

## Hoteles City Express Announces Results for Second Quarter 2017

México D.F., July 19, 2017 – Hoteles City Express S.A.B. de C.V. (BMV: HCITY) (“Hoteles City Express” or “the Company”), announced today its results for the second quarter of 2017 (“2Q17”). The figures have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in Mexican Pesos (“\$”).

### Financial and Operating Highlights (2Q17)

- At the Chain level, Average Daily Rate (“ADR”) and Revenue per Available Room (“RevPAR”) increased by 15.8% and 11.5% in comparison with 2Q16, to \$940 and \$567, respectively. Chain occupancy in 2Q17 was 60.3%.
- Total Revenues were \$609.3 million, which represents a 22.5% increase with respect to the same quarter in 2016, primarily due to a 14.0% increase in the number of Installed Room Nights at the Chain level, as well as a 11.5% increase in RevPAR
- Operating income was \$111.0 million in 2Q17, an increase of 23.9% over the same quarter the year before.
- EBITDA and Adjusted EBITDA were \$197.4 million and \$201.9 million, respectively, reflecting year on year increases of 20.2% and 20.9%. EBITDA margin and Adjusted EBITDA margin for the period came to 32.4% and 33.1%, respectively.
- Net Income for the period reached \$44.2 million. Net Income margin was 7.3% for the quarter.
- At the close of the quarter, the Chain was operating 125 hotels; an increase of 16 new units compared to the 109 hotels operating at the close of the same period in 2016. The number of rooms in operation in 2Q17 was 13,951, an increase of 14.0% in comparison with the 12,236 at the close of 2Q16.
- Since the closing of the 2Q17 to the date of this report, the Company has announced the opening of 3 additional units, reaching a total portfolio of 127 hotels, City Express Junior Puebla Angelópolis, City Express Altamira hotels and the expansion of City Express Mérida hotel.



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Operating and Financial Highlights	2Q17	2Q16	2Q17 vs 2Q16	6M17	6M16	6M17 vs 6M16
			% Change			% Change
<b>Operating Statistics for the Chain</b>						
Number of Hotels at the End of the Period	125	109	14.7%	125	109	14.7%
Number of Rooms at the End of the Period	13,951	12,236	14.0%	13,951	12,236	14.0%
Number of Installed Room Nights	1,264,080	1,109,102	14.0%	2,504,951	2,195,769	14.1%
Number of Occupied Room Nights	762,291	694,653	9.7%	1,452,065	1,339,483	8.4%
Average Occupancy Rate (%)	60.3%	62.6%	-233 bps	58.0%	61.0%	-304 bps
ADR(\$)	940	812	15.8%	948	811	16.8%
RevPAR(\$)	567	508	11.5%	550	495	11.0%
<b>Consolidated Financial Information (Thousands of Pesos)</b>						
Total Revenues	609,341	497,482	22.5%	1,180,649	952,436	24.0%
Operating Income	111,032	89,644	23.9%	220,902	164,204	34.5%
Operating Income Margin	18.2%	18.0%	20 bps	18.7%	17.2%	147 bps
Adjusted EBITDA	201,932	166,980	20.9%	398,008	315,535	26.1%
Adjusted EBITDA Margin (%)	33.1%	33.6%	-43 bps	33.7%	33.1%	58 bps
EBITDA	197,398	164,178	20.2%	391,159	309,036	26.6%
EBITDA Margin (%)	32.4%	33.0%	-61 bps	33.1%	32.4%	68 bps
Net Income	44,212	66,610	-33.6%	82,629	113,825	-27.4%
Net Income Margin (%)	7.3%	13.4%	-613 bps	7.0%	12.0%	-495 bps

Adjusted EBITDA = Operating income + depreciation + amortization + non-recurring costs (expenses associated with new hotel openings).

### Comments by Luis Barrios, CEO of Hoteles City Express:

"We announce our results for the second quarter of the year, which were characterized by robust operating, financial and profitability performance.

In a period marked by receding uncertainty and strong economic fundamentals which justify our investment thesis in Mexico and Latin America, the hotel industry continues to be underpinned by a positive demand cycle. Demand generators such as consumption, exports and service, trade and industry activities remained strong, specifically in the northern border corridor of the country, the Bajío corridor and locations with exposure to diverse economic activities such as metropolitan areas. Our hotel portfolio continues to benefit from a broad diversification of markets and geographies.

Regarding our commercial performance, the quarter was characterized by the refinement of our price optimization models, which enabled us to maintain double digit growth in RevPAR at the Chain level.

Consistent with the yield management strategy we have implemented since the third quarter of 2016, ADR increased by 15.8% in 2Q17, while RevPAR grew by close to 12%.

With Total Revenues growing by over 20% and an Adjusted EBITDA margin of more than 33%, 2Q17 was once again marked by profitable growth dynamics. In addition, these results highlight the importance of our Operating Company and proprietary room distribution platform which was responsible for over 80% of rooms sold in the quarter, enabling us to minimize commission payments to third parties and maximize margins at the property level.

Regarding our cultural transformation efforts, we continue to strengthen our training, coaching and empowerment programs for employees, emphasizing decision making at the point of closest proximity to the guest. We remain confident that these efforts, combined with

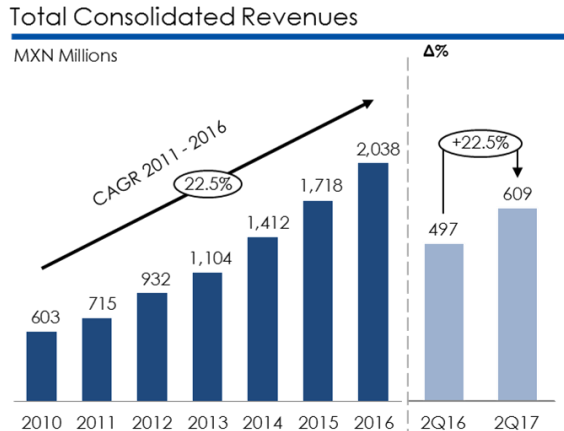
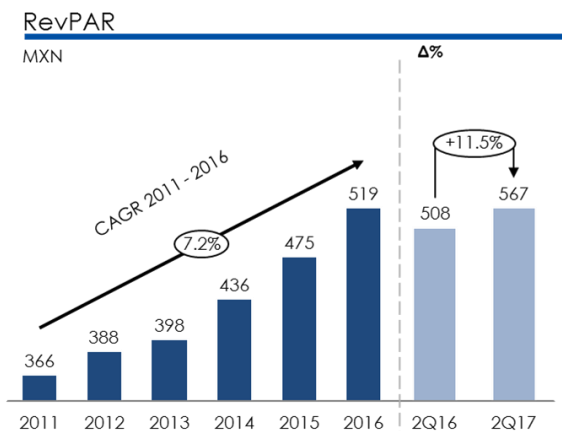
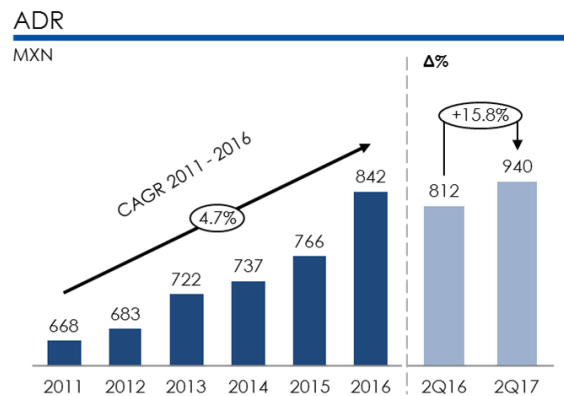
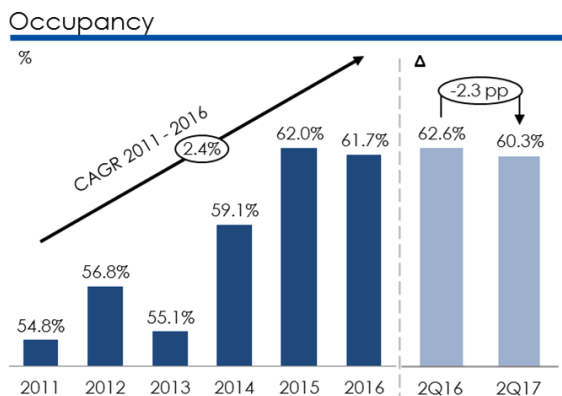
the innovative use of technology and databases we have developed within the Company, will help us consolidate our position as the best integrated platform for digital marketing, operation and hotel distribution in Mexico and Latin America.

