It's our moment

Santa Fe
grupo | hotelero

2017 ANNUAL REPORT

Corporate Profile

We are one of the leading companies in the hospitality industry in Mexico, focused on the acquisition of urban and resort hotels in the major tourist destinations in Mexico, conversions of properties for new uses, and execution of operation and development contracts in locations that justify it.

Our current platform includes own brands such as Krystal Resorts, Krystal Grand, Krystal Beach and Krystal Urban, franchises, and licensed brands such as Hilton, Marriott Starwood, Accor y Hyatt entre otros.

The diversity of our hotel portfolio provides better stability in revenues and profits due to the counter-cyclical nature of seasonality between urban and beach hotels. In addition, this diversity allows us to implement cross-sales between our customer base.

Our management team has a long history of success in the hospitality industry in Mexico, with a combined experience of over 100 years. During their respective careers, the team has acquired, operated and developed more than 11,000 rooms in Mexico and Latin America.

Our business model is characterized by the multi-functional efficiency of our staff and strict control of costs that allow swift adaptation to and anticipation of the changing needs of the industry.

Our strategy is oriented towards seeking growth in our hotel platform in Mexico with a clear focus on the Krystal brand, prioritizing the principal national markets in four- and five-star category hotels. We are also focused on the efficient management of our portfolio of hotels and in fostering growth of sales and profits through the efficient optimization of assets.

IVONNE JUÁREZ ÁVILA

KYRSTAL GRAND SUITES
INSURGENTES
Mexico City

HOSTESS

Content

ALBERTO ROJAS ALMARAZ

Winner of the Best Employee 2017 at the:
KRYSTAL URBAN AEROPUERTO
Mexico City

DOORMAN

2 years in service

Readiness to engage in any activity, teaches and offers assistance, meets standards, always on time and has an excellent attitude.

Mission

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

Vision

To be recognized the best hotel companies for its high profitability, professional ethics and trust, quality of its products and services, with employees who are proud to belong to the group.

EDGAR ANTONIO ÁVILA HERNÁNDEZ

Winner of the Best Employee 2017 at the:
KRYSTAL GRAND NUEVO VALLARTA
Puerto Vallarta, Jalisco

LAUNDRY ASSISTANT

9 years in service

Employee with great attitude, hard-working, responsible, available, teamplayer, supports other areas.

KRYSTAL GRAND INSURGENTES SUR
Mexico City

Highlights

Figures in thousand Mexican Pesos

INCOME STATEMENT	2017	2016	% VAR.
Revenue			
Room Revenue	900,505	708,014	27.2
Food and Beverages Revenue	477,621	332,351	43.7
Others Revenues for Hotels	123,407	102,590	20.3
Third-party Hotels' Management Fees	79,962	78,209	2.2
Total Revenue	**1,581,496**	**1,221,165**	**29.5**
Cost and Expenses			
Operating Costs and Expenses	644,544	457,166	41.0
Sales and Administration	384,742	320,489	20.0
Property Expenses	24,010	17,391	38.1
Depreciation and Amortization	144,173	112,058	28.7
Total Costs and Expenses	**1,197,470**	**907,104**	**32.0**
Development and Hotel Opening Expenses	42,321	18,287	NA
Other Non-Recurring Expenses	6,641	5,860	13.3
Adjusted EBITDA	**528,200**	**426,119**	**24.0**
Adjusted EBITDA Margin (%)	33.4%	34.9%	(1.5 pt)
Operating Income	**335,065**	**289,913**	**15.6**
Operating Income Margin (%)	21.2%	23.7%	(2.5 pt)
Net Interest Expenses	(77,584)	(33,294)	NA
Net Foreing Currency Exchange Result	20,440	(59,471)	NA
Other Financial Costs	(3,376)	(2,158)	56.4
Net Financing Result	**(60,520)**	**(94,923)**	**(36.2)**
Undistributed Income from Subsidiaries, net	3,152	2,491	26.6
Income Before Taxes	277,697	197,480	40.6
Total Income Taxes	90,315	37,262	NA
Net Income	**187,382**	**160,219**	**17.0**
Net Income Margin (%)	11.8%	13.1%	(1.3 pt)
Income attributable to:			
Controlling Interest	215,991	159,988	35.0
Non-Controlling Interest	(28,609)	231	NA

Total Revenues were Ps. 1,581 million in 2017, which represents a 30% increase compared to 2016.

BERNARDINO RAMÍREZ SUÁREZ

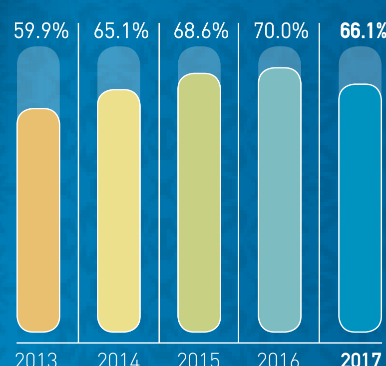
Winner of the Best Employee 2017 at the:
KRYSTAL SATÉLITE
MARÍA BÁRBARA
Satélite, Estado de México

DRIVER

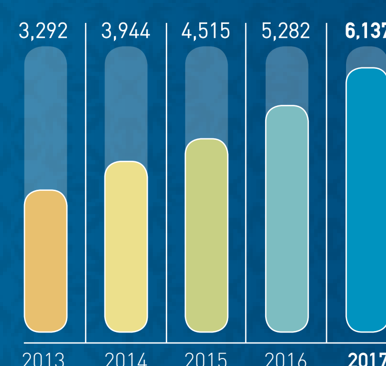
14 years in service

Great attitude of service, always willing to help in other departments and proactive.

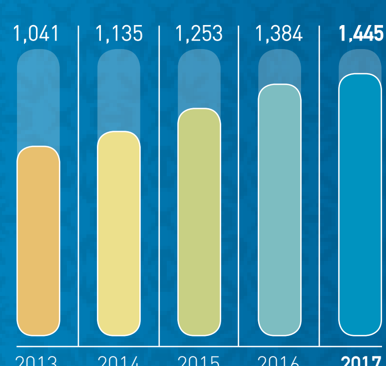
OCCUPANCY



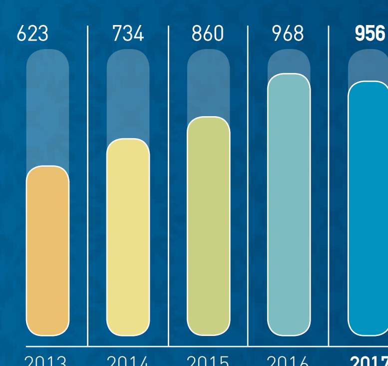
TOTAL NUMBER OF ROOMS



AVERAGE DAILY RATE (ADR) Pesos



REVENUES PER AVAILABLE ROOM (RevPAR) Pesos



The total number of rooms in the portfolio at the end of 2017 was

6,137

including hotels **under construction and expansion.**

ALTITUDE TOWER BY KRYSTAL GRAND PUNTA CANCÚN
Cancún, Quintana Roo

JOSE ABELARDO ROSADO UICAB

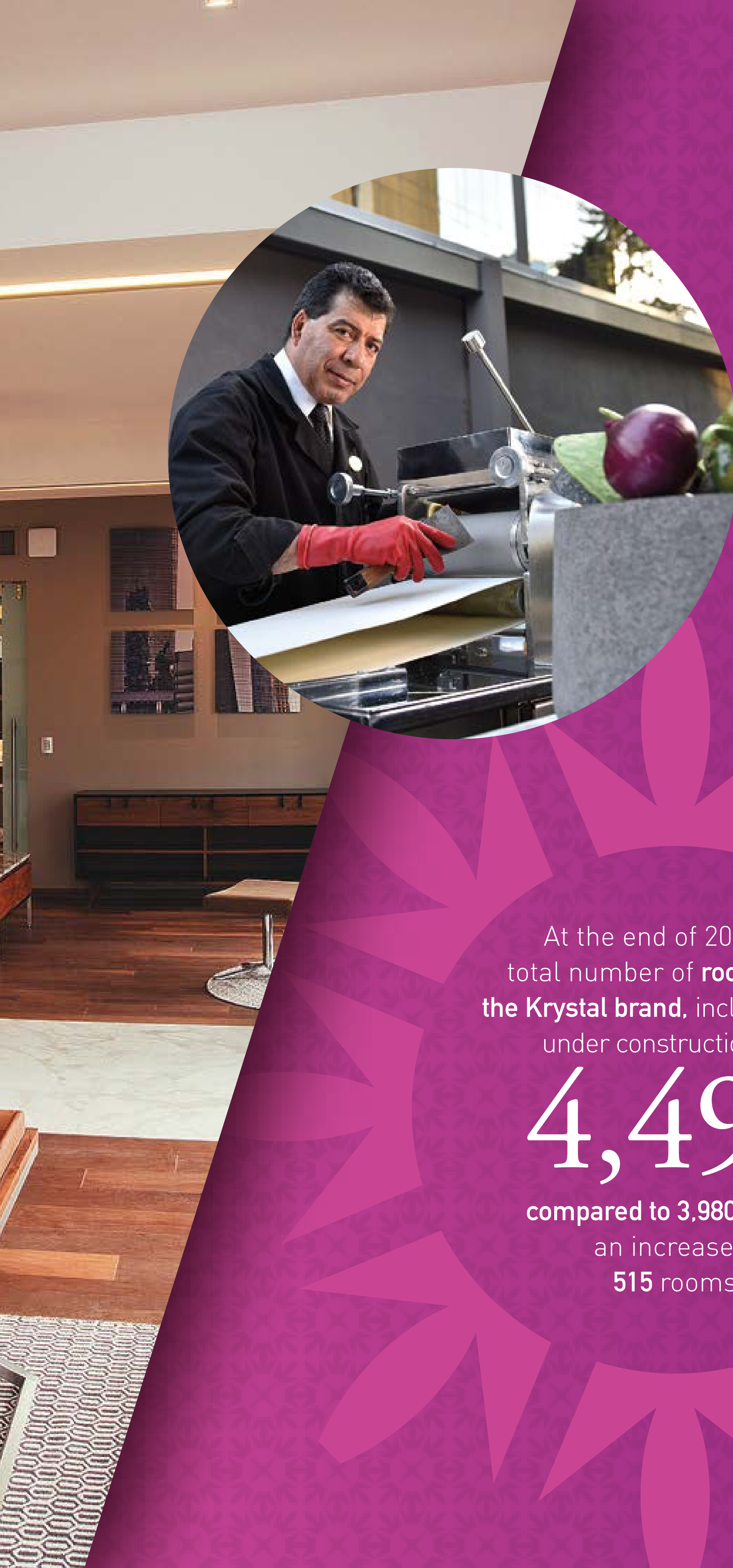
Winner of the Best Employee 2017 at the:
KRYSTAL GRAND PUNTA CANCÚN
Cancún, Quintana Roo

CHIEF STEWARD

22 years in service

Committed, responsible, disciplined, always on time and has an impeccable career with 22 years in the Group.

KRYSTAL GRAND INSURGENTES SUITES
Mexico City



SAMUEL REYES ROJAS

Winner of the Best Employee 2017 at the:
KRYSTAL GRAND INSURGENTES SUR
Mexico City

CHIEF STEWARD

5 months in service

Excellent attitude of service, willingness to help, discipline and commitment.

At the end of 2017, the total number of **rooms under the Krystal brand,** including hotels under construction, was

4,495

compared to 3,980 in 2016, an increase of **515** rooms.

In 2017,
we signed

3

new operating contracts
in Irapuato, Pachuca
and Zacatecas.

HILTON PUERTO VALLARTA
Puerto Vallarta, Jalisco

RODNEY URIEL SUÁREZ BARRERA

Winner of the Best Employee 2017 at the:
KRYSTAL URBAN CANCÚN
Cancún, Quintana Roo

SYSTEMS ASSISTANT

3 years in service

Responsible, committed, meets standards and procedures, helps others and always does so with a smile and a great attitude to work.

ERIK ISRAEL FRANCO

Winner of the Best Employee 2017 at the:
HILTON PUERTO VALLARTA
Puerto Vallarta, Jalisco

BARMAN

4 years in service

An example of commitment and passion for service. Both guests and his colleagues recognize his attitude and talent.

HOTEL's best assets for sustainability are

its people.

ALTITUDE TOWER BY
KRYSTAL GRAND PUNTA CANCÚN
Cancún, Quintana Roo

Message from the Chairman of the Board of Directors

2017 was another excellent year for HOTEL that saw us achieve double-digit growth in revenue, profitability and number of rooms. This year we celebrated 3 years as a public company and our first anniversary of the follow-on. We continue to meet our investment and growth goals and we will continue seeking opportunities that generate value for our shareholders. Since 2014, we have increased our revenues and EBITDA by 120% and 150%, respectively.

At the beginning of the year, we completed an important acquisition that included a 50% participation in two hotels located in Los Cabos and Nuevo Vallarta. It is worth mentioning that both destinations, where we had no previous presence, are strategic for us due to their attractive growth projections, strengthening our portfolio that now covers the main beach destinations in Mexico. The two hotels, part of the Krystal Grand® brand, have a total of 934 rooms in operation.

These additions are fully in line with the profile of hotels we are looking for, with unbeatable locations and high-quality products. Thanks to the work and the commitment of all our employees, we have achieved outstanding results. Our results were in line with our updated guide results.

Tourism continues to transform Mexico: proof of this is the record number of tourists and their economic impact on the country. It is a trend that has benefited us during the last five years, which have seen the GDP from the tourism sector grow faster than the national average, to the point that as a country we now receive more income from tourism than oil.

To our shareholders: we thank you for your investment and trust in us. We firmly believe that we will achieve our goals and become the leading hotel group in the country. We will achieve this with the support of all those who form part of the Group, with the clear mission of continuing to make the stays of our guests unforgettable experiences, as this is the best route to achieve the greatest profitability for our shareholders.

Carlos Gerardo Ancira Elizondo
Chairman of the Board of Directors

The acquisition of a 50% share in the hotels in Los Cabos and Nuevo Vallarta added

934

rooms to the portfolio.

In 2017
we recorded
a growth of
24%
in EBITDA.

