Santa Fe
grupo | hotelero

HOTEL reports 24% and 19% growth in Total Revenues and EBITDA respectively for 3Q18

Mexico City, October 25th, 2018 – Grupo Hotelero Santa Fe S.A.B. de C.V. (BMV: HOTEL) ("HOTEL" or "the Company"), announced its consolidated results for the third quarter ("3Q18") ended September 30th, 2018. Figures are expressed in Mexican Pesos, are unaudited and are in accordance with International Financial Reporting Standards ("IFRS") and may vary due to rounding.

Highlights

- 3Q18 EBITDA[1] reached Ps. 143.7 million, an 18.7% increase compared to 3Q17 driven by revenue growth. 3Q18 EBITDA margin reached 30.3% compared to 31.5% in 3Q17.
- 3Q18 Total Revenue reached Ps. 475.1 million, a 23.5% increase compared to 3Q17, driven by the following increases: i) 17.0% in Room Revenue, ii) 38.0% in Food and Beverages Revenue, and iii) 59.8% in Other Hotel Revenue, which more than offset a 26.0% decline in Third-party Hotels' Management Fees.
- 3Q18 Net Income posted a gain of Ps. 123.1 million, compared to a gain of Ps. 45.1 million to 3Q17. The increase was driven by a FX gain combined with a higher operating income which more than compensated higher financing costs.
- 3Q18 Net operating cash flow was Ps. 160.9 million, an increase of 57.0% compared to the Ps. 102.5 million reported in 3Q17. This increase was driven by an improvement in working capital combined with higher EBITDA.
- Net Debt/EBITDA (LTM) ratio was 3.5x at the end of 3Q18. Operating cash flow in U.S dollars represented 89.1% of total operating cash flow, thereby providing a natural hedge of the dollarized financial debt.
- HOTEL's total portfolio at the end of 3Q18 reached 5,896 rooms in operation, a 17.6% increase compared to the 5,014 rooms at end of 3Q17.
- RevPAR[2] for the Company-owned hotels decreased by 6.0% in 3Q18 compared to 3Q17, driven by a 5.9 percentage point decrease in Occupancy.
- This quarter we began the co-branding with AMResorts in three of our main hotels. We had an impact in the quarter due to the integration curve, however the fundamentals behind our decision to sign a strategic alliance with AMResorts remain untouched. We took the decision to benefit from higher dollar-denominated sales percentage, and access to more direct, diversified and profitable distribution channels. We made the change in the season where less international travelers visit the country to integrate the new model and systems to limit the impact.
- The Company announces its updated 2018 guidance. 2018e Total Revenue: Ps. 2,010 million. 2018e EBITDA: Ps. 670 million. This guidance has been prepared using an average exchange rate US Dollar/Mexican Peso of US$: $19.00.

	Third Quarter				9 months ended September 30			
Figures in thousand Mexican Pesos	2018	2017	Var.	% Var.	2018	2017	Var.	% Var.
Total Revenue	475,055	384,812	90,243	*23.5*	1,522,200	1,140,188	382,011	*33.5*
EBITDA	143,726	121,126	22,600	*18.7*	502,456	381,517	120,939	*31.7*
EBITDA Margin	*30.3%*	*31.5%*	*(1.2 pt)*	*(1.2 pt)*	*33.0%*	*33.5%*	*(0.5 pt)*	*(0.5 pt)*
Operating Income	90,278	81,089	9,189	*11.3*	339,070	256,564	82,507	*32.2*
Net Income	123,130	45,146	77,984	*NA*	250,261	304,220	-53,958	*(17.7)*
Net Income Margin	*25.9%*	*11.7%*	*14.2 pt*	*14.2 pt*	*16.4%*	*26.7%*	*(10.2 pt)*	*(10.2 pt)*
Operating Cashflow	160,945	102,528	58,417	*57.0*	501,036	389,039	111,997	*28.8*
Occupancy	56.0%	61.9%	*(5.9 pt)*	*(5.9 pt)*	63.1%	64.7%	*(1.7 pt)*	*(1.7 pt)*
ADR	1,391	1,339	52	*3.9*	1,429	1,389	40	*2.9*
RevPAR	779	829	(50)	*(6.0)*	901	898	3	*0.3*

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

[1]EBITDA is calculated by adding Operating Income, Depreciation and Total Non-recurring Expenses.
[2]Revenue per Available Room ("RevPAR") and Average Daily Rate ("ADR").

Comments from the Executive Vice President

Mr. Francisco Zinser, stated:

HOTEL posted solid results in the nine months of the year, although Revenue and EBITDA growth rates ended below expectations. Top line for the third quarter came in lower than expected, mainly due to internal and circumstantial external factors. The most important effect came from the change of model and connectivity with AMResorts, which had a larger effect than we originally expected with our domestic market. When we say, "change of model", we mean that since July, AMresorts is responsible for the top line (commercialization, sales and marketing) of the *Reflect Krystal Grand* properties in Cancun, Los Cabos and Nuevo Vallarta with an exclusively all-inclusive model. Currently, we have are in the integration process with AMResorts and expect to see positive effects of the co-branding in the coming winter season. I would like to highlight that our decision to sign a strategic alliance with AMResorts gives the Company higher growth on international sales, and therefore, a higher dollar-denominated sales percentage, and will also give us access to more direct, diversified and profitable distribution channels. We made the change in the season where less international travelers visit the country to integrate the new model and systems to limit the impact. We underestimated the short-term effect but are convinced it was the right decision for the medium and long-term.

In terms of the circumstantial external factors, we would like to highlight, groups & conventions, sargassum and security issues in some destinations. The first one is related to the economic slowdown attributed to the election year in Mexico where most companies are under a tight budget and have not invested in group & convention business trips, which is a relevant segment in our business. On the other hand, the abnormal amount and duration of sargassum (brown algae) has affected us more than we anticipated in Cancun. We foresee that these circumstantial external factors should be mostly temporary in nature. In terms of our margins, we were affected negatively by important incremental costs in electricity which were partially compensated by our cost containment efforts.

Due to the previously mentioned internal and external factors which were mostly unpredictable, we are adjusting our guidance in revenues and EBITDA to Ps. 2,010 million and Ps. 670 million respectively, which implies a 27% growth rate in both lines for 2018 compared to 2017.

In relation to the Tourism sector in Mexico, according to figures from the Mexican Institute of Statistics, Geography and IT (INEGI), Mexico's international visitors increased 7% and their spending increased 4% in the first eight months of the year compared to the same period of 2017. This marks a healthy growth rate, but below what we saw in the last 5 years which is a natural consequence of the accelerated historical growth. On the other hand, this quarter Mexico gained two positions reaching the 6th most visited country in the world according to the World Tourism Organization.

Moving on to our quarterly results, Total Revenue was Ps. 475.1 million and EBITDA was Ps. 143.7 million, up 24% and 19%, respectively, compared to the figures recorded in 3Q17. Regarding company-owned hotels, RevPAR decreased by 6.0%, driven by a 5.9 p.p. decrease in Occupancy which was which was partially offset by a 3.9% increase in ADR.

This quarter we also were proud to announce one acquisition and one operating contract. First, we announced the signing of a contract to acquire 50% of the Cleviá Grand Leon hotel for Ps.128 million. The property is a 5-star hotel located in Leon, Guanajuato with 140 rooms. Second, we announced the signing of a Management Contract for a 4-star hotel, the DoubleTree by Hilton Toluca with 142 rooms located in the industrial part of Toluca, Estado de Mexico.