Finally, regarding the 2017 development plan, as of the date of this report we have commenced operations in all of our planned hotels. Our development program remains on track, and we are confident of reaching a total inventory of more than 15,000 rooms and 140 hotels in the coming months. We will continue to take advantage of our healthy cash position to maximize the utilization of our land bank and optimize the Company's global ROIC.

As always, we will redouble our efforts to ensure that the first half of the year is just the beginning of another period of profitable growth for Hoteles City Express, and as always, we are grateful for your support and trust. "

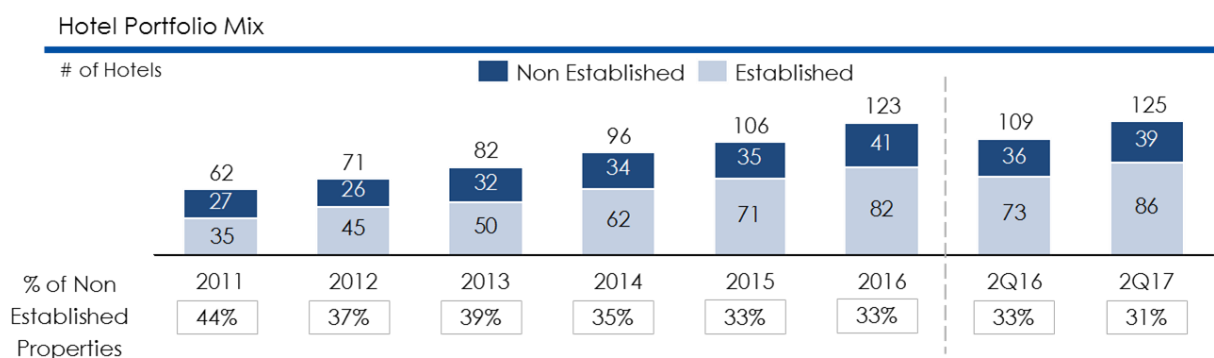
### Operating Results: Hotel Chain

As a result of our efforts to optimize room inventory, Chain occupancy showed a planned decline of 2 percentage points during the second quarter of 2017, 60.3%, reflecting a 15.8% increase in ADR that led RevPAR for the Chain to register growth of 11.5% in comparison with the same period in 2016.



### Operating Results: Established Hotels

To allow for an appropriate comparison of its hotels with similar maturity periods, Hoteles City Express defines as “Established Hotels” those hotels that, on a given date, have been in operation for a period of at least 36 months. Once hotels have reached the third anniversary of their opening date, they have usually achieved their stabilized cycle, although this does not mean that these hotels cannot reach higher levels of Occupancy, ADR and RevPAR over time. Similarly, hotels classified as “Non-established” are those that have less than 36 months of operation on a given date, and consequently are in a phase of market penetration, with greater potential for gains in RevPAR.



At the close of 2Q17, the Chain had 86 Established Hotels and 39 Non-Established Hotels.

During the quarter, Established Hotels registered an increase in RevPAR of 7.4% over the same period last year, driven mainly by efforts to optimize installed capacity, as reflected in a 14.1% increase in ADR, and a programmed decline of 4 percentage points in occupancy. Up to now, the Company has not seen any kind of economic slowdown in its portfolio product of its geographical and industry diversification.

Established Hotels	2Q17	2Q16	Change
Hotels	86	73	17.8%
Rooms	9,806	8,391	16.9%
Occupancy	64.2%	68.2%	-402 bps
ADR (\$)	917	803	14.1%
RevPAR (\$)	589	548	7.4%

The growth potential of the Company's current operating inventory is illustrated in the RevPAR for our Established Hotels, which is 3.9% above than that for the Chain overall.

### Results by Business Segment (Non-IFRS figures)

Hoteles City Express reports using IFRS. Certain revenues and inter-company expenses are therefore eliminated during the process of consolidation, primarily management fees and franchise royalties of hotels that are owned, co-owned and leased. The table below presents Results by Business Segment prior to these eliminations

Revenues by Segment (Thousands of Pesos)	2Q17	2Q16	2Q17 vs 2Q16	6M17	6M16	6M17 vs 6M16
			% Change			% Change
Hotel Operation	576,425	469,282	22.8%	1,115,772	906,911	23.0%
Hotel Management	160,681	130,644	23.0%	315,230	241,458	30.6%
<b>Total</b>	<b>737,106</b>	<b>599,926</b>	<b>22.9%</b>	<b>1,431,003</b>	<b>1,148,369</b>	<b>24.6%</b>

Revenues from the Hotel Operations segment increased 22.8%, from \$469.3 million in 2Q16 to \$576.4 million in 2Q17, due to the increase in Occupied Room Nights and a 15.8% increase in ADR.

Revenues from Hotel Management rose 23.0%, from \$130.6 million in 2Q16 to \$160.7 million in 2Q17, due to increased activity in Hotel Operations for the period, as well as an increase in revenues for supervision in the development of new hotels.

Total revenues for the combined segments increased 22.9%, from \$599.9 million in 2Q16 to \$737.1 million in 2Q17.

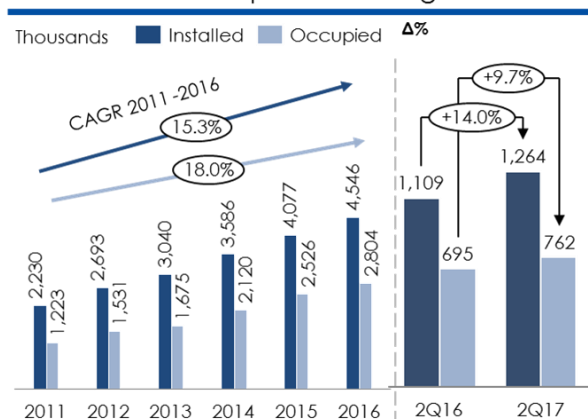
### Consolidated Financial Results (IFRS Figures)

Income Statement Highlights (Thousands of Pesos)	2Q17	2Q16	2Q17 vs 2Q16		6M17	6M16	6M17 vs 6M16	
			% Change				% Change	
Rooms in Operation	13,951	12,236	14.0%		13,951	12,236	14.0%	
Revenues from Hotel Operation	573,293	465,912	23.0%		1,110,358	900,096	23.4%	
Revenues from Hotel Management	36,048	31,570	14.2%		70,291	52,339	34.3%	
<b>Total Revenues</b>	<b>609,341</b>	<b>497,482</b>	<b>22.5%</b>		<b>1,180,649</b>	<b>952,436</b>	<b>24.0%</b>	
Operating Income	111,032	89,644	23.9%		220,902	164,204	34.5%	
Operating Income Margin	18.2%	18.0%	20 bps		18.7%	17.2%	147 bps	
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EBITDA	197,398	164,178	20.2%		391,159	309,036	26.6%	
EBITDA Margin	32.4%	33.0%	-61 bps		33.1%	32.4%	68 bps	
Net Income	44,212	66,610	-33.6%		82,629	113,825	-27.4%	
Net Margin	7.3%	13.4%	-613 bps		7.0%	12.0%	-495 bps	