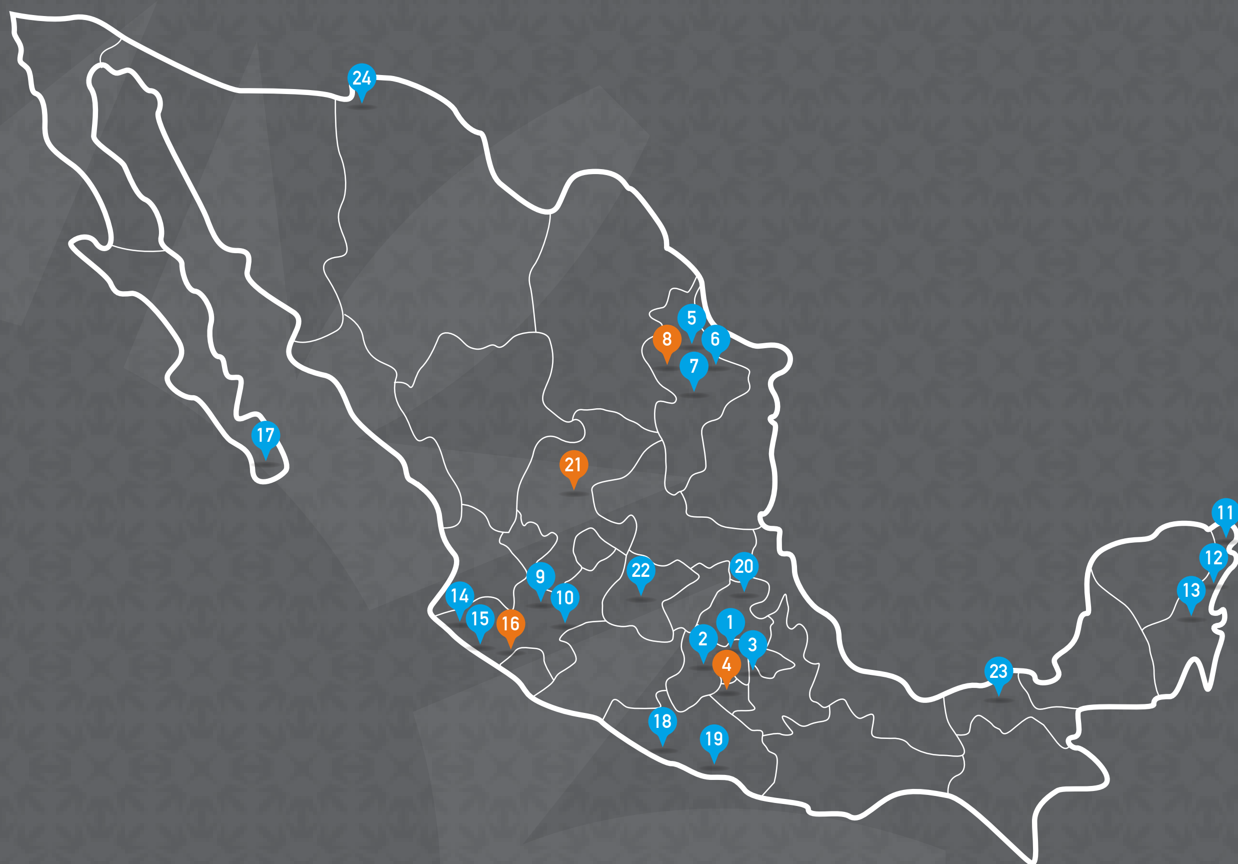
Message from the CEO

2017 was a very good year for the Company. In Mexico, tourism continues to record strong growth, with sound foundations. In 2017, Mexico rose to 8th place in the rankings of international tourist arrivals, which this year increased 5% to 39 million. Likewise, revenues from international tourism to Mexico increased 5%, totaling US$ 21 billion. The sector is well positioned, taking into account recent events, including meteorological phenomena. Domestic tourism also showed favorable developments, complementing the results we obtained this year. With regard to our annual results, we recorded solid growth of 30% and 24% in Total Revenues and EBITDA, respectively. Regarding the operational indicators of our fully-owned hotels, the RevPAR remained stable, a behavior that is attributed to the increase of 6.4% in the ADR, which compensated for a decrease of 4.6 percentage points in the occupancy rate, which in turn is derived from the significant incorporation of new rooms that have only just begun their maturation curve, in combination with the impact of external factors such as the exchange rate and adverse weather, among others.

In terms of the growth of our operating hotel portfolio, we increased the number of rooms by 22%. In relation to hotel openings during the year, firstly we saw the opening of the "Altitude" tower of the Krystal Grand Punta Cancun, adding 100 suites to the existing 295 in the hotel. Secondly, we announced the opening of the Krystal Grand Suites Insurgentes, located on Insurgentes Sur Avenue in Mexico City, which has 150 long-stay suites equipped with kitchenettes. In 2017, we also announced the signing of several Operating Contracts, which included the AC by Marriott Distrito Armida, Zacatecas Centro Historico Curio Collection by Hilton and Ibis Irapuato hotels. The category of third-party hotels under our administration continues to contribute significantly to our results.

Without question, this year's achievements are the product of the enormous effort by our more than 3,200 employees which are our MAIN ASSET. That is why we decided to dedicate this report to them, highlighting those that have stood out because of their dedication. They have made these results possible, and I thank them for all their efforts. To our shareholders, I would like to thank you for your trust and for being part of this great growth story. You can be sure that we will continue to work hard to fulfill our mission: for our clients to enjoy pleasant and unforgettable experiences.

Francisco Zinser Cieslik
Chief Executive Officer



MEXICO CITY
1 KRYSTAL GRAND SUITES
2 KRYSTAL SATÉLITE MARÍA BÁRBARA
3 KRYSTAL URBAN AEROPUERTO CDMX
4 KRYSTAL GRAND INSURGENTES (Opening 2H19)

MONTERREY
5 HILTON GARDEN INN MONTERREY
6 HILTON GARDEN INN MONTERREY AEROPUERTO
7 KRYSTAL MONTERREY
8 AC BY MARRIOT DISTRITO ARMIDA (Opening 2Q19)

GUADALAJARA
9 HILTON GUADALAJARA
10 KRYSTAL URBAN GUADALAJARA

CANCÚN
11 KRYSTAL GRAND PUNTA CANCÚN
12 KRYSTAL RESORT CANCÚN
13 KRYSTAL URBAN CANCÚN

NUEVO VALLARTA
14 KRYSTAL GRAND NUEVO VALLARTA

PUERTO VALLARTA
15 KRYSTAL RESORT PUERTO VALLARTA
16 HILTON PUERTO VALLARTA (Expansion)

LOS CABOS
17 KRYSTAL GRAND LOS CABOS

IXTAPA
18 KRYSTAL RESORT IXTAPA

ACAPULCO
19 KRYSTAL BEACH ACAPULCO

PACHUCA
20 KRYSTAL PACHUCA

ZACATECAS
21 CURIO COLLECTION BY HILTON ZACATECAS

IRAPUATO
22 IBIS IRAPUATO

TABASCO
23 HAMPTON INN & SUITES PARAISO TABASCO

CIUDAD JUÁREZ
24 KRYSTAL URBAN CIUDAD JUAREZ

OPERATING

IN CONSTRUCTION

The expansion of the Group continues in a **dynamic and sustained manner.**

We have 13 hotels in the urban sector and 8 beach hotels. A total of

5,279

rooms in operation, 2,274 and 3,005 respectively.

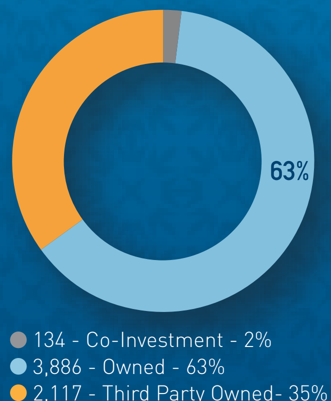
Hotel Portafolio

NO.	HOTEL NAME	TOTAL ROOMS	PROPERTY	TYPE
1	Hilton Guadalajara	450	100%	Urban
2	Hilton Garden Inn Monterrey	150	100%	Urban
3	Krystal Urban Ciudad Juarez	120	100%	Urban
4	Krystal Urban Cancun	231	100%	Urban
5	Krystal Satélite María Bárbara	215	100%	Urban
6	Hilton Garden Inn Monterrey / Aeropuerto	134	15%	Urban
7	Hampton Inn & Suites Paraíso Tabasco	117	-	Urban
8	Krystal Urban Aeropuerto Ciudad de Mexico	96	-	Urban
9	Krystal Urban Guadalajara	140	100%	Urban
10	Krystal Monterrey	207	-	Urban
11	Krystal Pachuca	124	-	Urban
12	Ibis Irapuato	140	-	Urban
13	Krystal Grand Suites	150	50%	Urban
SUBTOTAL URBAN		**2,274**		
14	Krystal Resort Cancún	502	-	Beach
15	Krystal Resort Ixtapa	255	-	Beach
16	Krystal Resort Puerto Vallarta	260	-	Beach
17	Hilton Puerto Vallarta	259	100%	Beach
18	Krystal Beach Acapulco	400	100%	Beach
19	Krystal Grand Punta Cancún	395	100%	Beach
20	Krystal Grand Los Cabos	454	50%	Beach
21	Krystal Grand Nuevo Vallarta	480	50%	Beach
SUBTOTAL BEACH		**3,005**		
TOTAL IN OPERATION		**5,279**		
22	Krystal Grand Insurgentes	250	50%	Urban
23	AC by Marriott Distrito Armida	168	-	Urban
24	Curio Collection Zacatecas	32	-	Urban
	Ampliación Hilton Puerto Vallarta	192	100%	Beach
	Ampliación Krystal Puerto Vallarta	216	-	Beach
TOTAL UNDER CONSTRUCTION		**858**		
TOTAL		**6,137**		

OWNERSHIP

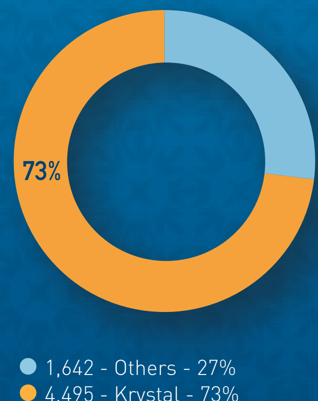
(Number of rooms)

**Includes the hotels Krystal Grand Los Cabos, Krystal Grand Vallarta, Krystal Insurgentes and Krystal Suites of which we own 50% and operate.*



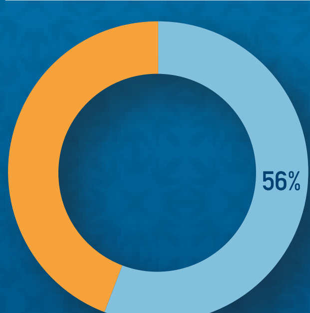
OTHER BRANDS

(Number of rooms)



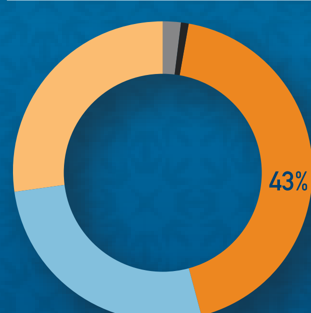
CATEGORY	MONTH IN OPERATION	STABILIZED	STATE	ESTADO
Gran Tourism	>36	Yes	Guadalajara	Jalisco
4 star	>36	Yes	Monterrey	Nuevo León
4 star	>36	Yes	Ciudad Juarez	Chihuahua
4 star	>36	In Process	Cancún	Quintana Roo
5 star	32	In Process	Estado de México	Estado de México
4 star	28	In Process	Monterrey	Nuevo León
4 star	27	In Process	Paraiso	Tabasco
4 star	24	In Process	Mexico City	Mexico City
4 star	22	In Process	Guadalajara	Jalisco
5 star	18	In Process	Monterrey	Nuevo León
4 star	11	In Process	Pachuca	Hidalgo
3 star	7	In Process	Irapuato	Guanajuato
Gran Tourism	2	In Process	Mexico City	Mexico City
5 star	>36	Yes	Cancún	Quintana Roo
5 star	>36	Yes	Ixtapa	Guerrero
5 star	>36	Yes	Puerto Vallarta	Jalisco
Gran Tourism	>36	Yes	Puerto Vallarta	Jalisco
4 star	>36	Yes	Acapulco	Guerrero
Gran Tourism	>36	Yes	Cancún	Quintana Roo
Gran Tourism	7	In Process	Los Cabos	Baja California Sur
Gran Tourism	2	In Process	Nuevo Vallarta	Jalisco
Gran Tourism	Estimated Opening 2S-19		Mexico City	Mexico City
4 star	Estimated Opening 2T-19		Monterrey	Nuevo Leon
Boutique	Estimated Opening 2S-18		Zacatecas	Zacatecas
Gran Tourism	Estimated Opening 1T-18		Puerto Vallarta	Jalisco
5 star	Estimated Opening 1T-18		Puerto Vallarta	Jalisco

SEGMENT
(Number of rooms)



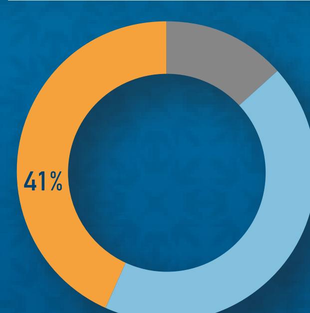
- 3,413 - Beach - 56%
- 2,724 - Urban - 44%%

CATEGORY
(Number of rooms)



- 2,630 - Gran Tourism - 43%
- 1,655 - 5 Star - 27%
- 1,680 - 4 Star - 27%
- 140 - 3 Star - 2%
- 32 - Boutique - 1%

STABILIZATION STAGE
(Number of rooms)



- 2,791 - Stabilized - 45%
- 2,488 - In Stabilization Stage - 41%
- 858 - In Development Stage - 14%

Brand Segmentation

KRYSTAL
GRAND

OUR TOP RANGE OF HOTELS

They are located in major cities and the country's most important tourist destinations. We offer a Gran Turismo experience, with products and services of the highest quality, for the discerning traveler. They are a benchmark in each of the destinations in which they operate.

KRYSTAL GRAND

"Feel Special"

KRYSTAL
hotel & resort

THE TRADITIONAL KRYSTAL QUALITY

In its five-star category it is found in the country's main destinations. This brand, with its 35-year history, has undergone major refurbishment of its hotels in recent years and has established itself as one of the favorites among Mexicans as well as international travelers who are looking to discover the local character. It offers a wide range of choices for relaxation, entertainment and business.

KRYSTAL HOTELS AND RESORTS

"Trips that make sense"

THE LATEST EVOLUTION OF THE KRYSTAL FAMILY

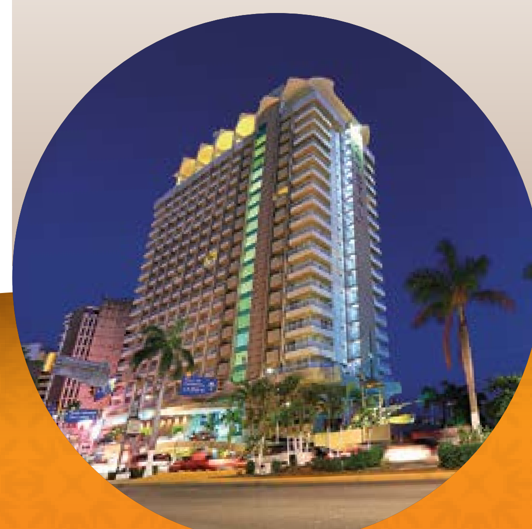
This is focused on the increasingly demanding and productive business traveler. Guests are looking for a modern experience in unique locations and a personalized service. In response we offer a comfortable and functional product which allows our guests to get the most out of their time.

KRYSTAL URBAN

"Redefining Business"

RECENTLY CREATED

This is the most family-oriented brand. It focuses on providing an unforgettable experience for the youngest members of the family. Within the four-star segment it is a great choice in beach destinations.



KRYSTAL BEACH

"Family Getaway"

it's time

to continue promoting the Krystal brand

In 2017 we further consolidated our own Krystal brand, which has a strong brand in Mexico with over 35 years in the market.

ALTITUDE TOWER BY KRYSTAL GRAND PUNTA CANCÚN
Cancún, Quintana Roo

RUTH ESPERANZA MARTÍNEZ FONSECA

Winner of the Best Employee 2017 at the:
KRYSTAL URBAN GUADALAJARA
Guadalajara, Jalisco

ACCOUNTANT

2 years in service

Commited and dedicated to her work, always ready to help out and work hard, always on time, responsible and strongly service-oriented.

The **acquisition of the**

50%

share of the hotels in Los Cabos and Nuevo Vallarta, strengthens our portfolio by expanding our presence on the beaches of Mexico.

Room Revenues
increased by

27%

reaching **Ps. 900.5 million**
in 2017 compared to
Ps. 708 million in 2016.

