GROWTH

Progress & Development

13

ANNUAL REPORT

POSADAS®

Letter to stockholders

DEAR BOARD MEMBERS AND STOCKHOLDERS:

We are very pleased to share our 2013 results for Grupo Posadas. This year we experienced good performance as a result of a strategic plan focused on growth and a management program that allowed us to consolidate adequate financial health.

The following highlights are particularly of note:

We closed the year with EBITDA of $1.273 billion pesos —including the sale of 14 hotels—, which represents a 21% increase, or $219 million pesos, over 2012.

2013 was a record year for signing new contracts, exceeding previous levels (such as in 2008), by signing 20 new projects for a total 64 Fiesta Inn hotels and 35 One hotels in Mexico in 2014.

These important achievements resulted from the strategic framework we presented last year, based on our four principal directives, and were marked by the following significant events:

a. *Asset right* model

Our strategy throughout 2013 was directed at having the assets we want (*asset right*), and also increased cash flow with lower leverage. Carrying out this vision, together with good operating results, led Grupo Posadas to close with a cash balance of $1.232 billion (US$94 million), which will allow us to invest in the future growth of the company.

b. Accelerated growth

The strength and innovation of our Vacation Property (Provac) portfolio produced the following highlights:

Vacation Property Operation. Growth defined the business, by reaching 43,700 members and contributing to an increase of 14% over last year.

KIVAC reported net sales of $297 million pesos and after four years, today has 13,500 members, which we estimate will yield 630,000 room nights over the next four years for the Posadas system. This represents approximately 10% of the room nights available per year.

The Front Door is our new product in the Provac portfolio: a luxury vacation club that offers select options in residential and hotel properties at exclusive destinations.

Our actions and strategies were also reflected in our expansion and development:

We completed phase three of the Fiesta Americana Vacation Club Los Cabos project, which started operations in December 2013, with the incorporation of 148 new keys.

The expansion and development of Fiesta Americana Vacation Club continue with the acquisition of two development lots located in Acapulco Diamante and Nuevo Vallarta, in the last quarter of 2013.

c. Investment in brands

We continue our efforts to offer new experiences with our leading brands.

Fiesta Inn. Leader in the Business Class segment, in 2013 we completed the renovation of 12 hotels that evolve towards the new concept, with large, modern, and functional rooms, and a new model for integrated and warm public areas with a variety of spaces to choose from. For 2014, we are expecting to complete the renovation of nine hotels and to open another nine, which will make a total of 33% of all Fiesta Inn hotels operating under the new concept.

Fiesta Americana and *Fiesta Americana Grand*. During 2013, the new Fiesta Americana Grand and Fiesta Americana city products were designed, directed at high level business travelers. Fiesta Americana is today an avant-garde, sophisticated space that goes further in its offerings than a traditional hotel. Its spaces are designed to weave warm atmospheres and exclusivity with special details, flexible and open areas, as well as the personal attention that distinguishes our brand. A new architectonic and interior design with the exclusivity, style, and sophistication of a world class hotel.

Fiesta Rewards. To recognize and thank our guests for their preference, we signed a three-year alliance with Le Club Accorhotels, Accor's loyalty program, one of the most important hotel companies in the world and the leader in the European market. This alliance allows program members to transfer their points between Fiesta Rewards and Le Club Accorhotels and redeem these for stays at more than 2,700 hotels in 92 countries. Fiesta Rewards represents, approximately, 25% of the occupancy in the whole of the Posadas system and is one of the most important competitive advantages of our city hotels.

d. Financial health

To optimize the company's value, we divested a series of assets, both corporate and hotel, to obtain the resources necessary to focus on new strategic projects that stay closer to our line of business.

Conclusions

In 2013, the follow-up on and focus of our strategic plan were intensified, which produced good operating results. Today, Grupo Posadas is recognized as a company with a good balance of strategic assets (*asset right*), with important growth in the Vacation Club operation, renovated products and brands, recognized in Mexico, and with a new record in terms of agreements, signing 41 new hotels with more than 5,500 rooms.

We also have an extensive network of owners who have entrusted their investment to the Posadas operation and brands. The results obtained in 2013 are proof of our commitment and confirm us as an attractive option for investment, having reported growth of more than 13.4% in our Net Operating Income (GOP, Gross Operating Profit).