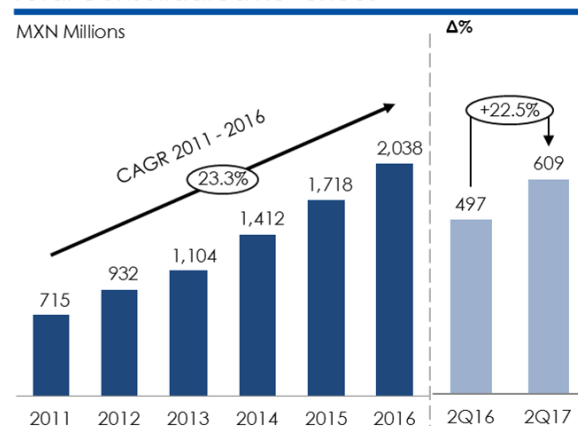
### Revenues

Total Revenues increased by 22.5% from \$497.5 million in 2Q16 to \$609.3 million in 2Q17. This increase was primarily due to a 14.0% rise in the number of Installed Room Nights, due to the opening of 16 hotels, as well as a 15.8% increase in ADR, due to efforts to optimize the Company's installed capacity.

Installed and Occupied Room Nights



Total Consolidated Revenues



### Costs and Expenses

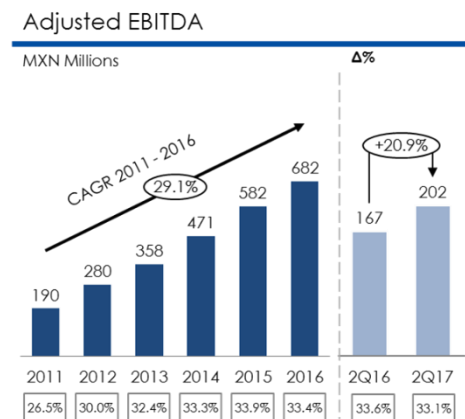
Total Costs and Expenses rose 21.9%, from \$405.0 million in 2Q16 to \$493.8 million in 2Q17. This increase was primarily due to growth in Installed Room Nights and Selling and Administration expenses which registered \$100.2 million in 2Q17.

### Operating Income

Operating Income for the second quarter of 2017 was \$111.0 million, compared to \$89.6 million for 2Q16; a 23.9% increase. Operating Income margin rose 20 bps from 18.0% in 2Q16 to 18.2% in 2Q17.

### EBITDA and Adjusted EBITDA

In 2Q17, EBITDA and Adjusted EBITDA increased 20.2% and 20.9% respectively, compared to the second quarter of 2016. EBITDA reached \$197.4 million in 2Q17 and Adjusted EBITDA \$201.9 million for the same period. This represents an EBITDA margin of 32.4% and an Adjusted EBITDA margin of 33.1%.



Hoteles City Express calculates Adjusted EBITDA by adding Operating Income to depreciation expenses and non-recurring expenses related to hotel openings. Adjusted EBITDA is a useful measure that Hoteles City Express uses to compare its performance with that of other companies, thereby facilitating an appropriate comparison of its consolidated performance during different periods by eliminating from its operating results the impact of specific, non-recurring expenses related to hotel openings.



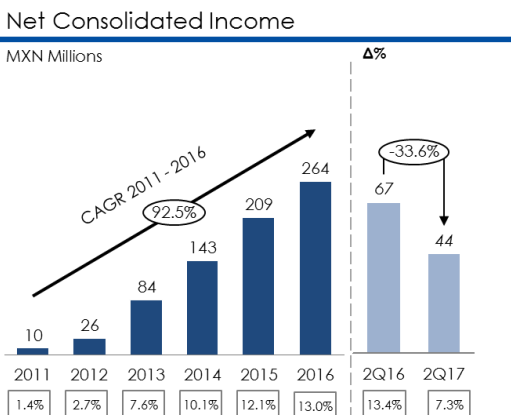
### Financial Expenses

Total Financial expenses increased to \$57.1 million in 2Q17, due to: a) credit lines disbursements during the last 12 months, b) financial products of lower cash balances, c) increase in financial costs resulting from higher interest rates, and d) unrealized depreciation of a US Dollars cash position for hedging financings denominated in that currency.

In the last 12 months, total financial expenses increased from \$2,326.3 million in 2Q16 to \$2,516.5 million in 2Q17, a growth of 8.2%. Cash and cash equivalents, in turn, went from \$2,088.4 million in 2Q16 to \$1,393.4 million in 2Q17, a decline of 33.3% as a result of cash investment in the development of new hotels. The combination of these variables caused net financing cost<sup>1</sup> to rise from \$22.2 million in 2Q16 to \$37.6 million in 2Q17. Finally, the net foreign exchange result for 2Q17 showed an expense of \$19.5 million resulting from unrealized depreciation of the US dollars cash position that acts as a natural hedge for 6.1% of the total debt portfolio which is in the same currency.

As of June 30, 2017, Hoteles City Express had a Total Debt to Total Assets ratio of 22.5%, and a Net Debt to EBITDA ratio of 1.5x. Furthermore, the Company is up to date with all of its financial obligations.

### Net Income



As a result of the increase in Total Financial Expenses, Net Income in 2Q17 stood at \$44.2 million, compared to Net Income of \$66.6 million reported for the same quarter last year. Majority Net Income registered \$53.5 million.



## Financial Position and Leverage

Balance Sheet Highlights (Thousands of Pesos)	As of June 30, 2017	As of December 31, 2016	June 30, 2017 vs December 31, 2016
			% Change
Cash and Equivalents	1,393,420	1,854,626	-24.9%
Financial Debt <sup>(1)</sup>	2,498,187	2,569,101	-2.8%
<b>Net Debt</b>	<b>1,104,767</b>	<b>714,475</b>	<b>54.6%</b>

1. Does not include interest payable of \$18.4 million as of June 30, 2017 and \$15.5 million as of December 31, 2016.

At the close of 2Q17, the Company had \$1.4 billion in Cash and equivalents, a decline of 24.9% compared to the close of December 2016, as a result of the use of its own resources for development taking advantage from the strong cash position, both actions having the objective of optimizing the Company's balance sheet and maximizing global ROIC.

Debt with financial institutions net of interest went down 2.8% compared to the close of December 2016, coming to \$2.5 billion, of which \$176.3 million is due over the next twelve months, and \$399.2 million are denominated in Foreign Currency. In the second quarter of 2017, the Company made principal payments for \$70.3 million and obtained financings for \$108.0 million. Should they be required, the Company has credit lines backed by financial institutions available for disbursement for approximately \$500.0 million.

At the close of the quarter ended June 30, 2017, the Company's Net Debt was \$1.1 billion, compared to that at the close of December 31, 2016, of \$714.5 million.

### Breakdown of Productive Fixed Assets

In anticipation of expected future growth, the Company's Total Assets are comprised of various layers of assets.