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

Portfolio of Properties

No.	Property	Total Rooms	Ownership	Type	Category	Months in Operation	Stabilized	City	State
1	Hilton Guadalajara	450	100%	Urban	Grand Tourism	>36	Yes	Guadalajara	Jalisco
2	Krystal Urban Monterrey	150	100%	Urban	4 stars	>36	Yes	Monterrey	Nuevo Leon
3	Krystal Urban Cd. Juarez	120	100%	Urban	4 stars	>36	Yes	Ciudad Juarez	Chihuahua
4	Krystal Urban Cancun	246	100%	Urban	4 stars	>36	Yes	Cancun	Quintana Roo
5	Krystal Satelite Maria Barbara	215	100%	Urban	5 stars	>36	Yes	Estado de Mexico	Estado de Mexico
6	Hilton Garden Inn Monterrey Aeropuerto	134	15%	Urban	4 stars	>36	Yes	Monterrey	Nuevo Leon
7	Hampton Inn & Suites Paraíso Tabasco	117	-	Urban	4 stars	36	In Process	Paraiso	Tabasco
8	Krystal Urban Aeropuerto Ciudad de Mexico	96	-	Urban	4 stars	33	In Process	Mexico City	Mexico City
9	Krystal Urban Guadalajara	140	100%	Urban	4 stars	31	In Process	Guadalajara	Jalisco
10	Krystal Monterrey	207	-	Urban	5 stars	27	In Process	Monterrey	Nuevo Leon
11	Krystal Pachuca	124	-	Urban	4 stars	20	In Process	Pachuca	Hi
12	Ibis Irapuato	140	-	Urban	3 stars	16	In Process	Irapuato	Guanajuato
13	Krystal Grand Suites Insurgentes	150	50%	Urban	Grand Tourism	11	In Process	Mexico City	Mexico City
14	Cleviá Grand León	140	50%	Urban	Grand Tourism	1	In Process	Leon	Guanajuato
Subtotal Urban		**2,429**							
15	Krystal Resort Cancun	502	-	Resort	5 stars	>36	Yes	Cancun	Quintana Roo
16	Krystal Resort Ixtapa	255	-	Resort	5 stars	>36	Yes	Ixtapa	Guerrero
17	Krystal Resort Puerto Vallarta	530	-	Resort	5 stars	>36	Yes	Puerto Vallarta	Jalisco
18	Hilton Puerto Vallarta Resort	451	100%	Resort	Grand Tourism	>36	Yes	Puerto Vallarta	Jalisco
19	Krystal Beach Acapulco	400	100%	Resort	4 stars	>36	Yes	Acapulco	Guerrero
20	Reflect Krystal Grand Punta Cancun	395	100%	Resort	Grand Tourism	>36	Yes	Cancun	Quintana Roo
21	Reflect Krystal Grand Los Cabos	454	50%	Resort	Grand Tourism	16	In Process	Los Cabos	Baja California Sur
22	Reflect Krystal Grand Nuevo Vallarta	480	50%	Resort	Grand Tourism	11	In Process	Nuevo Vallarta	Nayarit
Subtotal Resort		**3,467**							
Total in Operation		**5,896**							
23	Krystal Grand Insurgentes	250	50%	Urban	Grand Tourism	Expected opening 2H-19		Mexico City	Mexico City
24	AC by Marriott Distrito Armida	168	-	Urban	4 stars	Expected opening 2Q-19		Monterrey	Nuevo Leon
25	Curio Collection Zacatecas	32	-	Urban	Boutique	Expected opening 2H-18		Zacatecas	Zacatecas
26	Hyatt Place Aguascalientes	144	-	Urban	4 stars	Expected opening 1Q-19		Aguascalientes	Aguascalientes
27	DoubleTree by Hilton Toluca	142	-	Urban	4 stars	Expected opening 4Q-18		Toluca	Estado de Mexico
Total in Construction		**736**							
Total		**6,632**							

At the end of 3Q18, HOTEL recorded a total of 22 properties in operation of which 13 are Company-owned[3], and the remaining 9 are third-party owned[4].

The total number of rooms in operation at the end of 3Q18 was 5,896, a 17.6% increase compared to the 5,014 under operation for the same period last year. Out of the 882 rooms we added, 140 rooms are from the incorporation of the *Clevia Grand Leon*, 192 rooms from the expansion of *The Hacienda* of *Hilton Puerto Vallarta*, 270 rooms from the expansion of *Krystal Puerto Vallarta*, 265 rooms from the expansion of *Reflect Krystal Grand Nuevo Vallarta*, and 15 rooms from the expansion of *Krystal Urban Cancun*.

Additionally, HOTEL has 736 rooms under construction (owned and third-party) including 250 from *Krystal Grand Insurgentes*, 168 rooms from the *AC by Marriott Distrito Armida*, 32 rooms from the *Curio Collection Zacatecas*, 144 rooms from the *Hyatt Place Aguascalientes* and 142 rooms from the *DoubleTree by Hilton Toluca* for a total portfolio of 27 hotels and 6,632 rooms.

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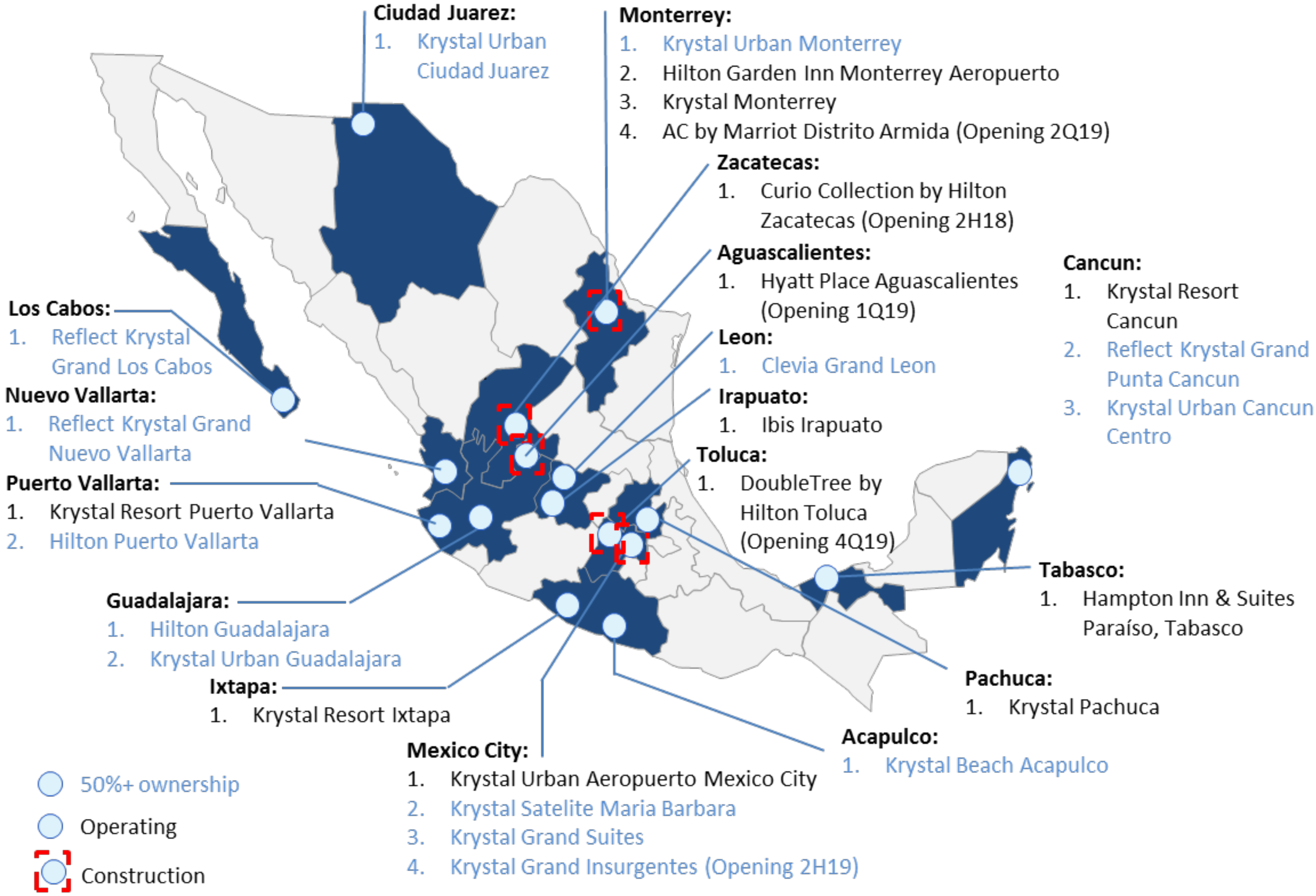
[3] The Company operates Reflect Krystal Grand Los Cabos, Reflect Krystal Grand Nuevo Vallarta, Krystal Grand Suites Insurgentes and Clevia Grand Leon in which it also has a 50% ownership position. According to IFRS, the results of these properties are consolidated in the Company's financial statements.