MARIA JUANA MORENO FLORES

Winner of the Best Employee 2017 at the:
HILTON GARDEN INN AEROPUERTO MONTERREY
Monterrey, Nuevo León

COOK

2 years in service

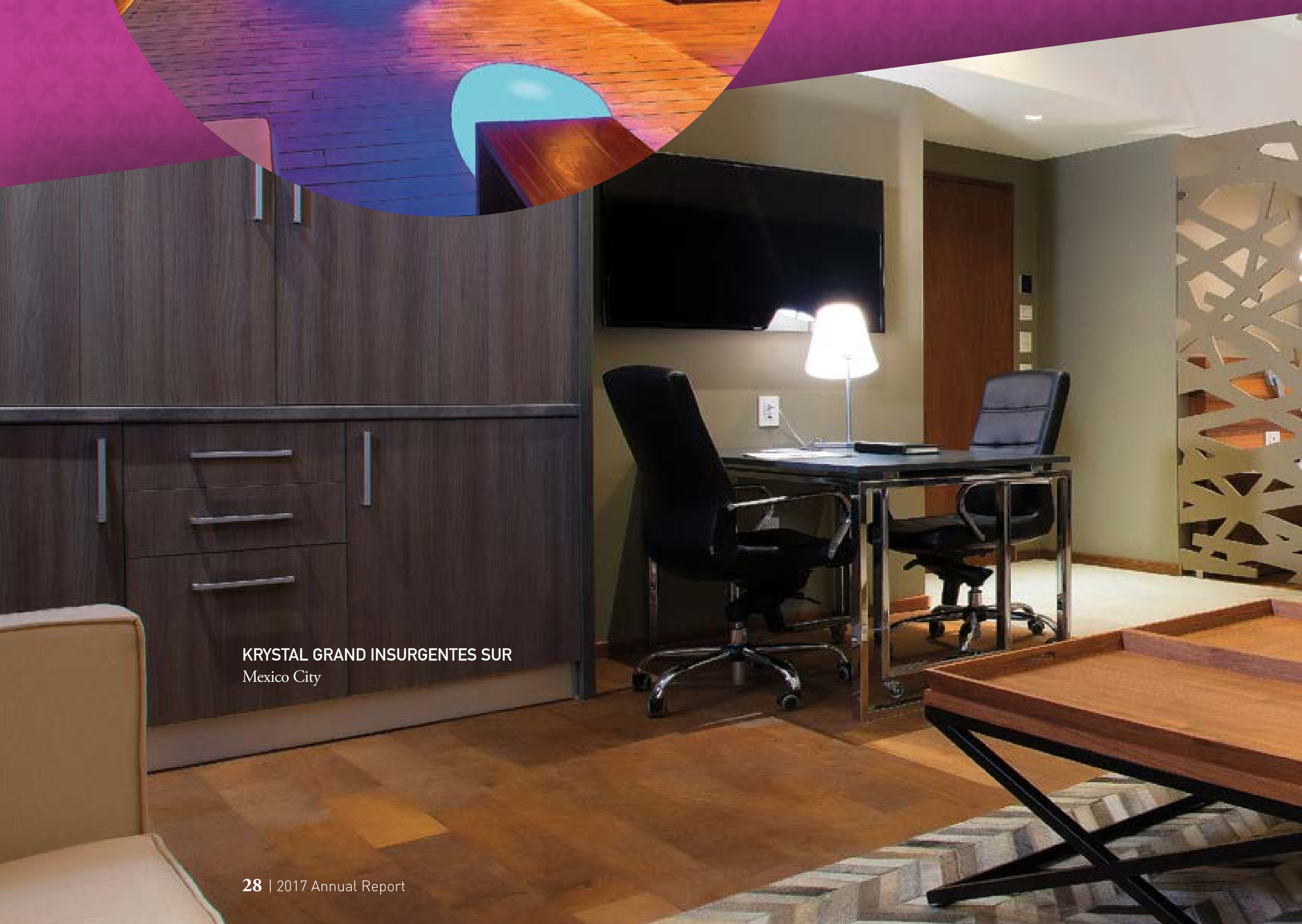
She is always available to help internal and external clients, never stops smiling and she also obtained the highest number of mentions in customer satisfaction surveys.

it's time
to continue investing

The results of the previous period show that this is our moment; we have taken advantage of growth opportunities to strengthen our assets through new acquisitions, expansions, changes in use, developments and operating contracts.

KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

KRYSTAL GRAND PUNTA CANCÚN
Cancún, Quintana Roo



KRYSTAL GRAND INSURGENTES SUR
Mexico City

In addition to the operation of the assets which we already had, the opening of Krystal Grand Los Cabos, Krystal Grand Nuevo Vallarta and Krystal Grand Suites Insurgentes, as well as the performance of the Krystal Urban Cancun hotels, considering the opening of the new "Altitude" tower and Krystal Urban Guadalajara, which is reaching the maturation stage, all boosted the good results of Grupo Hotelero Santa Fe.

The above also influenced the increase in revenue from Food and Beverage by 43.7% to reach Ps. 477.6 million in 2017 compared to Ps. 332.3 million in 2016.

Under the heading of Other Hotel Income, which covers additional services such as rental of meeting rooms, parking, laundry, telephone and rent of commercial premises, among others, an increase was recorded of 20.3%, from Ps. 102.6 million the previous year of Ps. 123.4 million in 2017.

On the other hand, the fees for the Administration of Third Party Hotels grew 2.2%, from Ps. 78.2 million from 2016 to Ps. 79.9 million in 2017.

The Company will continue with its growth strategy through third-party operation agreements, with special emphasis on the Krystal brand, ensuring that it does not impact its operating structure in a significant manner.

it's time
to continue growing

A little more than three years after having made our Initial Public Offering, we are pleased to report that our Company has not only fulfilled its commitments but has gone further, obtaining a CAGR (Compound Annual Growth Rate) in revenues and number of rooms of more than 30%.

KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

CÉSAR ALBERTO ALANÍS ROSALES

KRYSTAL MONTERREY
Monterrey, Nuevo León

WAITER

45%

of our properties, furniture and equipment have not generated EBITDA in the last 12 months, so we will see significant growth in sales and EBITDA in 2018 and 2019.

KRYSTAL GRAND NUEVO VALLARTA
Puerto Vallarta, Jalisco

KRYSTAL MONTERREY
Monterrey, Nuevo León

KRYSTAL GRAND NUEVO VALLARTA
Puerto Vallarta, Jalisco

We have achieved this thanks to the correct valuation of the acquisitions, expansions and renewals that we carry out, as well as the associations and operation of hotels with third parties, with the objective of maximizing returns for our investors in compliance with our vision.

In addition to having a diversified portfolio in terms of destinations and categories, at Grupo Hotelero Santa Fe one of our greatest competitive advantages is the reputation and recognition of our Krystal brand.

We closed the year 2017 with 11 third-party hotels incorporated into our portfolio, including hotels under construction, clear evidence of the certainty that our operating capacity and business strategy generate in real estate investors.

it's time
to be more sustainable

From the beginning of operations, Grupo Hotelero Santa Fe has aligned its efficient operations with its commitment to Sustainability. Since then our goals have been evolving and the commitments both internal and external have been fulfilled.

In 2017 over

3,200

committed members of staff for whom we prepared career development plans within the company.

ALFREDO
GARZA VÁZQUEZ

Winner of the Best
Employee 2017 at the:
HILTON GARDEN INN
MONTERREY
Monterrey, Nuevo León

HEAD WAITER

4 years in service

Committed, always on time, has a gift for service and customer care, meets standards and earns the recognition of guests.

HOTEL'S SUSTAINABILITY FRAMEWORK

During 2017, the company's management team held a CSR workshop with the goal of defining a strategy, which was not only aligned to the business, but that also allowed us to identify opportunities to implement better business practices. One of the results of this exercise was the commitment to carry out a Materiality Study, which under the definition of the Global Reporting Initiative (GRI), implies understanding and expressing the most relevant issues for the organization. Said in other words, work on those issues that reflect the most significant economic, environmental and social effects for our company in a full understanding of the expectations of the various stakeholders.

The public report we present this year under the United Nations Global Compact Management methodology will be transformed in an important way by 2019, since we will report standards. We will determine the material issues, the Sustainability Model and finally the performance indicators that will allow us to compare our performance over time.

Finally, this section shows the Group's main programs and the results achieved in 2017, extracted from our Communication on Progress Report. We invite our stakeholders to read this section and to closely follow the results of the challenges we have chosen to address in the years to come.

HILTON GARDEN INN AEROPUERTO
Monterrey, Nuevo León

NARCEDALIA MARISCAL PÉREZ

Winner of the Best Employee 2017 at the:
KRYSTAL MONTERREY
Monterrey, Nuevo León

CHEF

20 years in service

For her attitude and excellent customer service, as well as her profesionalism; she always serves clients with a smile.

KRYSTAL GRAND NUEVO VALLARTA
Puerto Vallarta, Jalisco

OUR COMMITMENT

Our Commitment to Sustainability

Our commitment has been strengthened over time, the Sustainability Council integrated by senior management follows up on the programs and lines of action to be performed at HOTEL. Our Social Responsibility and Sustainability area coordinates both corporate and the hotels through its committees. This has allowed a responsible management that every day is strengthened within our organizational culture.

In the same way, we have established an active commitment with our stakeholders that today materializes through the mechanisms of dialogue that we have implemented to listen to expectations and include them in decision-making to improve our relationship and corporate citizenship.

JOSÉ CARLOS DE LEÓN RIVAS

Winner of the Best Employee 2017 at the:
HILTON GUADALAJARA
Guadalajara, Jalisco

WAITER

15 years in service

He stands out as an employee for his attitude of service and efforts to help clients. He follows hotel standards and receives a high level of recognition from customers.

Adequate risk management is one of the most relevant aspects reflected in our objectives and the plans we carry out to strengthen our operations, profitability, reputation, and results.

MANAGEMENT MODEL
Management Model in Sustainability

The Management Model that we have followed until now has been the one proposed by the UN Global Compact, which has provided us with guidance on how to implement the ten principles in the areas of Human Rights, Labor Standards, Environment and Anticorruption, at the same time that has allowed us to understand our commitments, identify risks and find opportunities. It is important to note that changes are being made to the results shared in this space, as our forward-looking approach is to grow our business together with our vision of Sustainability, as we reassess our priorities and bring our stakeholders into a broader framework with an understanding of the global and domestic trends that challenge us to keep moving forward in our continuous improvement approach.

THE GLOBAL COMPACT

APOYAMOS
EL PACTO GLOBAL

MARINO MEZA ALTAMIRANO

Winner of the Best Employee 2017 at the:
KRYSTAL VALLARTA
Puerto Vallarta, Jalisco

PLUMBER

17 years in service

For being an enthusiastic employee who shows readiness in different activities, offers extraordinary support with an exemplary positive attitude.

ALTITUDE TOWER BY KRYSTAL GRAND PUNTA CANCÚN
Cancún, Quintana Roo

MATERIALITY
Our Focus on Materiality

This year was decisive for Grupo Hotelero Santa Fe. While our operations continue to grow in an efficient manner, we have made our commitment to a priority. We firmly believe that defining relevant issues will make us use all kind of resources for social and environmental aspects that leave a mark and generate a significant contribution to the Sustainable Development Goals.

Thus, one of our main goals is to design our Sustainability Model and define the aspects that are most important for the Group. We are doing this by conducting a Materiality Assessment focused on reporting under the GRI-G4-Standards in 2019.

The Materiality Assessment is initially allowing us to engage in an assertive and transparent dialogue with our internal and external stakeholders, drawing us closer to executives, employees, vendors, government agencies, trade unions, news media, universities, social organizations and others, under various tools such as surveys, work sessions, interviews, and focus groups. We are thus discussing and understanding the perception that these stakeholders have about the impact of our business, as well as their expectations that enable us to conduct business activities that create value.

The Materiality Assessment will allow us to determine the aspects that are relevant enough to be reported and ensure that their influence—whether positive or not— is significant for the operation so that the plans are aimed at ensuring compliance with our vision and strategy and building confidence in our brand. Materiality thus becomes the basis for developing the business strategy and focusing our activities; that is, Materiality will guide our efforts and results and showcase our capacity to create shared value in the short, medium and long-term.

RELEVANT SOCIAL RESPONSIBILITY PROGRAMS

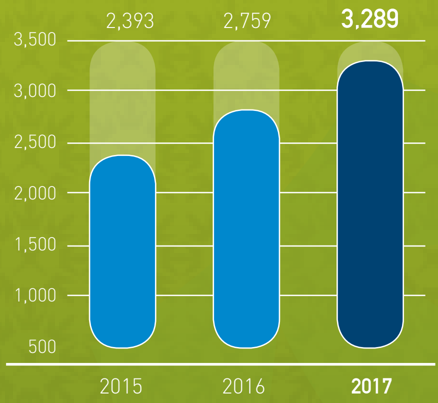
Throughout this year, we have carried out a large number of programs focused on improving the quality of life of our employees, strengthening our ethical and anti-corruption system while generating shared value in the communities where we operate. We've also focused on reducing our impact on the environment through the Eco-efficiency program that has been implemented in our hotels and which is showing the first indicators of minimizing energy consumption and thus our carbon footprint.

I. Quality of Life

For us, our human capital is our main foundation, since it's through our associates that the objectives and aspirations of our company are capitalized; that is why our approach is to have a stable, reliable and experienced team. The challenges to growth are diverse, highlighting that during the last three years the workforce has increased 37%, with an more than 3,200 employees in 2017.

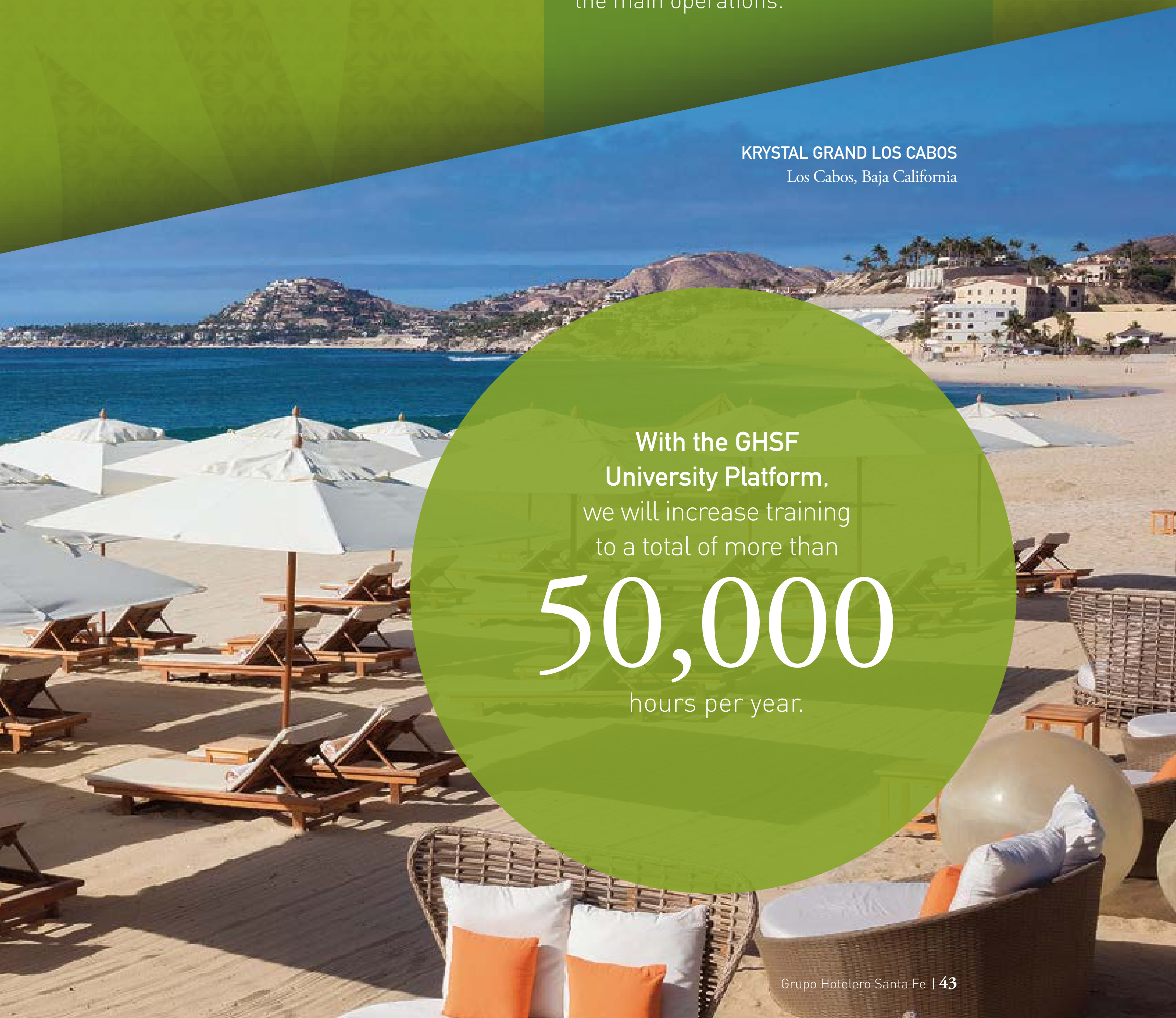
KRYSTAL GRAND
PUNTA CANCÚN
Cancún, Quintana Roo

TOTAL EMPLOYEES



GHSF University

Constant training is part of the organizational culture of Grupo Hotelero Santa Fe and is the means for employees to achieve their professional development goals and encourage the Company to achieve its objectives. We recently launched the e-learning platform with the aim of expanding the scope and having basic and quality training to support various skills in the main operations.



KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

With the GHSF University Platform, we will increase training to a total of more than

50,000

hours per year.

KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California Sur

Team Wellness
Through our management in Social Responsibility, the Company has consolidated not only its position in the market, but has permeated transversally both in the corporate area and in each of the hotels a management focused on Human Rights, labor standards, occupational health and safety and other programs to be part of our business culture. This management is supported by policies, procedures and programs that promote the protection of Human Rights and welfare of people.

II. Community Relations

As part of the socially responsible strategy of our company, we have a commitee that reviews our relationship with the community that is managed from the corporate with its mirror committees and a Keyleader in each of the hotels that are part of the group.

This dual management allows us to carry out the transversal social programs and, on the other hand, the programs of local interest that apply according to the differences of each area.

It also highlights the support and collaboration of the whole group to civil organizations such as Save the Children and Teletón México which watch over children's rights, at the same time that support is given to local communities with actions such as beach cleaning and the liberation of Turtles. These projects are achieved with the support, donations and volunteer hours contributed by our collaborators.

III. Environmental Care

To lead the energy program the Company, the Energy Savings Committee was created at the management level, with the task of analyzing and focusing the strategy to be undertaken by the com-

Community Liaison Committee Krystal Resort Cancun.

pany, for which, the need to have specialists in the field, allowing to make an agreement with the Mario Molina Institute that, through its specialists, developed the implementation and improvement proposals. The committee has consolidated the following actions:

- **Contract of «Fixed Charge Billing» with CFE**

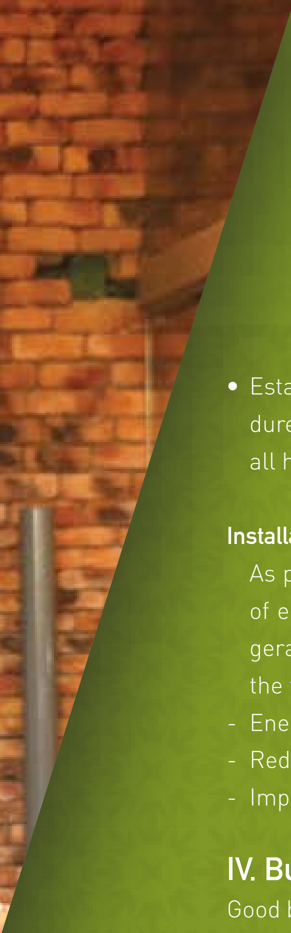
  In October 2017, a new contract was signed with the Federal Electricity Commission in which the customer agrees on medium and high voltage tariffs, whether the total consumption or a certain percentage at a price agreed in advance and that it is maintained throughout an annualized period. With these actions, Grupo Hotelero Santa Fe, achieved in a first quarter a saving of 4.65% average in the rate.

Agreement with Hunt SEM

This company offers companies control over energy resources, including electricity, water and greenhouse emissions, with which the Group is managing to improve consumption management, increase efficiency, reduce environmental impact and maximize profitability of its operations. This program is generating the following benefits:

- Centralization of information in a portal, allowing analysis, monitoring and attention, revealing findings on deviations of equipment consumption in real time.

KRYSTAL URBAN GUADALAJARA
Guadalajara, Jalisco



- Establishment of standardized operating procedures in the management of equipment within all hotels.

Installation of E-cube

As part of the savings initiatives, the installation of equipment focused on saving energy in refrigeration and cold rooms was achieved, achieving the following results:

- Energy saving
- Reduction in equipment maintenance
- Improve food preservation

IV. Business Ethics

Good business practices in terms of ethics and anti-corruption are a priority for Grupo Hotelero Santa Fe, so we have an integral ethical system which is supervised internally by the Board of Directors and managed by the areas of Human Resources and Internal Auditing, and externally by the firm Deloitte. Highlighting some of the measures we have taken to strengthen our ethical plan:

- Internal Code of Conduct
- Anticorruption and Anti Bribery Program
- Money laundering program
- Ethics complaint line
- Internal Audit Program

AWARDS, ADHESIONS, CERTIFICATIONS

- **UN Global Compact**

  We are proud to be part of the largest Social Responsibility network in the world and in 2017, we celebrated our two-year adherence to the Global Compact and its ten principles. Grupo Hotelero Santa Fe has actively participated in the Mexico Network and has filed its reports in a timely manner.

- **CSR Award**

  Our company competed in 2017 and obtained the Corporate Social Responsibility Distinction granted by the Mexican Center for Philanthropy (CEMEFI) for the third year running. The award recognizes our five pillars of performance: CSR Management, Quality of Life of our Employees, Environmental Protection, Ethics and Corporate Governance, and Value Creation in Communities.

- **Top Companies 2017**

  This index allows us to understand our employees' satisfaction levels through an employee climate survey, which we have conducted with the Grupo Expansión Top Companies Index for three years in a row. A total of 690 companies participated in the survey this year, and only 197 received the Top Companies award. A total of 102 companies participated in the category we belong to (with more than 3,000 employees) out of which only 29 received the award, including only three companies belonging to the Hospitality and Tourism Industry.

Awards and Recognitions

HIGH TECHNOLOGY

This is an award for the commitment to offer all guests the latest incommunications technology and connectivity.

HOTELS THAT HAVE RECEIVED THIS AWARD ARE:

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

AAA 3 DIAMOND AWARD Y AAA 4 DIAMOND AWARD

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

HOTELS THAT HAVE RECEIVED THESE AWARDS ARE:

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

GOLD CROWN RCI

Designates hotels that have met or exceeded established standards in specific areas and procedures, including check in, check out, maintenance and cleanliness, and an evaluation of the resort's facilities.

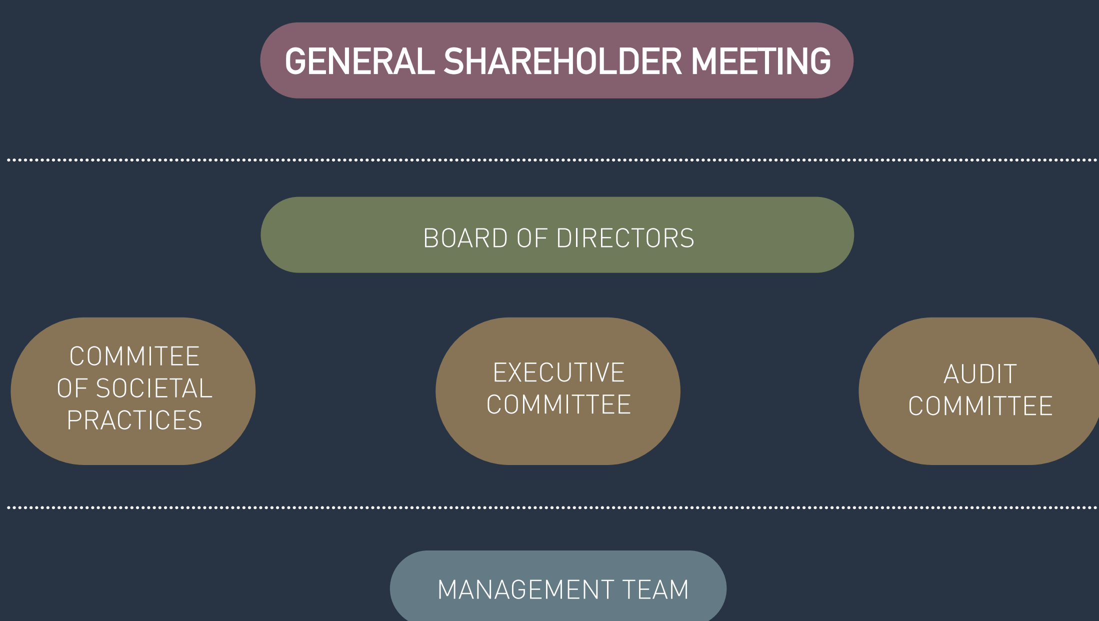
HOTELS THAT HAVE RECEIVED THIS DESIGNATION ARE:

- Krystal Puerto Vallarta
- Krystal Cancún

KRYSTAL GRAND LOS CABOS
Los Cabos, Baja California

Corporate Governance

Grupo Hotelero Santa Fe adheres to the highest standards of corporate governance, ensuring that the actions and decisions taken by the Administration are carried out within a framework of transparency and legality. The company ensures that the interests of each of its stakeholders are properly protected and that they converge in profitable and sustainable growth.



Management Team

From left to right (seated):

FRANCISCO MEDINA ELIZALDE
General Manager

CARLOS GERARDO ANCIRA ELIZONDO
Chairman of the Board of Directors

FRANCISCO ZINSER CIESLIK
CEO

ENRIQUE MARTINEZ GUERRERO
Chief Financial Officer

From left to right (standing):

RENE DELGADO CHAPMAN
Legal Affairs Director

MAXIMILIAN ZIMMERMANN
Investor Relations Director

Board of Directors

LIC. CARLOS GERARDO ANCIRA ELIZONDO
President

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
President

EDUARDO CHAILLO ORTIZ
Member

EDUARDO DIAZ BALOGH
Member

Corporate Practices Committee

ARTURO JOSÉ SAVAL PÉREZ
President

EDUARDO CHAILLO ORTIZ
Member

JERÓNIMO MARCOS GERARD RIVERO
Member

Management Discussion and Analysis on Financial Statements

CONSOLIDATED FINANCIAL RESULTS

Figures in thousands of Mexican Pesos

INCOME STATEMENT	2017	2016	% VAR.
Room Revenue	900,505	708,014	27.2
Food and Beverages Revenue	477,621	332,351	43.7
Other Revenue from Hotels	123,407	102,590	20.3
Third-Party Hotels' Management Fees	79,962	78,209	2.2
Total Revenue	**1,581,496**	**1,221,165**	**29.5**
Cost and Operating Expenses	644,544	457,166	41.0
Sales and Administrative	384,742	320,489	20.0
Other Expenses	24,010	17,391	38.1
Depreciation	144,173	112,058	28.7
Total Costs and Expenses	**1,197,470**	**907,104**	**32.0**
Total Non Recurring Expenses	**48,962**	**24,148**	**NA**
EBITDA	**528,200**	**426,119**	**24.0**
EBITDA Margin (%)	33.4%	34.9%	(1.5 pt)
Operating Income	**335,065**	**289,913**	**15.6**
Operating Income Margin (%)	21.2 %	23.7%	(2.5 pt)
Net Financing Result	**(60,520)**	**(94,923)**	**(36.2)**
Total Income Taxes	90,315	37,262	NA
Net Income	**187,382**	**160,219**	**17.0**
Net Income Margin (%)	11.8 %	13.1 %	(1.3 pt)
Income Attributable to:			
Controlling Interest	215,991	159,988	35.0
Non-Controlling Interest	(28,609)	231	NA

INCOME

Total Revenue increased 29.5%, from Ps. 1,221.2 million in 2016 to Ps. 1,581.5 million in 2017. The majority of this Ps. 360.3 million difference was driven by the incorporation of new hotels to our owned hotel portfolio, combined with the stabilization on hotels that are in process of maturity.

Room revenue in 2017 posted a 28.5% growth in number of rooms which compensated for a 0.8% decrease in RevPAR composed by a 6.4% improvement in ADR and a 4.6 percentage point decrease in occupancy.

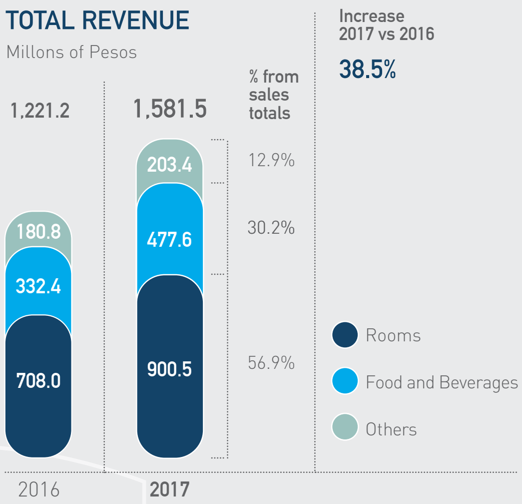
During 2017 the portfolio of stabilized hotels posted a 16.4% increase in number of rooms and a 4.7 increase in RevPAR. This increase in number of rooms is driven by the Krystal Grand Cancun that completed 36 months in operation, evolving to the stabilized hotel classification.

Food and Beverage revenue increased 43.7%, from Ps. 332.4 million in 2016 to Ps. 477.6 million in 2017. This growth was mainly driven by: i) the incorporation of the Krystal Grand Los Cabos and Krystal Grand Nuevo Vallarta that are in initial stages of maturity, and ii) the performance of the Krystal Grand Punta Cancun considering the opening of the "Altitude" Tower

Other Income, which includes among other items, event room rentals, parking, laundry, telephone, and leasing of commercial spaces, increased 20.3%, from Ps. 102.6 million in 2016 to Ps. 123.4 million in 2017, driven by the inclusion of new hotels to the portfolio.

Management Fees related to third-party owned hotels increased by 2.2% compared to 2016. This year we incorporated the Krystal Pachuca and Ibis Irapuato that compensated for the exit of the Krystal Grand Reforma Uno. RevPAR in 2017 was in line with 2016 driven by an increase of 3.2% in ADR and a 2.2 percentage point decrease in occupancy driven by external factors including meteorological effects.