At the close of the quarter, the Company had a land bank with an approximate historical cost of \$490.0 million, as well as Construction in Progress, Refurbishments and land related to those constructions for more than \$1.5 billion. Productive assets or Gross Assets related to hotels in operation reached \$8.4 billion. Of the properties that form the Company's productive assets at the close of 2Q17, 69% were Established Hotels, and the remaining 31% were Non-Established properties

### **Cash Flow Generation and Use of Share Repurchase Program**

Regarding cash flow generation, in 2Q17 Hoteles City Express generated \$92.6 million in Cash Flow Net from Operating Activities. The Company invested \$278.4 million in payments of property, equipment and leasehold improvements, as compared with \$444.0 million in 2Q16, and obtained net financing flows of negative \$3.5 million versus the negative \$12.8 million reported in 2Q16.

In 2Q17 the Company allocated \$6.7 million to its share repurchase fund, an amount representing approximately 348,000 shares.

It should be noted that the shares acquired through the buyback fund are registered as stockholders' equity, so that they continue to be part of total shares in circulation, and that this number of shares in circulation has not been reduced or modified since cancellation of shares on the last shareholders' meeting. Furthermore, due to the method used to record these shares, the Company is able to sell the shares in the market without any restrictions, and at the price determined on each trading day.

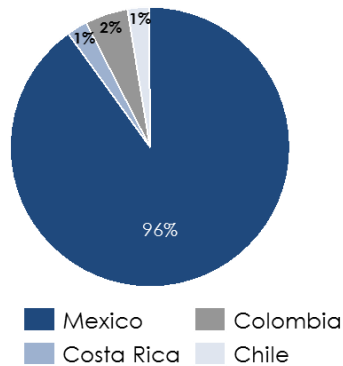
### Portfolio of Hotel Assets

Hoteles City Express has a portfolio of 127 hotels with a presence in 29 states and 64 cities in Mexico, as well as three hotels in Colombia, one hotel in Costa Rica, and one in Chile. Below is a breakdown of Hoteles City Express' portfolio:

#### Hotel Portfolio by Geographic Location

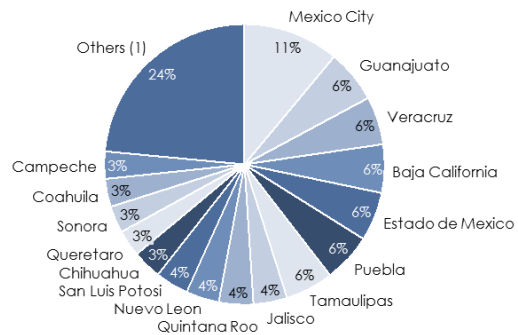
##### By Country

As of release date



##### Mexico

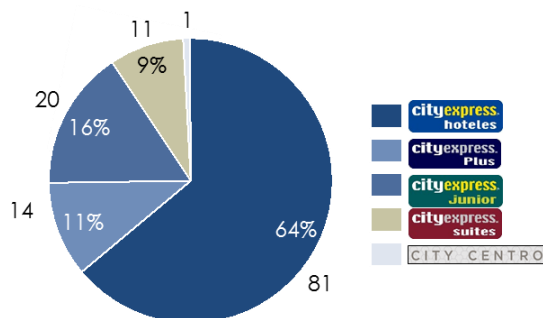
As of release date



(1) Others: Sinaloa, Michoacán, Tabasco, Baja California Sur, Chiapas, Yucatan, Aguascalientes, Oaxaca, Colima, Zacatecas, Hidalgo, Durango and Tlaxcala

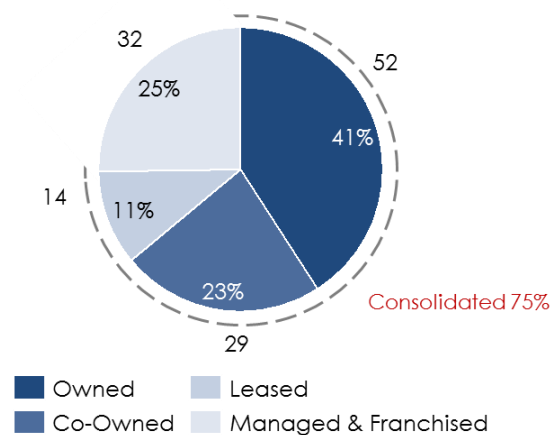
#### Hotel Portfolio by Brand

As of release date, # of Hotels and % of Total Portfolio



#### Hotel Portfolio by Ownership

As of release date, # of Hotels and % of Total Portfolio

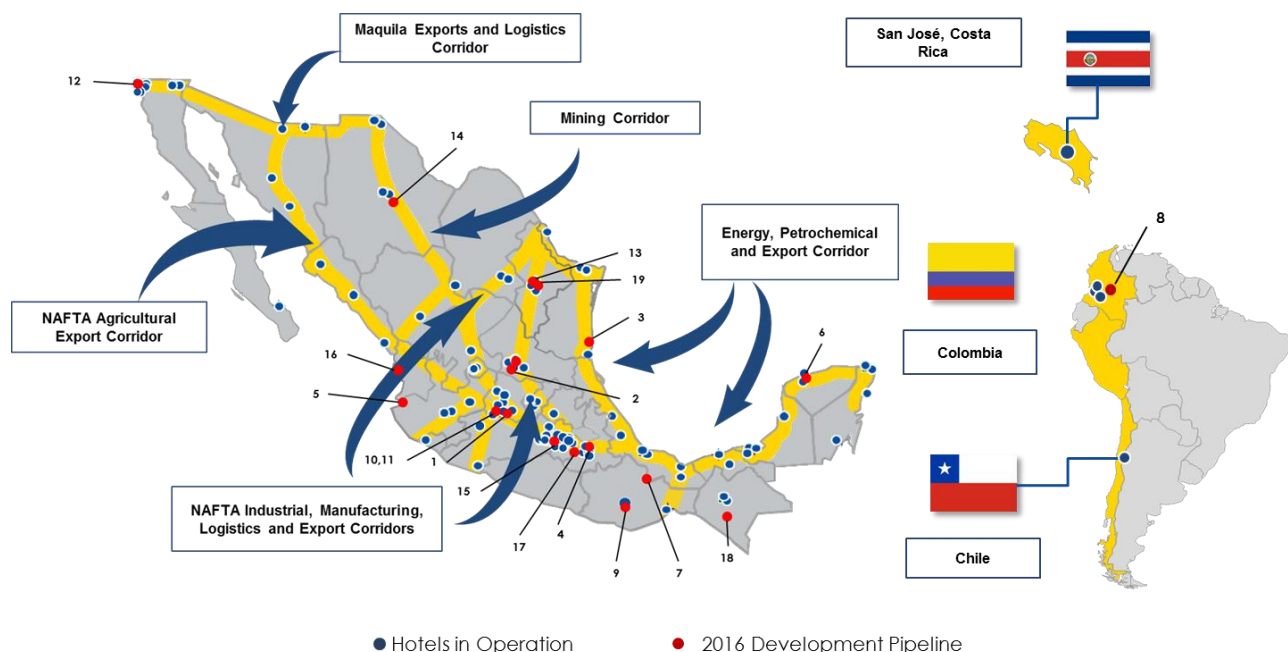


### Hotel Development

Hoteles City Express' development plan focuses on areas characterized by attractive, demand-generating market dynamics. Currently, we have more than 40 projects in different stages of development and at advanced stages of permitting and licensing, mainly in Mexico.

The Company expects to open more than 2,100 rooms in 19 new units – 17 hotels and 2 expansions of existing hotels – in coming months. The following table shows the current status of the Development Plan.