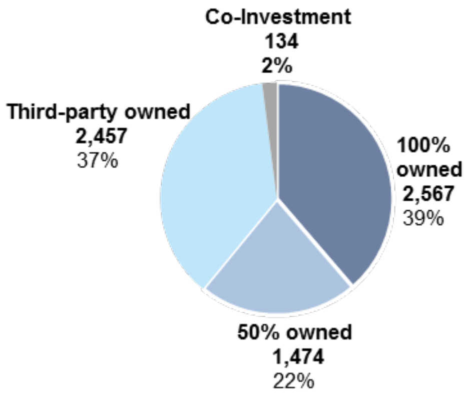
[4] The Company operates Hilton Garden Inn Monterrey Aeropuerto hotel, in which it also has a 15% ownership position. According to IFRS, although the results of this property are not consolidated in the Company's financial statements, third-party hotel's management fees are included as "Other Revenues",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

The hotel portfolio is geographically distributed as follows:

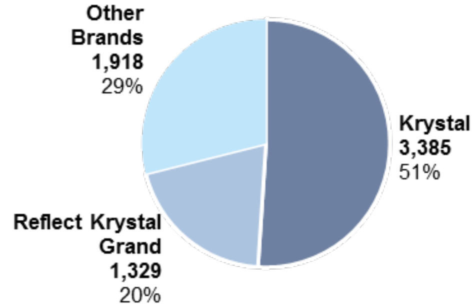


In terms of rooms under operation and rooms under development (including rooms under construction and conversion), at 3Q18 the hotel portfolio was as follows:

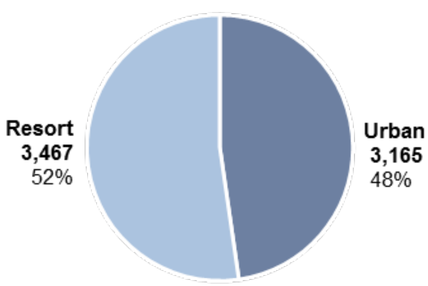
Ownership (number of rooms)



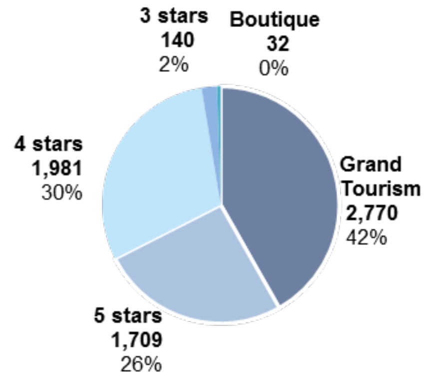
Brand (number of rooms)



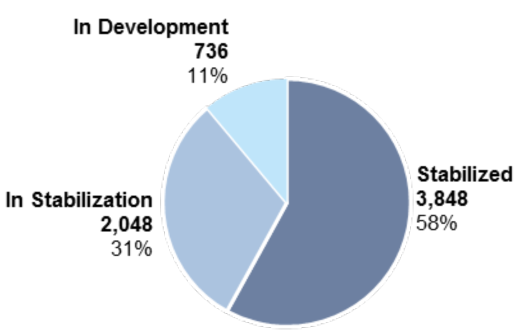
Segment (number of rooms)



Category (number of rooms)



Stabilization Stage (number of rooms)



Hotel Classification

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

Company-owned hotels are classified according to the stage in the stabilization cycle for each hotel. As a result of this classification, hotels that have been in operation for at least 36 months are considered mature or stabilized, while hotels that have been in operation for less than 36 months are considered in their stabilization stage or in their maturing period. At the end of 3Q18, HOTEL had 13 company-owned hotels and 9 third-party owned hotels under management (3).

Of a total 5,896 hotel rooms under operation, the operating indicators for 3Q18 include 5,485 rooms. 411 rooms (263 corresponding to Vacation Club and 148 unavailable rooms) are excluded from the present analysis and are detailed at the end of this report in Appendix 1. The following table is a summary of the main 3Q18 operating indicators compared to the same period of last year, based on the classification. The methodology used to determine the number of rooms considers the total number of available rooms divided by the corresponding number of days in each period.

Figures in Pesos	3 months ended September 30				9 months ended September 30			
Hotel Classification	**2018**	**2017**	**Var.**	**% Var.**	**2018**	**2017**	**Var.**	**% Var.**
Total Hotels in Operation	**21**	**22**	**(1)**	***(4.5)***	**21**	**22**	**(1)**	***(4.5)***
Number of rooms	5,485	4,714	771	*16.4*	5,217	4,652	565	*12.1*
Occupancy	59.7%	63.8%	*(4.1 pt)*	*(4.1 pt)*	64.6%	67.3%	*(2.6 pt)*	*(2.6 pt)*
ADR	1,414	1,362	53	*3.9*	1,451	1,448	3	*0.2*
RevPAR	844	869	(25)	*(2.8)*	938	974	(36)	*(3.7)*
1 Total Owned Hotels (50%+ ownership)	**12**	**12**	**-**	***0.0***	**12**	**12**	**-**	***0.0***
Number of rooms	3,590	2,885	705	*24.4*	3,369	2,696	673	*25.0*
Occupancy	56.0%	61.9%	*(5.9 pt)*	*(5.9 pt)*	63.1%	64.7%	*(1.6 pt)*	*(1.6 pt)*
ADR	1,391	1,339	52	*3.9*	1,429	1,389	40	*2.9*
RevPAR	779	829	(50)	*(6.0)*	901	898	3	*0.3*
1.1 Stabilized Owned Hotels(1)	**8**	**6**	**2**	***33.3***	**8**	**6**	**2**	***33.3***
Number of rooms	2,366	1,662	704	*42.4*	2,288	1,635	653	*39.9*
Occupancy	57.9%	65.9%	*(8.0 pt)*	*(8.0 pt)*	63.2%	67.8%	*(4.7 pt)*	*(4.7 pt)*
ADR	1,460	1,458	2	*0.2*	1,502	1,505	(3)	*(0.2)*
RevPAR	845	960	(115)	*(12.0)*	949	1,021	(72)	*(7.1)*
1.2 Owned Hotels in Stabilization Stage(2)	**4**	**6**	**(2)**	***(33.3)***	**4**	**6**	**(2)**	***(33.3)***
Number of rooms	1,224	1,223	1	*0.1*	1,081	1,061	20	*1.9*
Occupancy	52.4%	56.5%	*(4.1 pt)*	*(4.1 pt)*	62.8%	59.8%	*3.0 pt*	*3.0 pt*
ADR	1,245	1,151	94	*8.2*	1,273	1,185	88	*7.4*
RevPAR	652	650	2	*0.2*	799	709	91	*12.8*
2 Third-party Hotels Under Management(3)	**9**	**10**	**(1)**	***(10.0)***	**9**	**10**	**(1)**	***(10.0)***
Number of rooms	1,895	1,829	66	*3.6*	1,848	1,956	(108)	*(5.5)*
Occupancy	66.7%	66.8%	*(0.1 pt)*	*(0.1 pt)*	67.5%	70.8%	*(3.3 pt)*	*(3.3 pt)*
ADR	1,451	1,395	56	*4.0*	1,489	1,523	(34)	*(2.2)*
RevPAR	967	931	36	*3.8*	1,005	1,079	(74)	*(6.9)*