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



COSTS AND EXPENSES

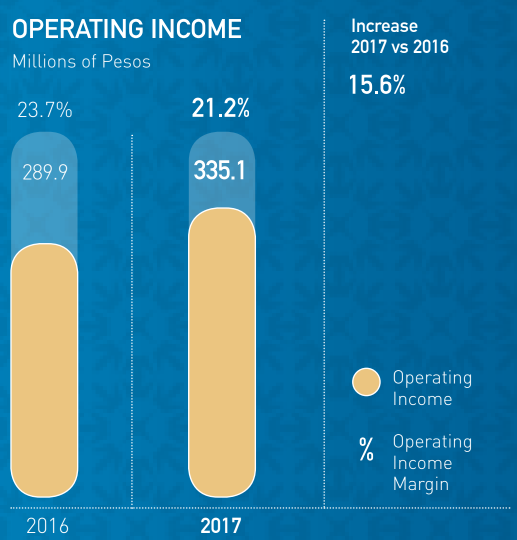
Total Costs and Expenses increased 32.0% from Ps. 907.2 million in 2016 to Ps. 1,197.5 million in 2017. This increase was mainly driven by the inclusion of new hotels in our portfolio of owned hotels combined with the stabilization of hotels in the early stages of stabilization. As a percentage of total income, total Costs and Expenses represented 75.7% in 2016, compared to 74.3% in 2016.

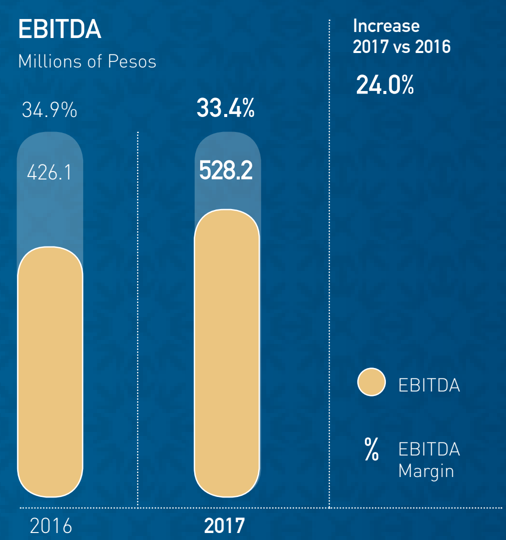
OPERATING INCOME

Operating Income increased 15.6% from Ps. 289.9 million in 2016 to Ps. 335.1 million in 2017. Operating margin decreased from 23.7% in 2016 to 21.2% in 2017 driven by the new hotels we incorporated in our own hotels portfolio

EBITDA

EBITDA adjusted for non-recurring expenses was Ps. 528.2 million for 2017 compared to Ps. 426.1 million in 2016, which represents a 24.0% increase. EBITDA margin decreased from 34.9% in 2016 to 33.4% in 2017 driven by the incorporation of new hotels in our portfolio.





Figures in Million Pesos

INTEGRATION OF EBITDA	2017	2016	% VAR.
Operating Income	335.065	289,913	15.9
(+) Depreciation	144.173	112,058	28.7
(+) Development and hotel opening expenses[1]	42.321	18,287	NA
(+) Other non-recurring expenses[2]	6.641	5,860	13.3
EBITDA	528.200	426,119	24.0
EBITDA Margin	33.4%	34.9%	(1.5 pt)

1) Expenses incurred in hotel expansions and openings, including new developments, and are related to the acquisition and research of acquisition opportunities.
2) Other non-recurring expenses, including settlement expenses and consulting fees related to the takeover of hotels acquired.

NET FINANCING RESULT

Net Financial Result for 2017 posted a loss of Ps. 60.5 million compared to a loss Ps. 94.9% in 2016 which represents Ps. 34.4 million less in losses, or a 36.2% increase. The difference mainly due to an USD/MXN FX gain.

NET INCOME

Net Income went from of Ps. 160.2 million in 2016 to Ps. 187.4 million in 2017, representing a Ps. 27.2 million difference which represents a 17.0% increase. Net Income margin decreased from 13.1% in 2016 to 11.8% in 2017 driven by higher tax payments.

CASH FLOW SUMMARY

Cash Flow from Operations in 2017 was of Ps. 518.5 million, compared to Ps.442.8 million in 2016 which represents a 17.1% growth. The growth was mainly driven by higher net income combined with changes in working capital due to the incorporation of new hotels in our portfolio.

CASH FLOW SUMMARY

Figures in Thousand of Mexican Pesos

CASH FLOW STATEMENT	2017	2016	% VAR.
Cash from operating activities			
Net income	187,382	160,219	17.0
Depreciation and amortization	144,173	112,058	28.7
Income taxes	90,315	37,262	NA
Unrealized gain (loss) in foreing currency exchange	(47,655)	70,530	NA
Net interest expense	77,584	33,294	NA
Other financial costs	3,376	2,608	29.4
Minority interest	(3,152)	(2,491)	26.6
Cashflow before working capital variations	**452,023**	**413,480**	**9.3**
Working capital	66,469	29,276	NA
Net operating cashflow	**518,492**	**442,756**	**17.1**
Non recurring	(946,531)	16,066	NA
Cashflow net from non-recurring items	**(428,039)**	**458,822**	**NA**
investment activities	(1,789,129)	(722,336)	NA
Financing activities	769,875	1,897,373	(59.4)
Net (decrease) increase in cash and cash equivalents	**(1,447,293)**	**1,633,859**	**NA**
Cash and cash equivalent at the beginning of the period	1,731,587	97,729	NA
Cash and cash equivalents at the end of the period	**284,294**	**1,731,588**	**(83.6)**
Cash in business acquisition	3,720	-	NA
Total cash at the end of the period	**288,015**	**1,731,588**	**(83.4)**

BALANCE SHEET SUMMARY

CASH AND CASH EQUIVALENTS

By the end of 2017, the Company's cash and equivalents reached Ps. 391.7 million and is integrated by Ps. 288.0 million in cash and cash equivalents and Ps. 103.7 million in restricted cash related to debt. 61.8% of cash and cash equivalents are denominated in dollars.

ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

This line item increased 52.2%, from Ps. 122.0 million in 2016 to Ps. 185.7 million in 2017; this was mainly due to the incorporation of new hotels into the Company's portfolio.

BALANCE SHEET SUMMARY

Figures in Thousand Mexican Pesos

BALANCE SHEET SUMMARY	2017	2016	VAR $	VAR %
Cash and cash equivalents	288,015	1,731,587	(1,443,572)	(83.4%)
Accounts receivables and other current assets	185,687	122,013	63,674	52.2%
Creditable taxes	344,154	157,205	186,950	NA
Escrow deposit for hotel acquisition	24,176	11,570	12,606	NA
Total current assets	**842,032**	**2,022,374**	**(1,180,342)**	**(58.4%)**
Restricted cash	103,655	67,486	36,169	53.6%
Property, furniture and equipment	6,510,002	3,046,944	3,463,059	NA
Non-productive fixed assets	1,080,229	405,987	674,242	NA
Other fixed assets	490,382	296,482	193,900	65.4%
Total non-current assets	**8,184,269**	**3,816,899**	**4,367,369**	**NA**
Total assets	**9,026,301**	**5,839,274**	**3,187,027**	**54.6%**
Current installments of long-term debt	168,361	138,031	30,330	22.0%
Other current liabilities	358,603	212,454	146,149	68.8%
Total current liabilities	**526,964**	**350,485**	**176,479**	**50.4%**
Long-term debt	2,342,279	1,264,592	1,077,687	85.2%
Other non-current liabilities	817,998	79,263	738,735	NA
Total non-current liabilities	**3,160,277**	**1,343,855**	**1,816,422**	**NA**
Total equity	**5,339,061**	**4,144,934**	**1,194,127**	**28.8%**
Total liabilities and equity	**9,026,301**	**5,839,274**	**3,187,027**	**54.6%**

PROPERTY, FURNITURE & EQUIPMENT

This line item was equal to Ps. 6,510.0 million at the end of 2017, more than double compared to 3,047.0 million at the close of 2016. This increase was mainly driven by the acquisitions of the Krystal Grand Los Cabos and Krystal Grand Nuevo Vallarta, the change of use of Krystal Grand Suites Insurgentes and the expansion of the Altitude tower of the Krystal Grand Cancun.

Figures in Thousand Mexican Pesos

CAPEX FOR THE PERIOD	MONTO	% TOTAL
Hoteles in development	1,090,214	92.3%
Improvements in owned hotels	35,758	3.0%
Ordinary capex	53,977	4.6%
New point of sales	1,471	0.1%
Total Capex	**1,181,420**	**100.0**

NET DEBT AND MATURITY

At year-end 2017, the Company's Net Debt was Ps. 2,119.0 million. 85.2% of total debt was denominated in dollars, with an average cost of 4.36%. 14.2% was peso-denominated, with an average weighted cost of 10.4%.

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

According to IFRS, the exchange rate used was Ps. 19.7354 / US$ as of December 31, 2017, as published in Mexico's Official Federal Gazette.

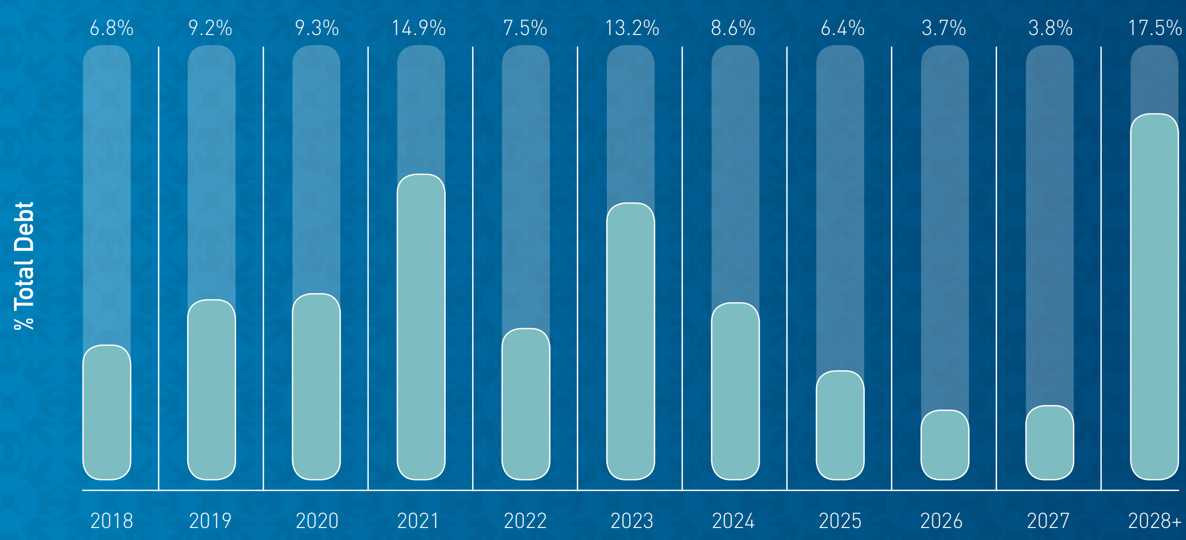
Figures in Thousand Mexican Pesos

DEBT*	PESOS	DÓLARES	TOTAL
Short term	21,835	146,525	168,361
Long term	240,795	2,101,484	2,342,279
Total	**262,630**	**2,248,009**	**2,510,640**
% Total	10.5%	89.5%	100.0%
Average rate of financial liabilities	10.42%	4.36%	4.99%
Cash and equivalents	139,796	148,219	288,015
Restricted cash	9,696	93,959	103,655
Cash and equivalents**	**149,492**	**242,178**	**391,670**
No debt	**113,138**	**2,005,832**	**2,118,970**
No debt / LTM EBITDA (as of December 31, 2017)		4.0x	

*Include accrued interest and effect of financial instrument related to financial debt.
**Includes restricted cash related to bank debt.

DEBT MATURITY PROFILE

As of December 31, 2017



KRYSTAL GRAND NUEVO VALLARTA
Puerto Vallarta, Jalisco

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

December 31, 2017 and 2016

Consolidated Financial Statements

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

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Grupo Hotelero Santa Fe, S. A. B. de C. V. and subsidiaries (the "Group" or "GHSF"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Hotelero Santa Fe, S. A. B. de C. V. and subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Business acquisitions	(See note 7 to the consolidated financial statements)
The key audit matter	**How the matter was addressed in our audit**
As mentioned in note 7 to the accompanying consolidated financial statements, during 2017, the Group entered into a business acquisition for the amount mentioned in note 7. The accounting treatment for the transaction is complex due to the significant judgments and estimates required to determine the values of the consideration transferred and the identification and measurement of the fair value of the acquired assets and the assumed liabilities. Due to the importance and complexity of the acquisition we consider this as a key audit matter.	As part of our audit procedures we have: Involved our own valuation specialist to support us in challenging the valuations produced by the Group and the methodology utilized to: - Validate the tangible fixed assets by comparing them with market information and quoted prices for similar assets. Identified the acquired assets and assumed liabilities at the date of acquisition, comparing them with the clauses established in the contracts. Verified the determination of the goodwill derived from the acquisition. Assesed the adequacy of the consolidated financial statements disclosures, including critical accounting policies.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's 2017 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, February 20, 2018.

Consolidated statement of financial position

December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	9	$ 288,015	1,731,587
Accounts receivable	10	135,187	84,788
Due from related parties	11	9,467	13,790
Other receivables	12	353,136	158,775
Inventories, net	13	15,454	8,579
Prepaid expenses		16,598	13,286
Deposit for hotel acquisition	7	24,176	11,570
Total current assets		**842,033**	**2,022,375**
Non-current assets			
Restricted cash	9	103,655	67,486
Property, furniture and equipment, net	14	7,590,232	3,452,931
Other assets	15	20,377	43,344
Investment in associated companies	3(k)	35,970	32,706
Deferred tax assets	19	101,982	112,438
Goodwill	7	332,053	107,994
Total non-current assets		**8,184,269**	**3,816,899**
Total assets		**$ 9,026,302**	**5,839,274**

	NOTE	2017	2016
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current installments of long-term debt	16	$ 168,361	138,031
Trade accounts payable	17	109,544	71,765
Other liabilities	17	145,610	53,663
Accruals	17	46,935	61,652
Due to related parties	11	15,924	-
Advances from customers		40,590	25,374
Total current liabilities		**526,964**	**350,485**
Non-current liabilities			
Long-term debt, excluding current installments	16	2,342,279	1,264,592
Employee benefits	18	4,179	3,867
Deferred tax liabilities	19	813,090	74,417
Other liabilities		729	979
Total non-current liabilities		**3,160,277**	**1,343,855**
Total liabilities		**3,687,241**	**1,694,340**
Stockholders' equity	**20**		
Controlling interest:			
Capital stock		3,454,707	3,454,707
Stock repurcharse reserve		(13,145)	(23,468)
Aditional paid-in capital		80,000	80,000
Legal reserve		190,493	190,493
Retained earnings		598,953	382,962
Total controlling interest		**4,311,008**	**4,084,694**
Non-controlling interest		1,028,053	60,240
Total Stockholders' equity		**5,339,061**	**4,144,934**
Total liabilities and stockholders' equity		**$ 9,026,302**	**5,839,274**

The notes from page 74 to 132 are integral part the consolidated financial statements.