Hotel Number	Development Pipeline	Hotel	Brand	Investment Scheme	Opening	Rooms	Location	Development Stage
124	1	Celaya Galerías	City express	Managed	1Q17	127	Guanajuato	Open
125	2	SLP Zona Industrial	City express junior	Managed	2Q17	122	San Luis Potosí	Open
126	3	Altamira	City express	Co-Owned	3Q17	127	Tamaulipas	Open
127	4	Puebla Angelópolis	City express junior	Co-Owned	3Q17	122	Puebla	Open
	6	Mérida (Rooms Addition)	City express	Co-Owned	3Q17	42	Yucatán	Open
128	5	Puerto Vallarta	City express Plus	Owned	3Q17	127	Jalisco	Under Construction
129	7	Tuxtepec	City express junior	Managed	3Q17	110	Oaxaca	Under Construction
130	8	Medellín	City express Plus	Owned	4Q17	141	Colombia	Under Construction
131	9	Oaxaca	City Centro	Co-Owned	4Q17	103	Oaxaca	Under Construction
132	10	León Centro de Convenciones	City express Plus	Co-Owned	4Q17	132	Guanajuato	Under Construction
133	11	León Centro de Convenciones	City express junior	Co-Owned	4Q17	137	Guanajuato	Under Construction
134	12	Tijuana Otay	City express	Co-Owned	4Q17	120	Baja California	Under Construction
135	13	Monterrey Lindavista	City express	Managed	4Q17	131	Nuevo León	Under Construction
136	14	Delicias	City express	Managed	4Q17	115	Chihuahua	Under Construction
137	15	CDMX Sullivan	City express junior	Owned	4Q17	98	Ciudad de México	Under Construction
138	16	Tepic	City express	Managed	4Q17 / 1Q18	125	Nayarit	Under Construction
139	17	Atlixco	City express	Managed	4Q17 / 1Q18	108	Puebla	Under Construction
140	18	Comitán	City express	Managed	4Q17 / 1Q18	104	Chiapas	Under Construction
	19	Monterrey Aeropuerto (Rooms Addition)	City express	Owned	4Q17 / 1Q18	36	Nuevo León	To Begin Construction
<b>Total</b>						<b>2,127</b>		



## Environmental, Social and Economic Sustainability

Hoteles City Express has the following Sustainability Policy:

*"To be a catalyst for positive economic, social and environmental impacts in every community where we have a presence, incorporating innovation and integral development of them through long-term value creation."*

All of Hoteles City Express' hotels are built to comply with international certification standards. The following are among the most important sustainability and social responsibility certifications and awards granted to Hoteles City Express:

- LEED-EB-O&M Certification: Granted by the United States Green Building Council (USGBC). Hoteles City Express was the first chain in Latin America to receive LEED Silver certification for the Hotel City Express San Luis Potosí. At the close of the quarter, the following hotels have this certification: City Express Guadalajara, City Express Irapuato, City Express Puebla Centro, City Express Querétaro, City Express Monterrey Santa Catarina, City Express Playa del Carmen and City Express Los Mochis. Importantly, in April 2017, City Express Reynosa was awarded with LEED Gold certification, establishing a new standard for the Chain's subsequent certifications. At the end of the quarter an additional hotel was certified with the LEED Gold standard, the first hotel of the chain, City Express Saltillo.
- EDGE (Excellence in Design for Greater Efficiencies): a certification system created by the World Bank International Financial Corporation (IFC). Hoteles City Express was the first company in the world to receive green building EDGE certification for its Hotel City Express Villahermosa. This certification was also awarded to City Express Santa Fe, City Express Durango, City Express Queretaro Jurica, City Express Costa Rica and City Express Suites Santa Fe. In January 2015, we obtained 3 additional certifications for City Express Junior Ciudad del Carmen, City Express Irapuato Norte and City Express Junior Puebla Autopista hotels, with estimated savings of 50% for energy, 45% for water use, and 36% for efficiency of construction materials
- Biosphere Responsible Tourism Certification: created by the Responsible Tourism Institute (ITR): Hoteles City Express was awarded this certification as the first company in the world to certify all hotels within its chain; 65 Hoteles City Express hotels are currently certified.
- Distintivo Hotel Hidro Sustentable: Recognition granted by members of the Alianza por la Sustentabilidad Hídrica en el Turismo, which encourages best environmental practices in the use and care of water, as well as the application of Mexican law. Hoteles City Express has won this award at 10 hotels: City Express Plus Insurgentes Sur, City Express Plus Patio Universidad, City Express El Ángel Reforma, City Express Plus EBC Reforma, City Express Buenavista, City Express Campeche, City Express

Cd. Del Carmen, City Express Mérida, City Express Villahermosa and City Express Paraíso Tabasco

- Distintivo "S" Garantía de Sostenibilidad: The Ministry of Tourism in collaboration with EarthCheck and Rainforest Alliance recognizes Hoteles City Express for sustainable practices subject to sustainability criteria established by the World Tourism Organization (WTO). 8 hotels have won this distinction: City Express Mérida, City Express Suites Puebla Autopista, City Express San Luis Potosí Universidad, City Express Irapuato Sur, City Express Suites Anzures, City Express Manzanillo, City Express Cananea and City Express Zacatecas.
- Distintivo Empresa Socialmente Responsable: a badge granted by the Centro Mexicano para la Filantropía ranking Hoteles City Express as one of the best evaluated companies for corporate governance, company quality of life, environmental commitment and social engagement in Mexico, with a score placing it 35% higher than all other applications submitted for the third consecutive year.
- Adherence to the UN Global Compact: by complying with the UN Global Compact, the Company has joined a global commitment to ten universally accepted principles related to human rights, labor standards, environmental conservation and anti-corruption.
- Adherence to the National Code of Conduct for the Protection of Girls, Boys and Adolescents in the Travel and Tourism Sector. At present, Hoteles City Express has 51 properties that have signed and implemented the code of conduct, undertaking to perform actions to prevent the sexual and labor exploitation of girls, boys and adolescents in the tourism sector.

Regarding its Social Responsibility practices, Hoteles City Express focuses on high-impact projects that promote social engagement and social and economic well-being within the communities in which it operates. The Company therefore focuses on initiatives related to entrepreneurship and social engagement that generates sustainable long-term benefits.

Along these lines, Hoteles City Express has an initiative in the northern part of Mexico to employ hearing impaired staff, reflecting the Company's focus on being a force for change and improvement in those countries where we have a presence. For more information on Hoteles City Express initiatives, please visit: [www.cityexpress/en/sustainability](http://www.cityexpress/en/sustainability)

**Conference Call Details:**

Hoteles City Express will host a conference call to discuss these results:

**Date:** Thursday, July 20, 2017  
**Time:** 11:00 am Eastern Time / 10:00 am Mexico City Time  
**Dial-in:** 1-888-317-6003 (from within the U.S.) / 1-412-317-6061 (outside the U.S.)  
001-866-6754-929 (toll-free from within Mexico)  
**Passcode:** 5510458  
**Webcast:** <http://services.choruscall.com/links/hcity170720.html>

**Conference Replay will be available for 30 days:**

U.S.: 1-877-344-7529/ International: 1-412-317-0088  
Passcode: 10110188

**About Hoteles City Express:**

Hoteles City Express is the leading and fastest-growing limited-service hotel chain in Mexico, in terms of number of hotels, number of rooms, geographic presence, market share and revenues. Founded in 2002, Hoteles City Express specializes in offering high-quality, comfortable and safe lodging at affordable prices via a limited-service hotel chain geared mainly towards domestic business travelers. With 127 hotels located in Mexico, Costa Rica, Chile and Colombia, Hoteles City Express operates five distinct brands: City Express, City Express Plus, City Express Suites, City Express Junior, and City Centro to serve different segments of its target market. In June 2013, Hoteles City Express completed its IPO and began trading on the Mexican Stock Exchange under the ticker symbol "HCITY;" furthermore, in October of 2014, Hoteles City Express completed a follow on with the aim of accelerating its growth in new hotels in the short- and medium-term.