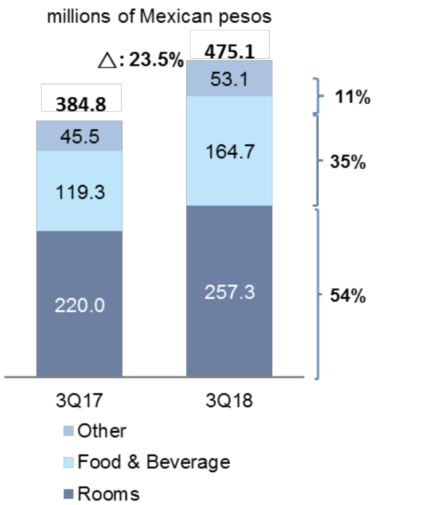
Note: The number of rooms varies in respect to the number of rooms in the portfolio due to renovations, acquisitions or recent openings in each period.
(1) Variation in hotels and room number is due to the evolution of Krystal Urban Cancun and Krystal Satelite Maria Barbara that were reclassified from hotels in stabiliza to stabilized properties combined with the new rooms added from the expansions at the Krystal Grand Punta Cancun and the Hilton Puerto Vallarta
(2) Variation in hotel and room number is due to the reclassification from note (1) above and the incorporation of rooms from the Krystal Grand Nuevo Vallarta and Krystal Grand Suites which were not available in 3Q17
(3) The decrease in number of hotels is due to the sale of the Krystal Grand Reforma Uno and the increase in number of rooms is due to the expansion of the Krystal Vallarta

Consolidated Financial Results

Figures in thousand Mexican Pesos	Third Quarter				9 months ended September 30			
Income Statement	**2018**	**2017**	**Var.**	**%Var.**	**2018**	**2017**	**Var.**	**%Var.**
Room Revenue	257,298	219,971	37,326	*17.0*	828,549	647,875	180,674	*27.9*
Food and Beverage Revenue	164,694	119,321	45,372	*38.0*	532,472	331,746	200,726	*60.5*
Other Revenue from Hotels	35,695	29,208	6,487	*22.2*	108,287	95,664	12,623	*13.2*
Third-party Hotels' Management Fees	17,369	16,311	1,058	*6.5*	52,892	64,903	(12,011)	*(18.5)*
Total Revenue	**475,055**	**384,812**	**90,243**	***23.5***	**1,522,200**	**1,140,188**	**382,011**	***33.5***
Cost and Operating Expenses	217,447	165,722	51,725	*31.2*	653,632	457,599	196,033	*42.8*
Sales and Administrative	106,294	91,828	14,466	*15.8*	343,669	284,492	59,177	*20.8*
Other Expenses	7,588	6,137	1,452	*23.7*	22,443	16,581	5,862	*35.4*
Depreciation	46,795	31,885	14,911	*46.8*	141,625	93,284	48,340	*51.8*
Total Costs and Expenses	**378,124**	**295,571**	**82,553**	***27.9***	**1,161,369**	**851,956**	**309,413**	***36.3***
Total Non Recurring Expenses	**6,653**	**8,152**	**(1,499)**	***(18.4)***	**21,761**	**31,669**	**(9,908)**	***(31.3)***
EBITDA	**143,726**	**121,126**	**22,600**	***18.7***	**502,456**	**381,517**	**120,939**	***31.7***
EBITDA Margin(%)	*30.3%*	*31.5%*	*(1.2 pt)*	*(1.2 pt)*	*33.0%*	*33.5%*	*(0.5 pt)*	*(0.5 pt)*
Operating Income	**90,278**	**81,089**	**9,189**	***11.3***	**339,070**	**256,564**	**82,507**	***32.2***
Operating Income Margin (%)	*19.0%*	*21.1%*	*(2.1 pt)*	*(2.1 pt)*	*22.3%*	*22.5%*	*(0.2 pt)*	*(0.2 pt)*
Net Financing Result	**69,467**	**(26,525)**	**95,991**	***NA***	**(16,025)**	**110,524**	**(126,549)**	***NA***
Total income taxes	37,578	10,121	27,457	*NA*	75,552	65,005	10,547	*16.2*
Net Income	**123,130**	**45,146**	**77,984**	***NA***	**250,261**	**304,220**	**(53,958)**	***(17.7)***
Net Income Margin (%)	*25.9%*	*11.7%*	*14.2 pt*	*14.2 pt*	*16.4%*	*26.7%*	*(10.2 pt)*	*(10.2 pt)*
Income attributable to:								
Controlling interest	97,492	52,207	45,285	*86.7*	222,231	261,901	(39,670)	*(15.1)*
Non-controlling interest	25,638	(7,061)	32,699	*NA*	28,030	42,319	(14,288)	*(33.8)*

Total Revenue

Total Revenue



During 3Q18, Total Revenue increased 23.5%, from Ps. 384.8 million in 3Q17 to Ps. 475.1 million, driven by a 17.0% growth in Room Revenue, 38.0% in Food and Beverage Revenue, 22.2% growth in Other Revenues and 6.5% growth in third-party Hotels' Management Fees. Top line for the third quarter came in lower than expected, mainly due to mainly to internal and circumstantial external factors. The most important effect came from the change of model and connectivity with AMResorts, which had a larger effect than we originally expected with our domestic market. In terms of the circumstantial external factors, we would like to highlight, groups & conventions, sargassum and security issues in some destinations.

Room revenue growth was driven by the opening of *Krystal Grand Los Cabos*, *Krystal Grand Nuevo Vallarta* and *Krystal Grand Suites Insurgentes*; and the performance of stabilized hotels, including *Krystal Urban Ciudad Juarez.*

During 3Q18, Room Revenue increased 17.0% compared to 3Q17, derived from the 24.4% increase in the number of rooms in operation of Company-owned hotels which more than offset a RevPAR decrease of 6.0%, which was comprised of a 3.9% growth in ADR and a 5.9 percentage point decrease in Occupancy due to the before mentioned factors.

The portfolio of stabilized Company-owned hotels experienced an 42.4% increase in the number of rooms. This portfolio posted a 12.0% reduction in RevPAR driven by an 8.0 percentage point decrease in occupancy which was partially offset by a 0.2% increase in ADR. The increase in the number of stabilized rooms was due to the incorporation of the *Krystal Urban Cancun and* the *Krystal Satelite Maria Barbara* into the portfolio of stabilized Company-owned hotels*,* having completed its 36-month stabilization stage, combined with the expansions at the *Reflect Krystal Grand Punta Cancun* and *Hilton Puerto Vallarta*.

Company-owned hotels in the stabilization stage remained stable in the number of rooms, driven by the evolution of *Krystal Urban Cancun* and the *Krystal Satelite Maria Barbara* from hotels in stabilization to a stabilized property combined with the new rooms added from the *Reflect Krystal Grand Punta Cancun* and the *Hilton Puerto Vallarta*. As a result of the new hotel mix in the portfolio of hotels in the stabilization stage, RevPAR increased 0.2%, due to an 8.2% ADR increase which more than compensated a 4.1 percentage point decrease in occupancy.

Food and Beverage revenue increased 38.0%, from Ps. 119.3 million in 3Q17 to Ps. 164.7 million in 3Q18, driven by the incorporation of *Krystal Grand Suites*, *Krystal Grand Los Cabos* and *Krystal Grand Nuevo Vallarta* which are in the early stages of stabilization.

Other Income, which includes among other items, event room rentals, parking, laundry, telephone, and leasing of commercial spaces, increased 22.2%, from Ps. 22.6 million in 3Q17 to Ps. 35.7 million in 3Q18, driven by increased hotel activity.

Management Fees related to third-party owned hotels increased by 6.5% compared to 3Q17, due to the combined effect of an 3.6% increase in the number of rooms under operation and 3.8% increase in RevPAR during the period. The higher RevPAR was driven by a 4.0% increase in ADR combined with flat occupancy. The Company sees an opportunity to continue its expansion plans by means of third-party operating contracts, mainly with Krystal® brand without significantly impacting the operating structure.