Consolidated statememts of income

For the years ended December 31, 2017 and 2016
(Thousands of Mexican pesos, except for earning per share)

	NOTE	2017	2016
Revenues:			
Rooms		$ 900,505	708,014
Food and beverages		477,621	332,351
Others	11	203,370	180,800
Total revenue		**1,581,496**	**1,221,165**
Departmental costs and expenses:			
Rooms		181,134	133,512
Food and beverages		284,930	194,672
Others		23,337	18,139
Total departmental costs and expenses		**489,401**	**346,323**
Departmental income		**1,092,095**	**874,842**
Indirect expenses:			
Administrative	11	248,089	210,028
Advertising and sales		138,903	115,104
Maintenance and energy costs		155,143	110,843
Total indirect expenses		**542,135**	**435,975**
Profit before property expenses and depreciation		**549,960**	**438,867**
Property expenses and depreciation:			
Property tax		7,077	5,381
Insurance		16,933	12,010
Depreciation	14	140,216	106,951
Amortization of other assets		3,957	5,107
Preoperative expenses		24,031	2,546
Expansion expenses		18,290	15,742
Others		4,390	1,217
Total property expenses and depreciation		**214,894**	**148,954**
Operating income		**335,066**	**289,913**

	NOTE	2017	2016
Financial cost:			
Interest expense, net	11	(77,584)	(33,294)
Foreing exchange gain (loss), net		20,440	(59,471)
Other financial costs		(3,377)	(2,158)
Financial cost, net		**(60,521)**	**(94,923)**
Equity in earnings from associated companies			
Permanent investments		3,152	2,491
Profit before income tax		**277,697**	**197,481**
Income taxes:	19		
Current		65,709	66,331
Deferred		24,606	(29,069)
Total income taxes		**90,315**	**37,262**
Net income		**$ 187,382**	**160,219**
Income (loss) attributable to:			
Controlling interest		215,991	159,988
Non-controlling interest		(28,609)	231
		$ 187,382	**160,219**
Basic earnings per share	**20(h)**	**$ 0.38**	**0.41**

The notes from page 74 to 132 are integral part the consolidated financial statements.

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE	CAPITAL STOCK	STOCK REPURCHASE RESERVE
Balances as of December 31, 2015		**$ 1,666,746**	**(19,863)**
Subsequent public offering of shares	20(a)	1,787,961	-
Repurchase of shares	20(c)	-	(3,605)
Initial recognition of non controlling interest		-	-
Net profit		- -	
Balances as of December 31, 2016		**3,454,707**	**(23,468)**
Repurchase of shares	20(c)	-	10,323
Initial recognition of non controlling interest		-	-
Net income		-	-
Balances as of December 31, 2017		**$ 3,454,707**	**(13,145)**

The notes from page 74 to 132 are integral part the consolidated financial statements.

ADITIONAL PAID - IN CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	TOTAL CONTROLLING INTEREST	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
80,000	**190,493**	**222,974**	**2,140,350**	**-**	**2 ,140,350**
-	-	-	1,787,961	-	1 ,787,961
-	-	-	(3,605)	-	(3,605)
-	-	-	-	6 0,009	60,009
-	-	159,988	159,988	231	160,219
80,000	**190,493**	**382,962**	**4,084,694**	**60,240**	**4,144,934**
-	-	-	10,323	-	10,323
-	-	-	-	996,422	996,422
-	-	2 15,991	215,991	(28,609)	187,382
80,000	**1 90,493**	**598,953**	**4,311,008**	**1,028,053**	**5,339,061**

Consolidated statements of cash flows

For the years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	2017	2016
Cash flows from operating activities:		
Net income	$ 187,382	160,219
Adjustment for:		
Depreciation	140,216	106,951
Amortization of other assets	3,957	5,107
Disposal of equipment	-	450
Items related to financing activities		
Unrealized foreign exchange (gain) loss	(47,655)	74,311
Interest income	(16,630)	(20,742)
Interest expense	94,214	54,036
Other financial costs	3,376	2,158
Investment in associated companies	(3,152)	(2,430)
Income taxes	90,315	37,262
	452,023	**417,322**
Accounts receivable	(50,399)	(9,651)
Due from related parties	4,323	(6,788)
Other receivables	(112,608)	(39,980)
Inventories	(6,875)	(1,825)
Prepaid expenses	(3,251)	(5,932)
Trade accounts payable	35,951	21,181
Other liabilities	(1,306,423)	(11,800)
Accruals	(14,717)	33,436
Due to related parties	12,536	(56)
Advances from customers	15,216	5,286
Income taxes	(54,324)	(42,274)
Employee benefits	312	561
Net cash provided by operating activities	**(1,028,236)**	**359,480**

	2017	2016
Cash flows from investing activities:		
Change in restricted cash	(36,169)	(10,694)
Acquisition of property, furniture and equipment	(1,181,420)	(729,636)
Business acquisition	(610,226)	-
Other assets	24,633	8,605
Deposits for hotel acquisition	(12,606)	3,090
Investment in financial instruments	-	(2,886)
Interest received	16,630	20,742
Net cash used in investing activities	**(1,799,158)**	**(710,779)**
Cash flows from investing activities:		
Contributions from subsequent public offering	-	1,768,759
Non-controlling interest contributions	610,226	60,009
Repurchase of shares	10,323	(3,605)
Proceeds from loans	1,266,557	190,356
Payments of loans	(415,443)	(90,479)
Interest paid	(91,561)	(47,790)
Net cash provided by financing activities	**1,380,102**	**1,877,250**
Net (decrease) increase in cash and cash equivalents	**(1,447,292)**	**1,525,951**
Cash and cash equivalents	1,731,587	97,729
Cash received upon acquisition	3,720	-
Effects from cash value changes	-	107,907
Cash and cash equivalents at December 31	**$ 288,015**	**1,731,587**

The notes from page 74 to 132 are integral part the consolidated financial statements.

Notes to consolidated financial statements

December 31, 2017 and 2016
(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. 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 others, of any type of corporations, both domestic and foreign, and invest in its equity, as well as participate in their management, liquidation, spin-off and merger. The Group was incorporated on November 24, 2006 and began operations on January 1, 2010

Initial public offering change of corporate name and subsequent public offering

On September 11, 2014, through a public offering of shares in Mexico, Grupo Hotelero Santa Fe, S. A. B. de C. V. increased its capital stock, issuing 75,000,000 ordinary, and nominative shares, without par value. (See note 20(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 Anonima 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 20(a), on June 17, 2016, through a subsequent public offering of shares in Mexico and Chile, Grupo Hotelero Santa Fe, S. A. B. de C. V. increased its capital stock, issuing 215,584,530 ordinary and nominative shares without par value. After this transaction, the outstanding shares amount to 491,084,530. The net proceeds from the subsequent public offering increased the capital stock and will be used for the development and acquisition of hotels. At the date, approximately 46% of the total shares of the Company are distributed amongst the public investor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Inmobiliaria MB Santa Fe, S. A. de C. V. (IHMB), whose main activity is to acquire, under any legal title, shares, interests, participations, among others, 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., (IH Insurgentes), whose main activity is to own a hotel currently under construction located in Mexico City. It was incorporated on May 15, 2015 and began the construction on January 22, 2016.

- Inmobiliaria K Suites 1991, S. A. P. I. de CV, (IKS), whose main activity is 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”. The operation of the suites is carried out by Hotelera S. F. 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 11, 2016 and began operations on September 13, 2017.

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

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

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

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

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

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

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

2. Basis of preparation

(a) Statement of compliance

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

On February 20, 2018, Francisco Alejandro Zinser Cieslik, Chief Executive Officer, Francisco Medina Elizalde, Deputy Chief Executive Officer, Enrique Gerardo Martínez Guerrero, Chief Financial Officer and legal representative and José Alberto Santana Cobián, Chief Administration Officer, authorized the issuance of the accompanying consolidated financial statements and related notes thereto.

In accordance with the General Corporations Law and the Company's bylaws, the stockholders are empowered to modify the consolidated financial statements after issuance.

(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 7. 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, 2017 and 2016 was $19.74 and $20.66, respectively. At February 20, 2018 the exchange rate was $18.5360.

(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(g) and 14 - Useful lives of property, furniture and equipment
- Notes 3(i) and 10 - Allowance for doubtful receivables
- Notes 3(l) and 18 - Measurement of labor obligations
- Notes 3(t) and 19 - Deferred tax assets
- Notes 3(o) - Loyalty program

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, 2017 is included in the following notes:

- Notes 3(v) and 24 - Contingencies

(e) 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, 2017, 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, 2015	25
Additions	2
December 31, 2016	27
Additions	6 [1]
December 31, 2017	33

[1] Five legal entities were acquired through the business combination mentioned in note 7.

(f) Income statement presentation

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

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combination

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

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

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

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

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

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

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

(ii) Acquisitions of non-controlling interests

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

(iii) Subsidiaries

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

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

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

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

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

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

GHSF SUBSIDIARIES	OWNERSHIP	MAIN ACTIVITY
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
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
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)	Personel services
Arrendadora Ángeles Vallarta, S. A. de C. V.	50%(2)	Hotel management
CER diecinueve, S de R. L. de C. V.	100%(2)	Consumer services
Servicios K Suites 1991 S. de R. L. de C. V.	100%(1)	Personnel services

(1) Company consolidated since 2016
(2) Company consolidated since 2017

(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 Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency transactions

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

(c) Non-derivative financial instruments

Non-derivative financial instruments primarily include cash and cash equivalents, accounts receivable, other receivables, long-term debt, trade accounts payable and due to related parties.

(i) Non-derivative financial assets

The Group initially recognizes accounts receivable from customers and other accounts receivable on the date they are originated.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and benefits of ownership of the asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group has the legal right to offset the amounts and intends either to settle on a net basis or, to realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash balances and call deposits with original maturities of three months or less, bank accounts and foreign currencies. At the date of the consolidated financial statements, interest earned and valuation gains or losses are included in income statement as part of finance cost.

Restricted cash

Restricted cash is comprised of reserves for compliance with obligations arising from bank loans (see note 9).

Accounts receivable (including receivables from operation) and other accounts receivable

Accounts receivable from customers and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus the costs directly attributable to the transaction. Subsequent to the initial recognition, accounts receivable from customers, related parties and other accounts receivable are stated at amortized cost using the effective interest method, considering impairment or bad debt losses.

(ii) Non-derivative financial liabilities

The Group initially recognizes financial liabilities on the date of contract in which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: short-term and long-term debt, trade accounts payable, accrued liabilities and due to related parties.

Such financial liabilities are initially recognized at fair value less costs directly attributable to the transaction. Subsequent to the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Capital stock

Ordinary shares

Ordinary shares comprising the share capital of the Group are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any income taxes effects.

Repurchase of shares

When equity shares recognized as part of the stockholders' equity are repurchased, the amount of consideration paid, which includes directly attributable costs, net of tax effect, is recognized as a reduction of the stockholders' equity. When shares are subsequently sold or re-issued, the amount received is recognized as an increase in stockholders' equity.

(d) Derivative financial instruments and hedge accounting

The Group recognizes all assets or liabilities arising from transactions with derivative financial instruments in the statement of financial position at fair value, regardless of its purpose. Fair value is determined based on recognized market prices and when quoted market prices are not observable, is determined based on valuation models using observed market data.

Changes in the fair value of derivative financial instruments not designated initially or within their maturity, as applicable, not qualifying for hedging purposes, are recognized in the profit and loss of the years as valuation effect of financial instruments, within finance cost. Changes in the fair value of derivative financial instruments that were formally designated and qualify as hedging instruments are recognized in accordance with the corresponding hedge accounting model.

In the case of transactions involving options or combinations of these, when these derivative financial instruments involving premiums paid and/or received are not designated or do not qualify for hedging purposes, these premiums alone or in combination are initially recognized at fair value, as either derivative financial instruments in assets (premiums paid) or liabilities (premiums received) respectively, taking the subsequent changes in the fair value of the premium as valuation effects of derivatives financial instruments under finance cost.

Derivative financial instruments are measured at fair value using valuation techniques and inputs commonly used within the financial environment.

(e) Inventories

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.

(f) 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.

(g) 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 7).

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
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.

(h) 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.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor or restructuring of an amount due to the Group.

The Group considers evidence of impairment for receivable measured at amortized cost at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables and investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted by management's analysis as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against accounts receivable. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators of impairment are identified, then the asset's recoverable amount is estimated.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its

fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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. For impairment testing, assets that cannot be tested individually are integrated into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets. Goodwill acquired during a business combination is allocated to cash-generating unit that are expected to benefit from the synergies of the business combination.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in relation to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets on a pro rata basis.

The Group reassesses at the end of each period, if an impairment loss recognized in prior periods for assets other than goodwill should be reduced or reversed by the existence of specific indicators. In case that evidence is identified, reductions and reversals of impairment losses are recognized as income in the consolidated statement of income in the period they were identified, increasing the value of the asset by an equal amount.

(j) 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 years. Additionally, as of December 31, 2017, certain recoverable assets are included as described in note 15.

(k) Investment in associated companies

On June 12, 2013, GHSF entered into a contract with OMA Logística, S. A. de C. V., for the purpose of develop, build and operate a hotel under the brand name of “Hilton Garden Inn”, located at the Monterrey Airport, through the incorporation of a new entity named Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V., in which GHSF has a 15% ownership of the capital of the company, without exercising control. This investment is recorded at cost.

(l) 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.

(m) 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 20(d).

(n) 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.

(o) Revenue recognition

(i) Lodging services

Lodging service revenues, meals, beverages and other operating departments are recognized as rendered.

Advances from customers are payments received for future reservations, when lodging service have not been provided yet. Such advances are recognized as income at the time services are rendered.

(ii) Rental income

Rental income from investment properties is recognized in other income using the straight-line method over the term of the lease. The Group accounts investment properties using the cost method. The value of investment properties is estimated to be insignificant and therefore is presented under property, furniture and equipment in the consolidated statement of financial position.

(iii) Income from hotel management

Revenues from management and hotel operation services and any other services related to the hotel industry are recognized as income when they are rendered. These revenues are presented in the income from operations within others, in the consolidated statement of income.

(iv) Loyalty program

The Company operates, through some of its hotels, a loyalty program named “Krystal Rewards” that allows its customers to accumulate points called “Krystales” and then exchange those 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 awards is determined based upon management’s estimates. The Krystales points expire within a 2 years period if not used.

The revenue associated with the loyalty program is recognized when customers redeem their points.

Costs associated with redemption are also recognized when customers redeem their points.

(p) 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.

(q) Advertising expenses

Advertising costs are expensed as incurred.

(r) Leases

Lease payments

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

Determining whether an arrangement includes a lease

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

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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 others, are presented in the Operator segment.

(x) Earnings per share

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

4. Accounting standards not adopted

(a) New standards not yet adopted

A number of new standards and amendments to standards and interpretations are applicable for annual periods beginning after December 31, 2018, and have not been applied in the preparation of these consolidated financial statements. The Group does not plan to early adopt these standards.

- IFRS 9 Financial Instruments (2014)

  IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  i. **Impairment of financial assets**
  IFRS 9 replaces the "incurred loss" model in IAS 39 with a prospective model of "expected credit loss" ("ECL"). This will require considerable judgment on how changes in economic factors affect ECLs, which will be determined on the basis of a weighted probability.

The new impairment model will be applied to financial assets measured at amortized cost withchanges through other capital accounts, except for the investment in equity instruments.

In accordance with IFRS 9, the allowance for loss will be measured in any of the following bases:

a. 12 months of ECL: they are ECL that result from possible predetermined events within 12 months after the date of presentation; and

b. ECL for life are ECL that result from all the possible predetermined events during the expected life of the financial instruments.

ii. Classification - Financial liabilities

With respect to financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of the financial liability attributable to changes in the credit risk of said liability be presented in other comprehensive income, except for that the recognition of the effects of changes in the credit risk of the liability that is recognized in other comprehensive income will create or increase an accounting discrepancy in the income statement. Changes in fair value attributable to the credit risk of the financial liability are not reclassified subsequently to the income statement. Previously, in accordance with IAS 39, the full amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in the income statement.

Based on an analysis of the Group's financial assets and liabilities as of December 31, 2017 and based on the facts and circumstances existing as of that date, the Group's Management has determined that the impact of IFRS is not significant.

- IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a comprehensive framework for determining whether how much and when revenue is recognized. It replaces current revenue recognition guidelines, including IAS 18 Revenue from Ordinary Activities, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective for annual periods, beginning on or after January 1, 2018, with early adoption permitted.