HCITY has formal coverage, notes and analytical assessments by the following financial institutions and analysts: Actinver (Pablo Duarte), Bank of America Merrill Lynch (Carlos Peyrelongue), Citigroup (Alejandro Lavín), GBM (Héctor Vázquez), ITAU BBA (Enrico Trotta), J.P. Morgan (Adrián Huerta), Morgan Stanley (Nikolaj Lippman), Santander (Cecilia Jiménez), Signum Research (Armando Rodríguez) and UBS (Marimar Torreblanca).

For further information, please visit our website: <https://cityexpress.com/en/investors/>

**Disclaimer:**

The information presented in this report contains certain forward-looking statements and information regarding Hoteles City Express, S.A.B. de C.V. and its subsidiaries (jointly, "the Company"), which are based on the understanding of its management, as well as assumptions and information currently available to the Company. These statements reflect the Company's current vision regarding future events and are subject to certain risks, factors of uncertainty and assumptions. Many factors may cause the results, performance or current achievements of the Company to be materially different with respect to any future result, performance or accomplishment of the Company that might be included, expressly or implicitly, within such forward-looking statements, including, among other things: changes in general economic and/or political conditions, governmental and commercial changes at the global level and in the countries in which the Company does business, changes in interest rates and inflation, exchange rate volatility, changes in business strategy and various other factors. If one or more of these risks or uncertainty factors should materialize, or if the assumptions used prove to be incorrect, actual results could differ materially from those described herein as anticipated, estimated or expected. The Company does not intend to assume, and does not assume any obligation whatsoever to update these forward looking statements..

**- Financial Tables Follow -**



## Consolidated Income Statement

Consolidated Income Statement (Thousands of Pesos)	2Q17	2Q16	2Q17 vs 2Q16	6M17	6M16	6M17 vs 6M16
			% Change			% Change
<b>Total Revenues</b>						
Revenues from Hotel Operation	573,293	465,912	23.0%	1,110,358	900,096	23.4%
Revenues from Hotel Management	36,048	31,570	14.2%	70,291	52,340	34.3%
<b>Total Revenues</b>	<b>609,341</b>	<b>497,482</b>	<b>22.5%</b>	<b>1,180,649</b>	<b>952,436</b>	<b>24.0%</b>
<b>Costs and expenses</b>						
Hotel operating costs and expenses	307,171	255,559	20.2%	588,692	490,080	20.1%
Selling and administrative expenses	100,238	74,944	33.8%	193,949	146,815	32.1%
Depreciation and amortization	86,366	74,534	15.9%	170,257	144,833	17.6%
<b>Total Costs and Expenses</b>	<b>493,775</b>	<b>405,037</b>	<b>21.9%</b>	<b>952,898</b>	<b>781,728</b>	<b>21.9%</b>
Expenses assoc. with new hotel openings	4,533	2,802	61.8%	6,849	6,499	5.4%
Other (income) / Non-recurring expenses	0	0	NM	0	5	(100.0%)
<b>Total</b>	<b>4,533</b>	<b>2,802</b>	<b>61.8%</b>	<b>6,849</b>	<b>6,504</b>	<b>5.3%</b>
<b>Operating Income</b>	<b>111,032</b>	<b>89,644</b>	<b>23.9%</b>	<b>220,902</b>	<b>164,204</b>	<b>34.5%</b>
Operating Income Margin (%)	18.2%	18.0%	20 bps	18.7%	17.2%	147 pbs
<b>Adjusted EBITDA</b>	<b>201,932</b>	<b>166,980</b>	<b>20.9%</b>	<b>398,008</b>	<b>315,535</b>	<b>26.1%</b>
Adjusted EBITDA Margin (%)	33.1%	33.6%	-43 bps	33.7%	33.1%	58 pbs
<b>EBITDA</b>	<b>197,398</b>	<b>164,178</b>	<b>20.2%</b>	<b>391,159</b>	<b>309,036</b>	<b>26.6%</b>
EBITDA Margin (%)	32.4%	33.0%	-61 bps	33.1%	32.4%	68 pbs
Finance income	(10,672)	(17,073)	(37.5%)	(21,318)	(36,149)	(41.0%)
Finance costs	48,304	39,240	23.1%	94,598	72,430	30.6%
Exchange result, net	19,484	(17,920)	NM	46,856	(18,005)	NM
<b>Financial Expenses</b>	<b>57,116</b>	<b>4,247</b>	<b>1244.9%</b>	<b>120,136</b>	<b>18,276</b>	<b>557.3%</b>
Profit before income tax	53,916	85,397	(36.9%)	100,766	145,928	(30.9%)
Income tax expense	9,704	18,787	(48.3%)	18,138	32,103	(43.5%)
<b>Net Income for the Period</b>	<b>44,212</b>	<b>66,610</b>	<b>(33.6%)</b>	<b>82,629</b>	<b>113,825</b>	<b>(27.4%)</b>
Net Majority Income	53,450	63,612	(16.0%)	94,144	104,606	(10.0%)

## Consolidated Statement of Financial Position

Consolidated Balance Sheet (Thousands of Pesos)	As of June 30, 2017	As of December 31, 2016	June 30, 2017 vs December 31, 2016
			% Change
Cash and equivalents	1,393,420	1,854,626	(24.9%)
Trade receivables, net	137,961	93,783	47.1%
Recoverable taxes	278,843	256,132	8.9%
Prepaid expenses	84,348	58,695	43.7%
Assets Available for Sale	15,574	15,574	0.0%
<b>Total Current Assets</b>	<b>1,910,146</b>	<b>2,278,810</b>	<b>(16.2%)</b>
Property, equipment and leasehold improvements	9,253,060	8,969,701	3.2%
Guarantee deposits	2,898	2,898	0.0%
Other assets	25,798	23,022	12.1%
<b>Total Long Term Assets</b>	<b>9,281,756</b>	<b>8,995,621</b>	<b>3.2%</b>
<b>Total Assets</b>	<b>11,191,902</b>	<b>11,274,431</b>	<b>(0.7%)</b>
<b>Liabilities</b>			
Current Liabilities:			
Bank loans and accrued interests	194,666	181,551	7.2%
Trade accounts payable	96,557	75,612	27.7%
Other taxes and accrued expenses	210,108	160,982	30.5%
Income tax payable	10,664	15,801	(32.5%)
Direct employee benefits	21,037	16,916	24.4%
<b>Total Current Liabilities</b>	<b>533,032</b>	<b>450,862</b>	<b>18.2%</b>
Long-term debt	2,321,873	2,403,038	(3.4%)
Deferred revenues	12,113	13,033	(7.1%)
Other Liabilities	118,985	128,082	(7.1%)
Employee benefits	3,294	2,245	46.8%
Derivative financial instruments	20,825	11,329	83.8%
Deferred income tax	102,689	114,629	(10.4%)
<b>Total Long Term Liabilities</b>	<b>2,579,779</b>	<b>2,672,356</b>	<b>(3.5%)</b>
<b>Total Liabilities</b>	<b>3,112,811</b>	<b>3,123,218</b>	<b>(0.3%)</b>
<b>Equity</b>			
<b>Equity Attributable to the Owners of the Entity</b>			
Issued capital	5,942,980	5,935,688	0.1%
Retained earnings	1,342,572	1,248,428	7.5%
Other Comprehensive Income	(76,531)	83,737	(191.4%)
<b>Total Equity Attributable to the Owners of the Entity</b>	<b>7,209,021</b>	<b>7,267,853</b>	<b>(0.8%)</b>
Non-controlling interests	870,070	883,360	(1.5%)
<b>Total Equity</b>	<b>8,079,091</b>	<b>8,151,213</b>	<b>(0.9%)</b>
<b>Total Liabilities + Equity</b>	<b>11,191,902</b>	<b>11,274,431</b>	<b>(0.7%)</b>

