2017, Hotelera SF entered into a hotel management and operation contract with Operadora de Hoteles Pachuca S. A. de C. V. to operate a hotel in the city of Pachuca under the Krystal brand, beginning that date. On September 30, 2018, this contract was canceled.

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

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

(G) As indicated in note 13 to December 31, 2016, the Group has certain commitments related to the construction and improvements in certain of its hotels.

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

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

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

		2019	2018
Operating income	$	378,748	450,555
Depreciation and amortization		237,293	196,367
Hotel acquisition and opening expenses		15,540	26,017
Other non-recurring indirect expenses		13,988	2,856
Adjusted EBITDA	**$**	**645,569**	**675,792**

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

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

INFORMATION FOR

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cotiza en Bolsa Mexicana
HOTEL

THE GLOBAL COMPACT
APOYAMOS
EL PACTO GLOBAL

SÚPER EMPRESAS EXPANSIÓN 2020 TOP companies

ESR EMPRESA SOCIALMENTE RESPONSABLE

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

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