Costs and Expenses

Operating Costs and Operating Expenses increased 31.2%, from Ps. 165.7 million in 3Q17 to Ps. 217.5 million in 3Q18. This increase was mainly in terms of important increases in electrical costs, direct costs, and higher department fees derived from the inclusion of *Krystal Grand Suites*, *Krystal Grand Los Cabos* and *Krystal Grand Nuevo Vallarta* into the portfolio. These hotels have not reached maturity but already have stabilized the largest portion of their operating costs. Incremental electricity costs in the quarter were Ps. $10 million, excluding this increase, Operating Costs and Operating Expenses would have grown in line with total Revenues.

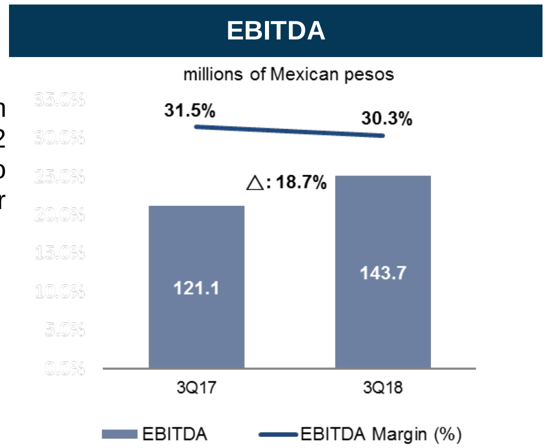
Administration and Sales Expenses rose 15.8%, from Ps. 91.8 million in 3Q17 to Ps. 106.3 million in 3Q18. Administration and sales expenses accounted for 22.4% of total revenue in 3Q18, compared to 23.9% in 3Q17, as a result of the Company's persistent efforts to reduce costs and expenses.

Operating Income

During 3Q18, operating income increased 11.3%, from Ps. 81.1 million in 3Q17 to Ps. 90.3 million. This result was driven by the combined effect of revenue growth and the inclusion of *Krystal Grand Suites* and *Krystal Grand Nuevo Vallarta* as Company-owned hotel and the performance of *Hilton Puerto Vallarta* due to the opening of *The Hacienda*. Operating margin decreased by 2.1 percentage points, from 21.1% in 3Q17 to 19.0% in 3Q18 mainly due to lower occupancy derived from the internal and external factors previously mentioned, combined with higher costs and expenses associated with the growth of the portfolio.

EBITDA

3Q18 EBITDA reached Ps. 143.7 million, compared to Ps. 121.1 million in 3Q17, an increase of 18.7%. 3Q18 EBITDA margin decreased by 1.2 percentage points, from 31.5% in 3Q17 to 30.3% in 3Q18 mainly due to important increases in electric costs which were partially compensated by our cost containment efforts.



(Figures in thousand Mexican pesos)	3Q18	3Q17	% Var.	2018	2017	% Var.
Operating Income	90,278	81,089	*11.3*	339,070	256,564	*32.2*
(+) Depreciation	46,795	31,885	*46.8*	141,625	93,284	*51.8*
(+) Development and hotel opening expenses[5]	6,869	6,440	*6.6*	18,960	26,961	*(29.7)*
(+) Other non-recurring expenses[6]	(215)	1,712	*NA*	2,800	4,708	*(40.5)*
EBITDA	143,726	121,126	*18.7*	502,456	381,517	*31.7*
EBITDA Margin	*30.3%*	*31.5%*	*(1.2 pt)*	*33.0%*	*33.5%*	*(0.5 pt)*

Net Financing Result

For 3Q18, Net Financing Result went from a loss of Ps. 26.5 million in 3Q17 to a gain of Ps. 69.5 million in 3Q18. This result was mainly attributed to the FX gain generated by the effect of the mark-to-market valuation effect of a lower USD/MXN exchange rate applied to our dollar-denominated debt that more than compensated a higher level of indebtedness which increased our net interest expenses.

Net Income

Net Income went from a gain of Ps. 45.1 million in 3Q17 to a gain of Ps. 123.1 million in 3Q18, driven by a higher net financing result combined with operating income growth.

[5] *Expenses incurred in hotel expansions and openings, including new developments, and are related to the acquisition and research of acquisition opportunities.*

[6] *Other non-recurring expenses, including settlement expenses and consulting fees related to the takeover of hotels acquired.*

Cash Flow Summary

Figures in thousand Pesos	Third Quarter				9 months ended September 30			
Cash Flow Statement	**2018**	**2017**	**Var.**	**% Var.**	**2018**	**2017**	**Var.**	**% Var.**
Cashflow from operating activities								
Net income	123,130	45,146	77,984	*NA*	250,261	304,220	(53,959)	*(17.7)*
Depreciation and amortization	46,795	31,885	14,910	*46.8*	141,625	93,284	48,341	*51.8*
Income taxes	37,578	10,121	27,457	*NA*	75,552	65,005	10,547	*16.2*
Unrealized gain (loss) in foreign currency exchange	(110,521)	12,390	(122,911)	*NA*	(103,872)	(156,945)	53,073	*(33.8)*
Net interest expense	33,890	21,499	12,390	*57.6*	91,074	42,392	48,682	*NA*
Other financial costs	4,223	1,036	3,187	*NA*	5,662	4,110	1,552	*37.8*
Minority interest	(963)	(703)	(260)	*37.0*	(2,768)	(2,137)	(631)	*29.5*
Cashflow before working capital variations	**134,132**	**121,375**	**12,757**	***10.5***	**457,534**	**349,929**	**107,605**	***30.8***
Working Capital	26,813	(18,847)	45,660	*NA*	43,502	39,110	4,392	*11.2*
Net operating cashflow	**160,945**	**102,528**	**58,417**	***57.0***	**501,036**	**389,039**	**111,997**	***28.8***
Non-recurring items	49,522	(25,019)	74,541	*NA*	6,401	(131,810)	138,211	*NA*
Cashflow net from non-recurring items	**210,467**	**77,509**	**132,958**	***NA***	**507,437**	**257,229**	**250,208**	***97.3***
Investment activities	(650,580)	(220,584)	(429,996)	*NA*	(867,311)	(1,243,608)	376,297	*(30.3)*
Financing activities	322,212	(44,591)	366,803	*NA*	175,329	(149,938)	325,267	*NA*
Net (decrease) increase in cash and cash equivalents	**(117,900)**	**(187,666)**	**69,766**	***(37.2)***	**(184,545)**	**(1,136,317)**	**951,771**	***(83.8)***
Cash and cash equivalents at the beginning of the period	221,370	785,436	(564,066)	*(71.8)*	288,015	1,731,587	(1,443,572)	*(83.4)*
Cash and cash equivalents at the end of the period	**103,470**	**597,770**	**(494,300)**	***(82.7)***	**103,470**	**595,270**	**(491,801)**	***(82.6)***
Cash in business acquisition	235	-	235	*NA*	235	2,499	(2,264)	*NA*
Total Cash at the end of the period	**103,705**	**597,770**	**(494,065)**	***(82.7)***	**103,705**	**597,770**	**(494,065)**	***(82.7)***

By the end of 3Q18, operating cash flow reached Ps. 161.0 million, compared to Ps. 102.5 million reported in 3Q17, a 57.0% increase driven by an improvement in working capital combined with higher EBITDA.