## Consolidated Cash Flow Statements

Consolidated Cash Flow Statement (Thousands of Pesos)	2Q17	2Q16	6M17	6M16
Profit before income tax	53,916	85,397	100,766	145,928
<b>Operating Activities</b>				
Depreciation	86,366	74,534	170,257	144,833
Loss on disposal of equipment	161	3,760	1,310	3,945
Finance income	(10,673)	(17,073)	(21,318)	(36,148)
Finance costs	48,304	39,240	94,598	72,429
(Gain) Loss on Valuation of Financial Instruments	144	0	2,149	0
Expenses Related to Payments Based on Stocks	11,025	0	7,350	0
Unrealized foreign currency fluctuations	(26,845)	39,394	(66,578)	39,714
	162,397	225,250	288,534	370,700
<b>Changes in Working Capital:</b>				
Trade receivables	(20,112)	(736)	(44,178)	(21,094)
Recoverable taxes	(8,082)	(20,243)	(22,711)	(25,476)
Prepaid expenses, net	9,678	13,014	(25,653)	(13,906)
Trade and other payables	(41,916)	15,488	20,944	21,486
Accrued Expenses, others and taxes to be paid	(2,502)	6,030	48,206	40,508
Employee benefits	2,518	2,156	5,171	3,316
Income tax and business flat tax paid	(9,358)	(4,681)	(18,952)	(13,987)
<b>Net Cash Flows from Operating Activities</b>	<b>92,621</b>	<b>236,278</b>	<b>251,361</b>	<b>361,548</b>
<b>Investing Activities:</b>				
Payments for property, equipment and leasehold improvements	(278,379)	(444,025)	(678,985)	(795,898)
Other assets	(1,388)	(1,543)	(2,777)	(2,880)
Finance income received	10,674	17,073	21,318	36,148
<b>Net Cash Flows used in Investing Activities</b>	<b>(269,093)</b>	<b>(428,495)</b>	<b>(660,444)</b>	<b>(762,630)</b>
<b>Financing Activities:</b>				
Proceeds from the issuance of equity instruments	20,758	(451)	24,434	13,028
Proceeds from contributions rec. from non-controlling interests	(3,927)	58,774	4,725	81,205
Non Controlling Interest Dividends	(6,500)	(6,375)	(6,500)	(6,375)
Proceeds for future capital increases	10,799	46,199	2,205	46,208
Repurchase of shares	(6,721)	(60,306)	(17,143)	(77,958)
Finance cost paid	(55,563)	(34,730)	(97,462)	(71,587)
Proceeds from short- and long-term borrowings	108,000	48,555	108,000	225,749
Repayment of borrowings	(70,326)	(64,494)	(123,638)	(99,729)
<b>Net Cash Flows used in Financing Activities</b>	<b>(3,481)</b>	<b>(12,828)</b>	<b>(105,379)</b>	<b>110,541</b>
Net increase (decrease) in cash and equivalents	(179,953)	(205,045)	(514,462)	(290,541)
Cash at the beginning of the period	1,560,756	2,324,064	1,854,626	2,426,565
Effects of exchange rate changes on the balance of cash held in foreign currencies and effects of balances of foreign	12,617	(30,602)	53,256	(47,607)
<b>Cash at the End of the Period</b>	<b>1,393,420</b>	<b>2,088,417</b>	<b>1,393,420</b>	<b>2,088,417</b>

**Hotel Portfolio**

Number	Hotel	Brand	Investment Scheme	Opening	Rooms	Location
1	Saltillo	City Express	Owned	May-03	120	Coahuila
2	San Luis	City Express	Owned	Jul-03	120	San Luis Potosí
3	Monterrey Santa Catarina	City Express	Owned	Oct-03	105	Nuevo León
4	Querétaro	City Express	Owned	Nov-03	121	Querétaro
5	León	City Express	Owned	Dec-03	120	Guanajuato
					586	
6	Anzures	City Express Suites	Leased	Apr-04	26	Ciudad de México
7	Puebla	City Express	Owned	May-04	124	Puebla
8	Nuevo Laredo	City Express	Managed	Aug-04	107	Tamaulipas
9	Ciudad Juárez	City Express	Owned	Oct-04	114	Chihuahua
10	Irapuato	City Express	Owned	Nov-04	104	Guanajuato
					1,061	
11	Reynosa	City Express	Co-Owned	Feb-05	104	Tamaulipas
12	Cancun	City Express	Leased	Mar-05	128	Quintana Roo
13	Tepatitlán	City Express	Managed	Apr-05	80	Jalisco
14	Tuxtla Gutiérrez	City Express	Franchise	Dec-05	124	Chiapas
15	Querétaro	City Express Suites	Owned	Dec-05	45	Querétaro
					1,542	
16	Chihuahua	City Express	Franchise	Mar-06	104	Chihuahua
17	Guadalajara	City Express Plus	Owned	Jul-06	145	Jalisco
18	Tampico	City Express	Co-Owned	Nov-06	124	Tamaulipas
19	Mexicali	City Express	Owned	Dec-06	117	Baja California
20	Toluca	City Express	Owned	Dec-06	141	Estado de México
					2,173	
21	EBC Reforma	City Express	Owned	Jan-07	70	Ciudad de México
22	Hermosillo	City Express	Co-Owned	Apr-07	120	Sonora
23	Celaya	City Express	Leased	May-07	104	Guanajuato
24	Insurgentes Sur	City Express Plus	Owned	Jul-07	159	Ciudad de México
25	Coatzacoalcos	City Express	Co-Owned	Aug-07	118	Veracruz
26	Tepozotlán	City Express	Leased	Dec-07	109	Estado de México
					2,853	
27	Toluca	City Express Junior	Leased	Feb-08	106	Estado de México
28	Mazatlán	City Express	Managed	Jun-08	110	Sinaloa
29	Morelia	City Express	Franchise	Jul-08	60	Michoacán
30	Lázaro Cárdenas	City Express	Owned	Nov-08	119	Michoacán
31	Puebla Angelópolis	City Express	Co-Owned	Nov-08	118	Puebla
32	Tijuana Río	City Express	Managed	Dec-08	131	Baja California
33	Silao	City Express	Owned	Dec-08	121	Guanajuato
34	Toluca	City Express Suites	Owned	Dec-08	91	Estado de México
35	Monterrey Aeropuerto	City Express	Owned	Dec-08	130	Nuevo León
					3,839	
36	El Angel	City Express Plus	Owned	Jan-09	137	Ciudad de México
37	Mexicali	City Express Junior	Owned	Feb-09	106	Baja California
38	Chihuahua	City Express Junior	Franchise	Mar-09	105	Chihuahua
39	Tula	City Express	Managed	Mar-09	103	Hidalgo
40	Los Mochis	City Express	Owned	Jun-09	124	Sinaloa
41	Zacatecas	City Express	Managed	Jun-09	109	Zacatecas
42	Tijuana Otay	City Express Junior	Co-Owned	Jun-09	134	Baja California
43	Veracruz	City Express	Leased	Sep-09	124	Veracruz
44	Saltillo Sur	City Express	Owned	Dec-09	107	Coahuila
45	Cancun	City Express Junior	Leased	Nov-09	106	Quintana Roo
					4,994	
46	Tlaquepaque	City Express Junior	Leased	Feb-10	107	Jalisco
47	Ciudad Juárez	City Express Junior	Owned	Mar-10	128	Chihuahua
48	Poza Rica	City Express	Co-Owned	Mar-10	118	Veracruz
49	Nogales	City Express	Owned	Nov-10	109	Sonora
50	San Luis Univ.	City Express	Co-Owned	Dec-10	109	San Luis Potosí
					5,565	