The Group is evaluating the possible impact of the application of IFRS 15 on its consolidated financial statements.

- IFRS 16 Leases

Issued on January 13, 2016, this Standard requires companies to account for all leases in their financial statements beginning on or after January 1, 2019. Companies with operating leases will have more assets but also a greater debt. The greater of the leasing portfolio within the entity, the greater the impact on reporting metrics.

The Group is evaluating the possible impact of the application of IFRS 16 on its consolidated financial statements, however it is not expected it will have a significant impact.

- Amendment to IFRS 2 Share-based Payments: Clarification of how to account for certain types of share-based payment transactions

  The amendments that were developed through the IFRS Interpretations Committee provide requirements on the accounting for:

  a. The effects of the conditions of irrevocability and non-irrevocability on the measurement of payments based on shares settled in cash;
  b. Transactions with share-based payments with a net settlement clause for tax withholding obligations;
  c. A change in the terms and conditions of a share-based payment that changes the classification of the transaction from liquidated cash to liquidated with equity instruments.

  On June 20, 2016, this modification was issued that requires application for annual periods beginning on or after the 1st. January 2018. Early adoption is allowed.

  Management considered that this amendment will not have an impact on its consolidated financial statements of the Group.

(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 January 1, 2017, and have been applied in the preparation of these consolidated financial statements are the following:

- Disclosure Initiative (Amendments to IAS 7)

  The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

  In addition to the disclosure in note 16, the application of this amendment does not have an impact on the Group's consolidated financial statements.

- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

  The amendments clarify the accounting treatment of deferred tax assets for unrealized losses on debt instruments measured at their fair value.

  The Group has applied these modifications for the first time in the current year. The amendments clarify how an entity should evaluate whether it will have sufficient future taxable profits against which a deductible temporary difference may apply.

The application of this amendment does not have an impact on the consolidated financial statements of the Group as it evaluates the adequacy of future taxable profits in a manner consistent with these modifications.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The fair value of the accounts receivable from customers and other accounts receivable is estimated based upon their recoverability, after taking into consideration the collectability of certain accounts.

Derivative financial instruments are measured at fair value based upon methodologies and inputs employed in the financial environment.

6. 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 Groups' risk management policies and procedures, and additionally reviews the adequacy of the risk management framework in relation to the risks faced 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 incurred 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.

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, 2017, 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 16).

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 21).

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

Market risk

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

Currency risk

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

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

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

Interest rate risk

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

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

Equity management

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

7. Business acquisitions

Assets acquired and liabilities assumed

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

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 "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 "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 of $224,059 using the acquisition method as of the acquisition date, which is the date on which the control is transferred to the Group.

	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Current assets:	
Cash and cash equivalents	$ 3,720
Accounts receivable and other accounts receivable	81,814
Non-current assets:	
Property, furniture and equipment	3,096,097
Other non-current assets	6,023
Current liabilities:	
Trade accounts payable and other accounts payable	(1,393,314)
Non-current liabilities:	
Debt	(297,483)
Deferred taxes	(724,523)
Net assets acquired	772,334
Less non-controlling interest (1)	386,167
Less consideration paid in cash	(610,226)
Goodwill	**$ (224,059)**

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

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

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

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

8. 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:

2017

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

2016

	URBAN	RESORT	OPERATOR AND HOLDING	CONSOLIDATED
Total operating revenues	$ 506,514	614,331	100,320	1,221,165
Depreciation and amortization	54,861	43,478	13,719	112,058
Operating profit (loss	153,474	210,770	(74,331)	289,913
Consolidated net income	54,595	78,432	27,192	160,219

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

2017

	URBAN	RESORT	OPERATOR AND HOLDING	CONSOLIDATED
Total assets	$ 2,622,317	5,651,437	752,548	9,026,302
Total liabilities	748,661	2,866,090	72,490	3,687,241

	2016			
	URBAN	RESORT	OPERATOR AND HOLDING	CONSOLIDATED
Total assets	$ 2,566,139	2,119,250	1,153,885	5,839,274
Total liabilities	718,743	966,870	8,727	1,694,340

9. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	2017	2016
Cash	$ 278,861	1,016,193
Temporary investments	9,154	715,394
Total cash and cash equivalents in current assets	288,015	1,731,587
Long term restricted cash[1]	103,655	67,486
Total cash and cash equivalents[2]	$ 391,670	1,799,073

(1) Restricted cash comprises of certain deposits to guarantee the payment of bank loans.
(2) The cash balance contains the cash flows that were obtained in the subsequent public offer (see note 20(a)).

10. Accounts receivable

Accounts receivable are summarized as follows:

	2017	2016
Guests and agencies	$ 120,848	76,115
Others	18,112	9,931
	138,960	86,046
Less estimate for doubtful accounts	3,773	1,258
Total accounts receivable	$ 135,187	84,788

Note 21 discloses the Group's exposure to credit and currency risks and impairment losses related to accounts receivable from customers.

11. Transactions and balances with related parties

(a) Control relationships

At December 31, 2017, 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 22):

	2017	2016
Short-term benefits	$ 32,332	28,996

(c) Transactions with other related parties

The following describes the transactions with other related parties:

(i) Revenue

	TRANSACTION VALUE	
	2017	2016
Management fee base:		
Hotelera Chicome, S. A. de C.V.	$ 11,746	10,843
WSC CKD Krystal Grand Reforma F/10057	5,593	9,314
Promotora Turística Mexicana, S. A. de C. V.	4,049	4,758
Hotelera Caracol, S. A. de C.V.	4,439	3,833
Consorcio Hotelero Aeroportuario Monterrey, S. A. P. I. de C.V.	2,726	2,509
Incentive fees:		
Hotelera Chicome, S. A. de C.V.	$ 15,733	13,262
WSC CKD Krystal Grand Reforma F/01057	8,765	14,917
Promotora Turística Mexicana, S. A. de C.V.	4,711	6,233
Hotelera Caracol, S. A. de C.V.	4,510	3,660
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C.V.	4,239	3,779

	TRANSACTION VALUE 2017	2016
Corporate and international advertising revenues:		
Hotelera Chicome, S. A. de C. V.	$ 9,215	8,568
Hotelera Caracol, S. A. de C. V.	2,089	1,875
Promotora Turística Mexicana, S. A. de C. V.	1,907	2,633
WSC CKD Krystal Grand Reforma F/10057	1,295	2,102
Other income:		
Hotelera Chicome, S. A. de C. V.	$ 1,352	1,001
WSC CKD Krystal Grand Reforma F/01057	1,069	997
Promotora Turística Mexicana, S. A. de C. V.	926	1,054
Hotelera Caracol, S. A. de C. V.	819	569
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V.	287	279
Servicios Corporativos Krystal Cancún, S. A. de C. V.	38	40
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	38	40
Servicios Corporativos Krystal Ixtapa, S. A. de C. V.	38	40

(ii) Expenses

	2017	2016
Refundable expenses:		
Promotora Turística Mexicana, S. A. de C. V.	$ 10,665	8,220
WSC CKD Krystal Grand Reforma F/01057	765	950
Expenses for administrative services:		
Grupo Circum, S. A. de C. V.	$ 7,584	7,385
Servicios Administrativos Chartwell, S. A. de C. V.	4,216	5,146
Expenses for development services:		
Grupo Circum, S. A. de C. V.	$ 6,403	-
Leases:		
Inmobiliaria de la Parra, S. de R. L. de C. V.	$ 5,864	5,599
WSC CKD Krystal Grand Reforma F/01057	402	585
Purchase of fixed assets:		
Promotora Turística Mexicana, S. A. de C. V.	$ -	223,777
Other recoverable expenses:		
Promotora Turística Mexicana, S. A. de C. V.	$ -	2,335
Hotelera Chicome, S. A. de C. V.	-	92
Consorcio Hotelero Aeropuerto Monterrey, S. A. P. I. de C. V.	-	17

(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:

	2017	2016
Due from		
Hotelera Chicome, S. A. de C. V.	$ 5,550	3,605
Hotelera Caracol, S. A. de C. V.	2,188	1,623
Consorcio Hotelero Aeroportuario Monterrey, S. de R. L. de C. V.	827	633
Grupo Inmobiliario 1991, S. A.	580	-
Servicios Integrales PIN, S. A. de C. V.	300	-
Servicios Krystal Ixtapa, S. A. de C. V.	11	13
Servicios Corporativos Krystal Vallarta, S. A. de C. V.	4	4
Servicios Hoteleros Monterrey, S. A. de C. V.	3	-
Nexxus Capital Private Equity Fund III, L. P.	2	2
Comercializadora MP, S. A. de C. V.	2	2
Promotora Turística Mexicana, S. A. de C. V.	-	371
Impulsora de las Lomas, S. A.	-	5,423
WSC CKD Krystal Grand Reforma F/0105	-	2,114
Due from related parties	**$ 9,467**	**13,790**
Due to		
Grupo ICD Sitra, S. A. de C. V.	$ 15,146	-
Promotora Turística Mexicana, S. A. de C. V.	768	-
Operadora Inca, S. A. de C. V.	10	-
Due to related parties	**$ 15,924**	**-**

Note 21 discloses the Group's exposure to credit and liquidity risks related to due from balances with related parties.

12. Other receivables

Other accounts receivable is summarized as follows:

	2017	2016
Recoverable value added tax	$ 288,255	131,727
Recoverable income taxes	46,259	20,952
Sundry debtors	8,982	1,570
Recoverable cash. deposits tax	413	413
Recovered flat rate bussiness tax	226	231
Others	9,001	3,882
	$ 353,136	158,775

Note 21 discloses the Group's exposure to credit risk related to other accounts receivable.

13. Inventories

Inventories are comprised as follows:

	2017	2016
Foods	$ 5,235	3,349
Other operating supplies	5,493	3,976
Beverages	4,726	1,254
	$ 15,454	8,579

14. Property, furniture and equipment

The rollforward of property, furniture and equipment is shown below:

	LAND	OPERATING EQUIPMENT	BUILDINGS	FURNITURE & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
Investment:						
Balance at 31 December 31, 2015	$ 483,042	33,907	2,250,062	334,470	189,618	3,291,099
Additions	130,022	5,884	71,218	94,654	427,859	729,637
Disposals	-	-	-	(3,682)	-	(3,682)

	LAND	OPERATING EQUIPMENT	BUILDINGS	FURNITURE & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
Transfers	(12,648)	138	203,816	17,037	(208,343)	-
Balance at December 31, 2016	**$ 600,416**	**39,929**	**2,525,096**	**442,479**	**409,134[1]**	**4,017,054**
Investment:						
Balance at December 31, 2016	$ 600,416	39,929	2,525,096	442,479	409,134[1]	4,017,054
Addtions	-	7,865	239,740	46,324	887,586	1,181,515
Disposals	-	(4,978)	(2,951)	(1,639)	(2,270)	(11,838)
Acquisition effect	1,169,185	-	1,776,882	138,538	11,492	3,096,097
Transfer	-	3,193	238,433	13,614	(255,240)	-
Balance at December 31, 2017	**$ 1,769,601**	**46,009**	**4,777,200**	**639,316**	**1,050,702**	**8,282,828**
Accumulated depreciation:						
Balance at December 31, 2015	$ -	-	313,929	146,474	-	460,403
Depreciation	-	-	59,945	47,006	-	106,951
Disposals	-	-	-	(3,232)	-	(3,232)
Balance at December 31, 2016	**$ -**	**-**	**373,874**	**190,248**	**-**	**564,122**
Accumulated depreciation:						
Balance at December 31, 2016	$ -	-	373,874	190,248	-	564,122
Depreciation	-	-	91,319	48,896	-	140,215
Disposals	-	-	(9,423)	(2,318)	-	(11,741)
Balance at December 31, 2017	**$ -**	**-**	**455,770**	**236,826**	**-**	**692,596**
Carrying values:						
Balance at December 31, 2016	**$ 600,416**	**39,929**	**2,151,222**	**252,231**	**409,134**	**3,452,932**
Balance at December 31, 2017	**$ 1,769,601**	**46,009**	**4,321,430**	**402,490**	**1,050,702**	**7,590,232**

At December 31, 2017 and 2016, the estimated cost to complete construction in process projects amounts $1,018,767 and $1,515,761 respectively.

(1) The constructions in process correspond to remodeling of Krystal Urban Cancún, Hilton Vallarta, Krystal Grand Punta Cancun, Krystal Grand Insurgentes (IH Insurgentes) and Krystal Residences and Suites (IKS).

At December 31, 2017 and 2016, 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".

15. Other assets

The other assets are integrated as follows:

	2017	2016
Extraordinary Fees (1)(2)(3)	$ 14,720	40,792
Other	5,657	2,552
	$ 20,377	43,344

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

(2) On March 17, 2016, Hotelera SF entered into an operation and hotel management agreement with Inca Inmobiliaria Monterrey S. A. de C. V., owner of the Hotel "Krystal Urban 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, 2017 and 2016, amortization was $600 and $300, respectively.

(3) On December 22, 2015, Hotelera SF, entered into a management and hotel operation agreement with Servicios Hoteleros Metropolitanos S. A. de C. V. (owner of the hotel "Krystal Urban Aeropuerto Ciudad de México"), which stipulated the payment of an extraordinary fee amounting to $3,600 in consideration for being chosen by the owner of the hotel to operate it for a term of 10 years which will be the amortization period. At December 31, 2017 and 2016, amortization was $360 and $270, respectively.

16. Short and long-term debt

The Group's debt is summarized as follows:

	2017	2016
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.	$ 331,006	395,825

	2017	2016
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.	346,554	394,166
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 rom 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.	102,769	111,385
Unsecured loan originated by BBVA Bancomer, S. A. to Inmobiliaria in Hotelería Cancún, S. de R. L. de C. V. for Inmobiliaria in Hotelería Cancún, S. de R. L. de C. V. for USD 18,300,000, which bear interest at the 90-day LIBOR rate, plus 3.10 percentage points, payable in 39 quarterly installments, beginning June 28, 2014, maturing in 10 years. The last payment of USD 5,490,000 corresponds to 30% of the total debt.	270,405	310,278
Unsecured loan originated by Banco Ve por Más, S. A. to Inmobiliaria Hotelera Cancún Urban, S. de R. L. de C. V. for $100,000 which bear interest at the ordinary rate that results from adding 3.2 percentage points to the TIIE, paying in 25 quarterly installments beginning on May 19, 2017 maturing in 6 years.	91,250	100,000
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.	75,083	84,237
	$ 1,217,067	1,395,891

	2017	2016
Credit granted by the Electric Energy Savings Trust to Grupo Hotelero SF de México S. de RL for the purchase of CHILLER for $5,356 which bear interest at a fixed rate of 8.06% payable to 36 monthly installments beginning on September 18, 2016.	2,694	4,672
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.	110,000	-
Loan with pledge and mortgage guarantee granted by SABCAPITAL, S. A. of C. V., SOFOM, E. R. for $ 31,500,000 USD. To ICD Sitra, S. A. de C. V., with a grace period for the payment of the principal of 12 months. Which bear interest at the 90 day LIBOR rate plus 2.95 percentage points payable on 45 quarterly exhibits due November 14, 2029.	621,665	-
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.	568,380	-
Accrued interest payable	13,745	11,091
Less issuance costs	(22,911)	(9,031)
Total debt	**2,510,640**	**1,402,623**
Less current installments	168,361	138,031
Long-term debt, excluding current maturities	**$ 2,342,279**	**1,264,592**

	Beginning Balance	Loans received during 2017	Payments of principal	Interest paid	Total cash transactions	Other financial cost	Unrealized foreign exchange	Accrued interest	Business acquisition	Final balance
Long term debt	$ 1,402,623	1,266,557	(415,443)	(91,561)	2,162,176	3,376	(47,655)	94,214	298,529	2,510,640

Interest expense on loans for the years ended December 31, 2017 and 2016 was $94,214 and $54,036, respectively.