Balance Sheet Summary

Figures in thousand Mexican Pesos

Balance Sheet Summary	Sep -18	Sep -17	Var.	Var %
Cash and cash equivalents	103,705	597,770	(494,065)	(82.7%)
Accounts receivables and other current assets	183,321	184,650	(1,329)	(0.7%)
Creditable taxes	433,253	322,053	111,201	34.5%
Escrow deposit for hotel acquisition	-	12,034	(12,034)	(100.0%)
Total current assets	**720,279**	**1,116,506**	**(396,228)**	**(35.5%)**
Restricted cash	115,965	64,755	51,210	79.1%
Property, furniture and equipment	7,771,961	5,489,190	2,282,771	41.6%
Non-productive fixed assets (In-process developments)	763,082	1,778,873	(1,015,791)	(57.1%)
Other fixed assets	509,579	442,316	67,262	15.2%
Total non-current assets	**9,160,585**	**7,775,134**	**1,385,452**	**17.8%**
Total Assets	**9,880,864**	**8,891,640**	**989,224**	**11.1%**
Current installments of long-term debt	238,400	133,521	104,880	78.5%
Ohter current liabilities	703,216	1,223,031	(519,816)	(42.5%)
Total current liabilities	**941,616**	**1,356,552**	**(414,936)**	**(30.6%)**
Long-term debt	2,222,518	1,320,131	902,387	68.4%
Other non-current liabilities	917,222	709,379	207,843	29.3%
Total non-current liabilities	**3,139,740**	**2,029,510**	**1,110,230**	**54.7%**
Total Equity	**5,799,508**	**5,505,578**	**293,930**	**5.3%**
Total Liabilities and Equity	**9,880,864**	**8,891,640**	**989,224**	**11.1%**

Cash and Equivalents

By the end of 3Q18, the Company's cash and cash equivalents reached Ps. 103.7 million. Of this figure, Ps. 53.8 million are peso-denominated and Ps. 49.9 million are dollar-denominated.

Accounts Receivable and Other Current Assets

This line remained stable, from Ps. 184.7 million in 3Q17 to Ps. 183.3 million in 3Q18.

Property, Furniture & Equipment

This line item was equal to Ps. 7,772.0 million at the end of 3Q18, a 41.6% increase compared to Ps. 5,489.2 million at the end of 3Q17. This increase was mainly driven by the inclusion of *The Hacienda at Hilton Puerto Vallarta* and *Clevia Grand Leon*. In addition, the Company continues to carry out routine improvements, remodeling and renovation projects in its fixed assets. Notably, hotels that underwent renovations include *Hilton Garden Inn Monterrey Aeropuerto*, *Hilton Guadalajara*, *Krystal Urban Cancun* and *Krystal Urban Ciudad Juarez*.

Figures in thousand Mexican Pesos	3 months ended September 30		9 months ended September 30	
Capex for the period	**3Q18**	**% Total**	**2018**	**% Total**
Hotels in development	467,047	85.9%	637,962	82.7%
Improvements in owned hotels	46,483	8.5%	63,641	8.2%
Ordinary capex	30,188	5.6%	70,234	9.1%
Total Capex	**543,717**	**100.0%**	**771,836**	**100.0%**

Net Debt and Maturity

Net Debt was Ps. 2,241.3 million at the end of 3Q18, which represented a Total Debt / EBITDA (LTM) ratio equal to 3.5x. 85.8% of Total Debt is U.S.-dollar denominated and has an average cost of 5.5%. The remaining 14.4% is peso-denominated, with an average weighted cost of 11.2%. In addition, 87.9% of debt maturities are long-term.

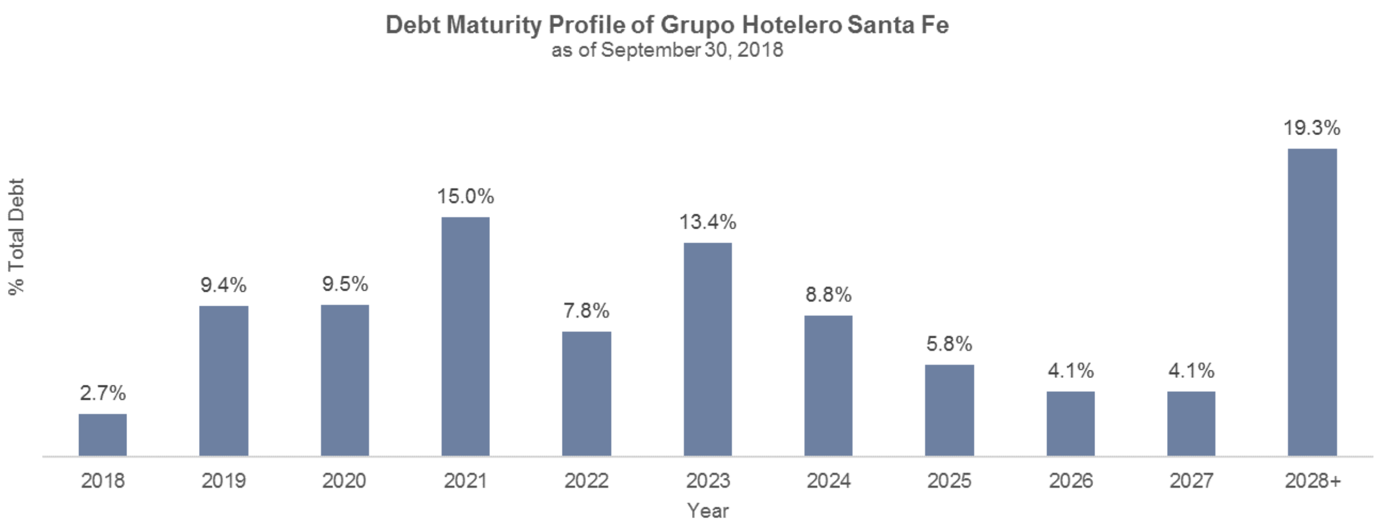
During 3Q18, the Mexican peso appreciated 5.6% by the end of the quarter, from Ps. 19.8633 as of June 30, 2018, to Ps. 18.8120 as of September 30, 2018, having a positive impact on the financial cost of the Company. The short U.S. dollar position of the Company by the close of 3Q18 was US$104.4 million, equal to Ps. 1,963.3 million.

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

Figures in thousand Mexican Pesos	Denominated in (currency):		
Debt*	**Pesos**	**Dollars**	**Total**
Short Term	29,089	209,312	238,400
Long Term	319,223	1,903,295	2,222,518
Total	**348,311**	**2,112,607**	**2,460,918**
% Total	*14.2%*	*85.8%*	*100.0%*
Average rate of financial liabilities	*11.21%*	*5.50%*	*6.31%*
Cash and equivalents	53,787	49,918	103,705
Restricted cash	16,582	99,383	115,965
Cash and equivalents**	**70,369**	**149,301**	**219,669**
Net Debt	**277,942**	**1,963,307**	**2,241,249**
Net Debt / LTM EBITDA (as of September 30, 2018)			3.5x

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

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



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 8.5% and 4.5%, respectively.

According to IFRS, the exchange rate used was Ps. 18.8120 / US$ as of September 30, 2018, as published in Mexico's *Official Federal Gazette*.

Currency Hedging Analysis

Figures in thousands of Mexican Pesos	Third Quarter 2018 Denominated in Pesos	Denominated in USD	Total in Pesos	YTD September 30, 2018 Denominated in Pesos	Denominated in USD	Total in Pesos
Total Revenue	302,401	172,674	**475,075**	972,061	550,139	**1,522,200**
% of Total Revenue	*63.7%*	*36.3%*	***100.0%***	*63.9%*	*36.1%*	***100.0%***
(-) Total Costs and Expenses	332,357	45,767	**378,124**	1,024,110	137,259	**1,161,369**
(-) Non-recurring Expenses	5,066	-	**5,066**	15,108	-	**15,108**
Operating Income	**(35,021)**	**126,907**	**91,885**	**(67,157)**	**412,880**	**345,723**
(+) Depreciation	46,795	-	**46,795**	141,625	-	**141,625**
Operating Cashflow	**11,774**	**126,907**	**138,681**	**74,467**	**412,880**	**487,348**
% of Operating Cashflow	*8.5%*	*91.5%*	***100.0%***	*15.3%*	*84.7%*	***100.0%***
Interest	7,516	30,018	**37,534**	15,140	92,004	**107,144**
Principal	12,458	20,503	**32,961**	19,187	83,808	**102,995**
Total Debt Service	**19,974**	**50,521**	**70,495**	**34,327**	**175,813**	**210,140**
Interest Coverage ratio 1	1.6x	4.2x	**3.7x**	4.9x	4.5x	**4.5x**
Debt Service Coverage Ratio 2	0.6x	2.5x	**2.0x**	2.2x	2.3x	**2.3x**

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

In 3Q18, approximately 36.3% of revenue and 89.1% of operating cash flow were denominated in US dollars. Dollar-denominated operating cash flow was enough to cover the financial debt, both interest and principal, with a ratio of 2.5x for 3Q18. This position corroborated the Company's expectations to benefit from lower financing costs, given that hotels which contracted financial debt have a natural hedge to volatile scenarios.