Number	Hotel	Brand	Investment Scheme	Opening	Rooms	Location
51	Minatitlán	City Express	Co-Owned	Mar-11	109	Veracruz
52	Mérida	City Express	Co-Owned	Apr-11	130	Yucatán
53	Torreón	City Express	Managed	May-11	115	Coahuila
54	Culiacan	City Express	Co-Owned	Jun-11	133	Sinaloa
55	Veracruz	City Express Junior	Leased	Jul-11	104	Veracruz
56	Aguascalientes	City Express	Owned	Aug-11	123	Aguascalientes
57	Buenavista	City Express	Managed	Sep-11	103	Ciudad de México
58	Playa del Carmen	City Express	Co-Owned	Sep-11	135	Quintana Roo
59	Puebla Autopista	City Express	Co-Owned	Oct-11	108	Puebla
60	Tuxtla Gutierrez	City Express Junior	Leased	Oct-11	106	Chiapas
61	Manzanillo	City Express	Owned	Nov-11	116	Colima
62	Ciudad del Carmen	City Express	Co-Owned	Dec-11	129	Campeche
					6,976	
2011						
63	Ciudad Obregon	City Express	Owned	Jan-12	120	Sonora
64	Campeche	City Express	Owned	Apr-12	110	Campeche
65	San Luis Potosi	City Express Suites	Managed	Jul-12	120	San Luis Potosí
66	Villahermosa	City Express	Owned	Jul-12	155	Tabasco
67	Queretaro Jurica	City Express	Co-Owned	Sep-12	135	Querétaro
68	Durango	City Express	Co-Owned	Oct-12	120	Durango
69	San José	City Express	Owned	Nov-12	134	Costa Rica
70	Xalapa	City Express	Managed	Dec-12	126	Veracruz
71	Tijuana Insurgentes	City Express	Owned	Dec-12	127	Baja California
					8,123	
2012						
72	Chetumal	City Express	Leased	Mar-13	109	Quintana Roo
73	Santa fe	City Express Plus	Co-Owned	Jun-13	159	Ciudad de México
74	Santa fe	City Express Suites	Co-Owned	Aug-13	39	Ciudad de México
75	Oaxaca	City Express	Managed	Oct-13	103	Oaxaca
76	Salina Cruz	City Express	Managed	Oct-13	116	Oaxaca
77	Patio Universidad	City Express Plus	Owned	Dec-13	124	Ciudad de México
78	La Paz	City Express	Owned	Dec-13	124	Baja California Sur
79	Puebla Autopista	City Express Junior	Co-Owned	Dec-13	113	Puebla
80	Cali	City Express Plus	Owned	Dec-13	127	Colombia
81	Cananea	City Express	Co-Owned	Dec-13	98	Sonora
82	Irapuato Norte	City Express	Co-Owned	Dec-13	122	Guanajuato
					9,357	
2013						
83	Cd. Del Carmen Isla de Tris	City Express Junior	Managed	Feb-14	109	Campeche
84	Cd. Del Carmen Aeropuerto	City Express Junior	Co-Owned	Feb-14	124	Campeche
85	Tehuacan Puebla	City Express	Managed	Mar-14	108	Puebla
86	Dos Bocas Tabasco	City Express	Co-Owned	May-14	108	Tabasco
87	Monterrey Norte	City Express	Managed	Aug-14	115	Nuevo León
88	D.F. Central de Abastos	City Express	Leased	Sep-14	135	Ciudad de México
89	Puebla Autopista	City Express Suites	Co-Owned	Sep-14	72	Puebla
90	Apizaco	City Express	Managed	Sep-14	104	Tlaxcala
91	Cd Victoria	City Express	Managed	Oct-14	108	Tamaulipas
92	Satélite	City Express Plus	Franchise	Oct-14	89	Ciudad de México
93	Monterrey Nuevo Sur	City Express Plus	Owned	Dec-14	138	Nuevo León
94	Matamoros	City Express	Owned	Dec-14	113	Tamaulipas
95	Salamanca	City Express	Owned	Dec-14	113	Guanajuato
96	Villahermosa	City Express Junior	Owned	Dec-14	136	Tabasco
					10,929	
2014						
97	Los Cabos	City Express Plus	Owned	Apr-15	135	Baja California Sur
98	Los Cabos	City Express Suites	Owned	Apr-15	28	Baja California Sur
99	Tuxpan	City Express	Managed	Jul-15	108	Veracruz
100	Guadalajara Palomar	City Express Plus	Owned	Jul-15	113	Jalisco
101	Guadalajara Aeropuerto	City Express	Managed	Nov-15	118	Jalisco
102	Piedras Negras	City Express	Owned	Dec-15	113	Coahuila
103	D.F. Periférico Sur	City Express Plus	Owned	Dec-15	137	Ciudad de México
104	Monterrey San Jerónimo	City Express Plus	Owned	Dec-15	149	Nuevo León
105	Playa del Carmen	City Express Suites	Co-Owned	Dec-15	56	Quintana Roo
106	Silao	City Express Suites	Owned	Dec-15	58	Guanajuato
					11,944	
2015						

Number	Hotel	Brand	Investment Scheme	Opening	Rooms	Location
107	Aguascalientes Centro	City Express Junior	Managed	Apr-16	66	Aguascalientes
108	CD MX Aeropuerto	City Express	Managed	Apr-16	98	Ciudad de México
109	San Luis Potosí Centro	City Express Junior	Owned	Apr-16	128	San Luis Potosí
110	CDMX Alameda	City Express	Managed	Jul-16	112	Ciudad de México
111	Reynosa Aeropuerto	City Express	Owned	Jul-16	113	Tamaulipas
112	Tijuana	City Express Suites	Managed	Jul-16	79	Baja California
113	Santiago Aeropuerto	City Express	Co-Owned	Aug-16	142	Santiago, Chile
114	Toluca Zona Industrial	City Express Junior	Managed	Sep-16	92	Estado de México
115	Rosarito	City Express	Owned	Sep-16	113	Baja California
116	Zamora	City Express	Managed	Nov-16	114	Michoacán
117	Mundo E	City Express Plus	Leased	Dec-16	144	Estado de México
118	Bogotá Aeropuerto	City Express Plus	Owned	Dec-16	120	Bogotá, Colombia
119	Bogotá Aeropuerto	City Express Junior	Owned	Dec-16	116	Bogotá, Colombia
120	CDMX La Raza	City Express	Owned	Dec-16	127	Ciudad de México
121	Mérida Altabrisa	City Express Junior	Co-Owned	Dec-16	106	Yucatán
122	Querétaro Torre II	City Express Suites	Owned	Dec-16	44	Querétaro
123	CDMX	City Centro	Leased	Dec-16	44	Ciudad de México
					2016	13,702
124	Celaya Galerías	City Express	Managed	Jan-17	127	Guanajuato
125	San Luis Potosí Zona Industrial	City Express Junior	Managed	May-17	122	San Luis Potosí
126	Altamira	City express	Co-Owned	Jul-17	127	Tamaulipas
127	Puebla Angelópolis	City express junior	Co-Owned	Jul-17	122	Puebla
	Mérida (Rooms Addition)	City express	Co-Owned	Jul-17	42	Yucatán
					2017	14,242