At December 31, 2017 and 2016, the distribution among the entities in relation with the unsecured loan granted by BBVA Bancomer, S. A. up to USD 29,000,000 (which are guaranteed by Servicios e Inmuebles Turísticos, S. de R. L. de C. V. and Chartwell Inmobiliaria de Monterrey, S. de R. L. de C. V.), is shown below:

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

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

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

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

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

At December 31, 2017, the Company complied with the restrictive covenants.

Note 21 discloses the Group's exposure to liquidity and currency risks related to short and long-term debt.

17. Trade accounts payables, other liabilities and accrued liabilities

Accumulated suppliers and liabilities are integrated as shown below:

	2017	2016
Suppliers	$ 109,544	71,765
Other liabilities	145,610	53,663
Accruals	46,935	61,652
	$ 302,089	187,080

Note 21 discloses the Group's exposure to liquidity risk related to suppliers and accumulated liabilities.

18. 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, 2017 and 2016.

Below is the amount of the benefit obligation of the plans at December 31, 2017 and 2016, and the present value of benefits obligations of the plans at those dates.

	2017	2016
Seniority premium	$ 4,179	3,867

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

	SENIORITY PREMIUM	
	2017	2016
DBO at January 1,	$ 3,867	3,306
Benefits paid by the plan	(162)	(185)
Current service cost	512	350
Finance cost	223	202
Actuarial gains	(261)	194
DBO at December 31	$ 4,179	3,867

(b) Recognized expense in profit or loss

	SENIORITY PREMIUM	
	2017	2016
Current service cost	$ 512	350
Finance cost	223	202
Actuarial gains	(261)	194
	$ 474	746

The net cost of the period was recognized in 2017 and 2016 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:

	2017	2016
Discount rate	7.75%	6.75%
Future salary increases	4.64%	4.64%

19. Income taxes (IT)

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

(a) Reconciliation of effective tax rate

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

	IT	
	2017	2016
Computed "expected" tax expense	$ 83,309	59,244
Increase (reduction) resulting from:		
Fiscal effects of inflation, net	(20,360)	(27,899)
Non-deductible expenses	7,014	3,751
Recognition of previously unrecognized deferred assets	20,125	2,166
Others, net	227	-
Income tax expense	$ 90,315	37,262

(b) Deferred income tax assets and liabilities recognized

Deferred income tax assets and liabilities are presented below:

	IT	
	2017	2016
Deferred tax assets:		
Tax loss carryforwards	$ 158,552	117,750
Accruals	34,385	18,495
Advances from customers	8,822	6,562
Allowance for doubtful accounts	108	378
Deductible employee statutory profit sharing (ESPS)	213	220
Employee benefits	1,221	1,160
Total deferred tax assets	203,301	144,565
Deferred tax liabilities:		
Property, furniture and equipment	815,387	86,228
Prepaid expenses	9,694	7,313
Other assets	89,328	13,003
Total deferred tax liabilities	914,409	106,544
Deferred tax asset, net	$ (711,108)	38,021
Deferred tax assets in the consolidated statements of financial position	$ 101,982	112,438

	2017	2016
Deferred tax liabilities in the consolidated statements of financial position	813,090	74,417
Deferred tax asset, net	$ (711,108)	38,021

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

	JANUARY 1, DE 2016	RECOGNIZED IN RESULTS	ACQUISITION OF BUSINESS	DECEMBER 31, 2016
Property, furniture and equipment	$ (104,331)	18,103	-	(86,228)
Tax loss carryforwards	114,163	3,587	-	117,750
Accruals	8,465	10,030	-	18,495
Advances from costumers	6,026	536	-	6,562
Allowance for doubtful accounts	1,905	(1,527)	-	378
Employee benefits	992	168	-	1,160
Deductible ESPS	285	(65)	-	220
Prepaid expenses	(2,206)	(5,107)	-	(7,313)
Other assets	(16,347)	3,344	-	(13,003)
	$ 8,952	29,069	-	38,021

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

	2017	2016
Tax loss carryforwards	$ 148,015	227,283

At December 31, 2017, tax loss carryforwards expire as follows:

YEAR	TAX LOSS CARRYFORWARDS
2020	$ 59
2021	6,309
2022	7,129
2023	17,897
2024	120,867
2025	157,520
2026	123,624
2027	59,980
	$ 493,385

20. Stockholders' equity and reserves

The main features of the accounts included the Company's 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.

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.

(b) 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, 2017, is 3,014,892 shares, equivalent to 0.61% of the total shares of the Company's capital stock.

Of the repurchased shares, 2,441,809 are related to the fund for the share-based payment plan of the Company's executives, which was implemented in 2016 and $573,083 corresponding to the repurchase fund. The market value of the shares at December 31, 2017 is $10.28 and at December 31, 2016 is $9.30 per share. The repurchased shares available for sale have been recorded as a decrease of the capital stock.

(c) 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, 2017 is 2,441,809 shares whose market value at December 31, 2017 was $10.28 pesos per share. According to the plan, an expense amounting to $13,403 was recognized and net effect of taxes of $8,521 was credited to the stock repurchase reserve.

(d) 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.

(e) Restrictions on stockholders' equity

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

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

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

(f) Legal reserve

At December 31, 2017 and 2016, the legal reserve amounts to $190,493, such amount has not reached the required amount by amount Mexican Corporation Law.

(g) 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, 2017 and 2016, is as shown below:

	NUMBER OF SHARES	
	2017	2016
January 1,	487,277,367	273,135,134
Shares repurchase	792,271	(1,442,297)
Shares sold	-	215,584,530
Final balance number of shares	488,069,638	487,277,367
Weighted average number of shares	487,935,188	388,441,557
Earnings per share	0.38	0.41

21. 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	
	2017	2016
Accounts receivable	$ 135,187	84,788
Due from related parties	9,467	13,790
Other accounts receivable	353,136	158,775
	$ 497,790	257,353

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

	CARRYING AMOUNT	
	2017	2016
Domestic	$ 96,057	59,713
Foreign	39,130	25,075
	$ 135,187	84,788

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

	CARRYING AMOUNT	
	2017	2016
Business groups	$ 64,868	35,212
Wholesale	61,851	48,122
Retail	8,468	1,454
	$ 135,187	84,78

Derivative financial instruments

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

	FAIR VALUE 2017	FAIR VALUE 2016
Effect in thousands of Mexican pesos		
Interest rate options (TIIE 91)		
BBVA Bancomer	$ 1,543	1,602
Interest rate options (LIBOR 3M)		
BBVA Bancomer	192	625
	$ 1,735	2,227

Impairment loss

The following is the classification of accounts receivable based on their age at December 31, 2017 and 2016:

	GROSS 2017	IMPAIRMENT 2017	GROSS 2016	IMPAIRMENT 2016
Current	$ 108,707	-	64,263	-
Past due from 0 to 30 days	16,242	-	10,919	-
Past due from 31 to 120 days	8,160	-	7,709	-
Past due over 120 days	5,850	(3,773)	3,155	(1,258)
	$ 138,959	(3,773)	86,046	(1,258)

The movement in the provision for impairment of accounts receivable from customers during the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Balance at the beginning of the year	$ 1,258	6,350
Decrease and write-offs	2,515	(5,092)
Balance at end of year	$ 3,773	1,258

(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.

2017	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	1 YEAR	2 YEARS	3 YEARS	MORE THAN 3 YEARS
Non-derivative financial liabilities						
Short and long-term debt	$ 2,510,640	3,090,338	252,780	326,125	317,695	2,193,737
Trade accounts payable	109,544	109,544	109,544	-	-	-
Accrued liabilities	145,610	145,610	145,610	-	-	-
	$ 2,765,794	3,345,492	507,934	326,125	317,695	2,193,737

2016	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	1 YEAR	2 YEARS	3 YEARS	MORE THAN 3 YEARS
Non-derivative financial liabilities						
Short and long-term debt	$ 1,402,623	1,736,485	203,518	226,199	202,952	1,103,816
Trade accounts payable	71,765	71,765	71,765	-	-	-
Accrued liabilities	53,663	53,663	53,663	-	-	-
	$ 1,528,051	1,861,913	328,946	226,199	202,952	1,103,816

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	
	2017	2016
Accounts receivable	$ 2,314	1,206
Guaranteed bank loans	(108,334)	(53,245)
Trade accounts payable	(527)	(382)
Net exposure	$ (106,547)	(52,421)

The peso exchange rate in relation to the dollar at December 31, 2017 and 2016 was $19.7354 and $20.664, respectively. At February 20, 2018, the exchange rate was $18.5360.

Exposure to currency risk from derivative financial instruments

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

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

Exposure to currency risk

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

	EFFECT IN THOUSANDS USD	
	2017	2016
Interest rate option (LIBOR 3M)		
BBVA Bancomer	9	30

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

	2017	2016
Mexican peso	$ 19.7354	20.664

Sensitivity analysis

A strengthening of the Mexican peso, as indicated below, against the US dollar as of December 31, 2017 and 2016 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.

2017	GAIN
USD (1.7% of strengthening)	$ 771

2016	GAIN
USD (2.2% of strengthening)	$ 838

A weakening of the Mexican peso against the US dollar as of December 31, 2017 and 2016 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, 2017, 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, 2017						
Sensitivity to foreign exchange rate on options (LIBOR 3M)	$ 30	20	10	(10)	(20)	(30)

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ$1.5	Δ$1.0	Δ$0.5	∇$0.5	∇$1.0	∇$1.5
December 31, 2016						
Sensitivity to foreign exchange rate on options (LIBOR 3M)	$ 45	30	15	(15)	(30)	(45)

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, 2017						
Sensitivity to foreign exchange on financial liabilities in USD	$ (168,064)	(112,042)	(56,021)	56,021	112,042	168,064

Interest rate risk

Fluctuations in interest rates impact primarily loans changing either their fair value or future cash flows. The administration does not have a formal policy to determine how much of the Group's exposure should be to fixed or variable rate. However, when borrowing new loans, management uses its judgment to decide whether to consider that a fixed or variable rate would be more favorable to the Gro, 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	
	2017	2016
Variable rate instruments		
Financial liabilities in USD	$ (2,138,009)	(1,096,245)
Financial liabilities in Mexican pesos	(372,630)	(295,224)
	$ (2,510,640)	(1,391,469)

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

The following is a summary of the exposure to interest rate risk on derivative financial instruments:

	FAIR VALUE	
EFFECT IN THOUSANDS OF MEXICAN PESOS	2017	2016
Interest rate options (TIIE 91) BBVA Bancomer	$ 1,543	1,602
Interest rate options (LIBOR 3M) BBVA Bancomer	192	625
	$ 1,735	2,227

Sensitivity analysis of fair value for variable rate instruments

A fluctuation of 100 basis points (bp) in interest rates at December 31 2016 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

	IINCREASE OF 100 BASIS POINTS	DECREASE OF 100 BASIS POINTS
2017		
Variable rate debt	$ 16,512	16,512
2016		
Variable rate debt	$ 23,077	(23,007)

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	Δ150 pb	Δ100 pb	Δ50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2017						
Interest rate options						
(TIIE 91)	-	-	-	-	-	-

Interest rate sensitivity

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ150 pb	Δ100 pb	Δ50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2016						
Interest rate options						
(TIIE 91)	4,162	3,409	2,727	1,593	1,145	797

Interest rate sensitivity

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ150 pb	Δ100 pb	Δ50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2017						
Interest rate options (LIBOR)	$ 332	200	90	(73)	(132)	(179)

Interest rate sensitivity

		INCREASE			DECREASE	
Effect in thousands of MXP	Δ150 pb	Δ100 pb	Δ50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2016						
Interest rate options (LIBOR)	$ 450	311	184	(36)	(130)	(214)

Interest rate sensitivity

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	Δ150 pb	Δ100 pb	Δ50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2017						
Interest rate sensitivity financial liabilities MXN	$ (1,883)	(1,284)	(656)	688	1,410	2,168

	INCREASE			DECREASE		
Effect in thousands of MXP	Δ150 pb	Δ100 pb	Δ50 pb	∇50 pb	∇100pb	∇150 pb
December 31, 2017						
Interest rate sensitivity financial liabilities USD	$ (1,875)	(1,256)	(631)	636	1,278	1,926

Accounting classification and fair value of derivative financial instruments

Fair value and amortized cost

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

	CARRYING AMOUNT	FAIR VALUE
Balance at December 31, 2017		
Interest rate options (TIIE 91)		
BBVA Bancomer	$ 1,543	1,543
Interest rate options (LIBOR 3M)		
BBVA Bancomer	192	192
Total derivative financial instruments	**$ 1,735**	**1,735**

	CARRYING AMOUNT	FAIR VALUE
Balance at December 31, 2016		
Interest rate options (TIIE 91) BBVA Bancomer	$ 1,602	1,602
Interest rate options (LIBOR 3M) BBVA Bancomer	625	625
Total derivative financial instruments	$ 2,227	2,227

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:

	2017	2016
Derivatives – LIBOR rate	1.69%-2.01%	0.71%-1.57%
Derivatives - TIIE rate	7.51%-7.81%	6.09%-7.16%

The above rates take into consideration discounts until maturity, being the maturity higher on May 31, 2019 (term 518 days as of December 31, 2017).

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in active markets for an identical instrument.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for similar instruments in markets that are considered less active, or other valuation techniques where all significant input are directly or indirectly observable from the market data.

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes factors that are not based on observable data and unobservable factors can have a significant effect on the valuation of the instrument. This category incudes instruments that are valued based on quoted prices for similar instruments that require adjustments or significant unobservable assumptions to reflect differences between the instruments.

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

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

	LEVEL 1		LEVEL 2	LEVEL 3
December 31, 2016				
Interest rate options (TIIE 91)	$	-	1,602	-
Interest rate options (LIBOR 3M)		-	625	-
Total derivative financial instruments	**$**	**-**	**2,227**	**-**
Bank loans in USD	$	-	1,147,889	-
Bank loans in Mexican pesos		-	311,529	-
Total bank loans	**$**	**-**	**1,459,418**	**-**

22. Personnel costs

The main items comprising the personnel costs are as follows:

		2017	2016
Salaries and other related costs	$	288,018	226,036
Christmas bonus		13,619	10,670
Annual bonus		12,026	13,602
Compensations		10,885	5,153
	$	324,548	255,461

23. Operating leases

(a) Leases as lessee

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

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

	2017	2016
Less than one year	$ 7,692	8,115
Between one and five years	9,639	7,993
	$ 17,331	16,108

During the years ended December 31, 2017 and 2016, the amount of $7,123 and $6,762 was recognized, respectively, as an expense in results with respect to operating leases.

(b) Leases as lessor

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

	2017	2016
Less than one year	$ 2,440	4,036
Between one and five years	13,172	8,917
More than 5 years	-	2,679
	$ 15,612	15,632

During the years ended December 31, 2017 and 2016, $8,260 and $7,757, respectively, were recognized as rental revenue in the consolidated statement of income.

24. 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.

25. 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, SA de CV, 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 as of this 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 as of this date.

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

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

(g) As indicated in note 14 to December 31, 2016, the Group has certain commitments related to the construction and improvements in certain of its hotels.

26. Subsequent events

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

27. 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.

	2017	2016
Operating income	$ 335,065	289,913
Depreciation and amortization	144,173	112,058
Hotel acquisition and opening expenses	42,321	18,536
Other non-recurring indirect expenses	6,641	5,613
Adjusted EBITDA	$ 528,200	426,120

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 our Investors

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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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