At the end of 3Q18, the Company's debt coverage ratio was 2.0x. In addition, HOTEL has a dollar-denominated cash balance of Ps. 149.3 million at the close of 3Q18, decreasing its total exposure to currency risks.

Recent Events
During 3Q18, and until the date of this report, HOTEL's recent developments included:

- In 3Q18, anticipating the expiration of the franchise agreement of the Hilton Garden Inn Monterrey, by mutual agreement with Hilton Hotels & Resorts, the document was terminated. The Company proceeded to change the brand of the hotel according to plan to *Krystal Urban Monterrey.* This hotel which is located near the "atirantado" bridge is currently undergoing a gradual remodeling and continues in service.
- On August 27th the Company announced the signing of a contract to acquire 50% of the Cleviá Grand Leon hotel. The 5-star hotel is located in Leon, Guanajuato and has 140 rooms. Currently brand alternatives for the property are being evaluated. The value of the asset is Ps. 383 Million. Out of the total investment, Ps. 127 million were debt and HOTEL contributed Ps.128 million which represent 50% of the equity and will consolidate the hotel in its financial statements. The other 50% equity stake will remain with the group of private Mexican investors who previously owned the hotel. The property is in "Puerta Bajío", a premium location in a mixed-use real estate development including a shopping mall, residential apartments and office space. It is in the north of the city in the "zona dorada" one of the fastest growing areas in the city.
- On September 10th the Company announced the signing of a Management Contract for a 4-star hotel, the DoubleTree by Hilton Toluca with 142 rooms located in the industrial part of Toluca, Estado de Mexico. The hotel which is owned by a third party, is located on the Boulevard Industria Minera Avenue, very close to the General Motors, FCA, Coca-Cola FEMSA and Heineken plants. The hotel is in its final stages of construction and due to open by November 2018.
- The Company announces its updated 2018 guidance:

  2018e Total Revenue: Ps. 2,010 million.

  2018e EBITDA: Ps. 670 million.

  This guidance has been prepared using an average exchange rate of US Dollar/Mexican Peso of US$: $19.00

3Q18 Conference Call Details:
HOTEL will host its earnings webcast (audio + presentation) to discuss results:

Date: Friday, October 26, 2018

Time: 11:00 a.m. Mexico City Time
12:00 p.m. New York Time

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

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

Conference password: HOTEL 000

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

About Grupo Hotelero Santa Fe

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

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Legal Note on Forward-Looking Statements:

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

Income Statement

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

	Third Quarter				9 months ended September 30			
	2018	2017	Var.	%Var.	2018	2017	Var.	%Var.
Revenue								
Room Revenue	257,298	219,971	37,326	*17.0*	828,549	647,875	180,674	*27.9*
Food and Beverage Revenue	164,694	119,321	45,372	*38.0*	532,472	331,746	200,726	*60.5*
Other Revenue from Hotels	35,695	29,208	6,487	*22.2*	108,287	95,664	12,623	*13.2*
Third-party Hotels' Management Fees	17,369	16,311	1,058	*6.5*	52,892	64,903	(12,011)	*(18.5)*
TOTAL REVENUE	**475,055**	**384,812**	**90,243**	***23.5***	**1,522,200**	**1,140,188**	**382,011**	***33.5***
COSTS AND EXPENSES								
Operating Costs and Expenses	217,447	165,722	51,725	*31.2*	653,632	457,599	196,033	*42.8*
Sales and Administration	106,294	91,828	14,466	*15.8*	343,669	284,492	59,177	*20.8*
Property Expenses	7,588	6,137	1,452	*23.7*	22,443	16,581	5,862	*35.4*
Depreciation and Amortization	46,795	31,885	14,911	*46.8*	141,625	93,284	48,340	*51.8*
TOTAL COSTS AND EXPENSES	**378,124**	**295,571**	**82,553**	***27.9***	**1,161,369**	**851,956**	**309,413**	***36.3***
Development and hotel opening expenses	6,869	6,440	428	*6.6*	18,960	26,961	(8,001)	*(29.7)*
Other non-recurring expenses	(215)	1,712	(1,927)	*NA*	2,800	4,708	(1,907)	*(40.5)*
ADJUSTED EBITDA	**143,726**	**121,126**	**22,600**	***18.7***	**502,456**	**381,517**	**120,939**	***31.7***
ADJUSTED EBITDA Margin (%)	*30.3%*	*31.5%*	*(1.2 pt)*	*(1.2 pt)*	*33.0%*	*33.5%*	*(0.5 pt)*	*(0.5 pt)*
OPERATING INCOME	**90,278**	**81,089**	**9,189**	***11.3***	**339,070**	**256,564**	**82,507**	***32.2***
Operating Income Margin (%)	*19.0%*	*21.1%*	*(2.1 pt)*	*(2.1 pt)*	*22.3%*	*22.5%*	*(0.2 pt)*	*(0.2 pt)*
Net interest expenses	(33,890)	(21,499)	(12,390)	*57.6*	(91,074)	(42,392)	(48,683)	*NA*
Net foreign currency exchange loss	107,580	(3,989)	111,569	*NA*	80,711	157,026	(76,314)	*(48.6)*
Other financial costs	(4,223)	(1,036)	(3,187)	*NA*	(5,662)	(4,110)	(1,552)	*37.8*
Net Financing Result	**69,467**	**(26,525)**	**95,991**	***NA***	**(16,025)**	**110,524**	**(126,549)**	***NA***
Undistributed income from subsidiaries, net	963	703	260	*37.0*	2,768	2,137	630	*29.5*
Income before taxes	160,708	55,267	105,440	*NA*	325,813	369,224	(43,412)	*(11.8)*
Total income taxes	37,578	10,121	27,457	*NA*	75,552	65,005	10,547	*16.2*
Net Income	**123,130**	**45,146**	**77,984**	***NA***	**250,261**	**304,220**	**(53,958)**	***(17.7)***
Net Income Margin (%)	25.9%	11.7%	*14.2 pt*	*14.2 pt*	16.4%	26.7%	*(10.2 pt)*	*(10.2 pt)*
Income attributable to:								
Controlling interest	97,492	52,207	45,285	*86.7*	222,231	261,901	(39,670)	*(15.1)*
Non-controlling interest	25,638	(7,061)	32,699	*NA*	28,030	42,319	(14,288)	*(33.8)*

Balance Sheet

Consolidated Balance Sheet

As of September 30, 2018 and 2017

(Figures in thousands of Mexican Pesos)

(Figures in thousands of Mexican Pesos)	2018	2017	Var $	Var %
ASSETS				
Current Assets				
Cash and cash equivalents	103,705	597,770	(494,065)	(82.7%)
Restricted cash	-	-	-	NA
Accounts receivables from clients	118,574	123,767	(5,193)	(4.2%)
Accounts receivables from related parties	6,010	17,402	(11,392)	(65.5%)
Creditable taxes	433,253	322,053	111,201	34.5%
Other current assets	58,736	43,481	15,256	35.1%
Escrow deposit for hotel acquisition	-	12,034	(12,034)	(100.0%)
Total current assets	**720,279**	**1,116,506**	**(396,228)**	**(35.5%)**
Non-current Assets				
Restricted cash	115,965	64,755	51,210	79.1%
Property, furniture and equipment	7,771,961	5,489,190	2,282,771	41.6%
Non-productive fixed assets (In-process developments)	763,082	1,778,873	(1,015,791)	(57.1%)
Other assets	20,337	17,965	2,372	13.2%
Investment in subsidiaries	34,592	34,963	(371)	(1.1%)
Deferred income taxes	99,835	111,540	(11,706)	(10.5%)
Goodwiil	354,815	277,848	76,967	27.7%
Total non-current assets	**9,160,585**	**7,775,134**	**1,385,452**	**17.8%**
Total assets	**9,880,864**	**8,891,640**	**989,224**	**11.1%**
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Current installments of long-term debt	238,400	133,521	104,880	78.5%
Suppliers	118,403	89,383	29,020	32.5%
Accrued liabilities	396,356	966,685	(570,328)	(59.0%)
Accounts payable to related parties	10,403	12,653	(2,250)	(17.8%)
Payable taxes	128,436	95,149	33,287	35.0%
Client advanced payments	49,617	59,161	(9,544)	(16.1%)
Total current liabilities	**941,616**	**1,356,552**	**(414,936)**	**(30.6%)**
Non-current liabilities				
Long-term debt	2,222,518	1,320,131	902,387	68.4%
Other non-current liabilities	*4,695*	4,690	4	0.1%
Deferred income taxes	912,527	704,689	207,838	29.5%
Total non-current liabilities	**3,139,740**	**2,029,510**	**1,110,230**	**54.7%**
Total liabilities	**4,081,356**	**3,386,062**	**695,294**	**20.5%**
Equity				
Capital stock	3,412,770	3,437,036	(24,266)	(0.7%)
Legal reserve	190,493	190,493	-	0.0%
Premium on subscription of shares	80,000	80,000	-	0.0%
Net income	250,261	304,220	(53,958)	(17.7%)
Retained earnings	598,953	382,962	215,991	56.4%
Shareholder's Equity	**4,532,477**	**4,394,711**	**137,766**	**3.1%**
Non-controlling interest	1,267,031	1,110,867	156,164	14.1%
Total Equiy	**5,799,508**	**5,505,578**	**293,930**	**5.3%**
Total liabilities and equity	**9,880,864**	**8,891,640**	**989,224**	**11.1%**

Cash Flow Statement

Grupo Hotelero Santa Fe, S.A.B. de C. V.
Consolidated Cash Flow
For the three-month and nine-month period ended September 31, 2018 and 2017

Figures in thousand Pesos	Third Quarter		9 months ended September 30	
Cash Flow Statement	**2018**	**2017**	**2018**	**2017**
Cashflow from operating activities				
Net income	123,130	45,146	250,261	304,220
Depreciation and amortization	46,795	31,885	141,625	93,284
Income taxes	37,578	10,121	75,552	65,005
Unrealized gain (loss) in foreign currency exchange	(110,521)	12,390	(103,872)	(156,945)
Net interest expense	33,890	21,499	91,074	42,392
Other financial costs	4,223	1,036	5,662	4,110
Minority interest	(963)	(703)	(2,768)	(2,137)
Cashflow before working capital variations	**134,132**	**121,375**	**457,534**	**349,929**
Accounts receivable from clients	1,719	(22,086)	16,901	(38,979)
Accounts receivable from related parties	5,715	2,504	3,457	(3,612)
Other current assets	8,981	31,911	(17,618)	18,702
Creditable taxes	31,067	8,260	63,139	58,441
Suppliers	16,428	13,239	8,860	15,791
Accrued liabilities	(15,366)	(49,802)	(7,249)	(40,475)
Accounts payable to related parties	(12,970)	2,560	(8,306)	9,265
Downpayments from clients	(2,518)	9,194	9,027	33,787
Payable taxes	(6,242)	(14,627)	(24,709)	(13,810)
Net operating cashflow	**160,945**	**102,528**	**501,036**	**389,039**
Non-recurring items				
Accrued liabilities	177,419	17,411	177,419	(32,390)
Receivable and Payable taxes	(119,028)	(42,430)	(163,690)	(99,419)
Income in acquistion of Dollars	(8,869)	-	(7,329)	-
Cashflow net from non-recurring items	**210,467**	**77,509**	**507,437**	**257,229**
Investment activities				
Change in restricted cash	(11,306)	744	(12,310)	2,731
Acquisition of property, furniture and equipment	(543,717)	(230,727)	(771,836)	(661,112)
Acquisition of ongoing business	(132,000)	-	(132,000)	(610,226)
Escrow deposit for hotel acquisition	24,333	(309)	24,176	(464)
Investment in subsidiary	4,052	100	4,146	281
Other net assets and labilities	1,122	7,877	(358)	6,507
Interest gained	6,937	1,730	20,872	18,676
Cashflow from investment activities	**(650,580)**	**(220,584)**	**(867,311)**	**(1,243,608)**
Financing activities				
Net increase in paid-in follow on	-	-	-	-
Receivable Greenshoe	-	-	-	-
Net increase in paid-in capital from non-controlling company	260,250	-	260,250	-
Payment of Liabilities SITRA Group´s subsidiaryes	-	-	-	
Repurchase of shares	(21,553)	(4,720)	(28,792)	5,797
Obtained loans	154,010	-	154,010	-
Payment of interest and loan amortization*	(70,495)	(39,871)	(210,140)	(155,735)
Cashflow form financing activities	**322,212**	**(44,591)**	**175,329**	**(149,938)**
Net (decrease) increase in cash and cash equivalents	**(117,900)**	**(187,666)**	**(184,545)**	**(1,136,317)**
Cash and cash equivalents at the beginning of the period	221,370	785,436	288,015	1,731,587
Cash and cash equivalents at the end of the period	**103,470**	**597,770**	**103,470**	**595,270**
Cash in business acquisition	235	-	**235**	2,499
	-			
Total Cash at the end of the period	**103,705**	**597,770**	**103,705**	**597,770**

Appendix 1: Integration of Rooms under Operation

Operating indicators for 3Q18 consider 5,485 hotel rooms under operation out of 5,896. The integration of 411 rooms excluded is detailed as follows:

i) 263 rooms part of the Vacation Club[7]
ii) The effect of 148 rooms less in the period due to:
   a. 0 rooms out of 140 rooms of Cleviá Grand were available in the quarter as operations of the hotel began on October 1st, 2018. (140 less rooms)
   b. 147 rooms out of 150 rooms of *Krystal Urban Monterrey* were available in the quarter as the hotel is under remodeling relating to the change in brand (3 less rooms)
   c. 446 rooms out of 551 rooms of *Hilton Puerto Vallarta Resort* were available in the quarter due to the expansion of *The Hacienda by Hilton* (5 less rooms)

Operating indicators for the nine-month period ended September 30, 2018, consider 5,217 hotel rooms under operation out of 5,896. The integration of 679 rooms excluded is detailed as follows:

i) 245 rooms part of the Vacation Club[8]
ii) The effect of 434 rooms less in the period due to:
   a. 0 rooms out of 140 rooms of Cleviá Grand were available in the quarter as operations of the hotel began on October 1st, 2018. (140 less rooms)
   b. 366 rooms out of 451 rooms of *Hilton Puerto Vallarta* were available in the period as operations of the expansion "*The Hacienda"* started at the end of March (85 less rooms)
   c. 337 rooms out of 480 rooms of *Reflect Krystal Grand Nuevo Vallarta* were available in the period (143 less rooms)
   d. 465 rooms out of 530 rooms of the *Krystal Resort Puerto Vallarta* were available in the period (65 less rooms)
   e. 149 out of 150 rooms of the Krystal *Urban Monterrey* were available in the in the period as the hotel is under remodeling relating to the change in brand (1 less room)

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

Rooms 3Q18	Owned Hotels	Third-party owned hotels	Total Rooms
In Operation	3,590	1,895	**5,485**
Vacational Club	53	210	**263**
Unavailable	148	-	**148**
In Renovation	-	-	**-**
Total Rooms	**3,791**	**2,105**	**5,896**

Rooms YTD Sep'18	Owned Hotels	Third-party owned hotels	Total Rooms
En Operación	3,369	1,848	**5,217**
Club Vacacional	53	192	**245**
No Disponibles	369	65	**434**
En Remodelación	-	-	**-**
Total Habitaciones	**3,791**	**2,105**	**5,896**

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

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