We're optimistic in terms of the challenges we may face in 2014, as there are big opportunities looking ahead. We are planning to open another 18 hotels, continue the renovation of 15 Fiesta Inn brand hotels, and start operations at The Explorean Cozumel and Fiesta Americana Vacation Club Cozumel.

I appreciate your confidence in me and my team this year when we took such important steps on the path we hope will lead us to unprecedented growth.

Sincerely

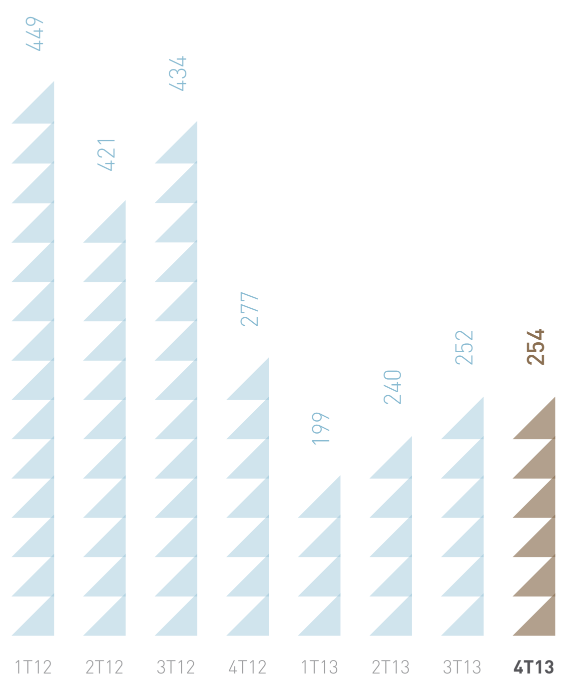
JOSÉ CARLOS AZCÁRRAGA

CHIEF EXECUTIVE OFFICER

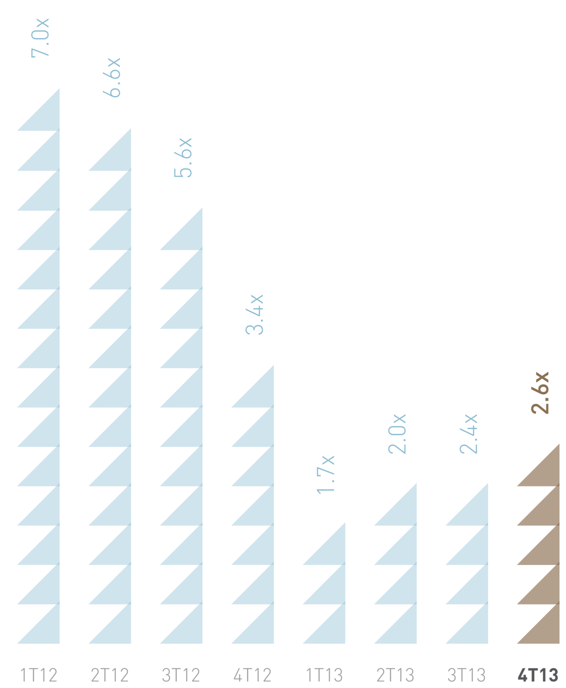
February 2014

Debt indicators

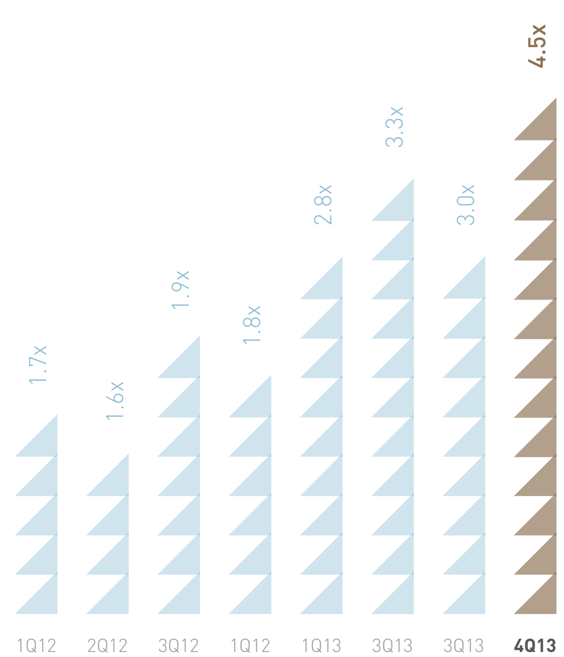
NET DEBT (US$M)



NET DEBT / EBITDA

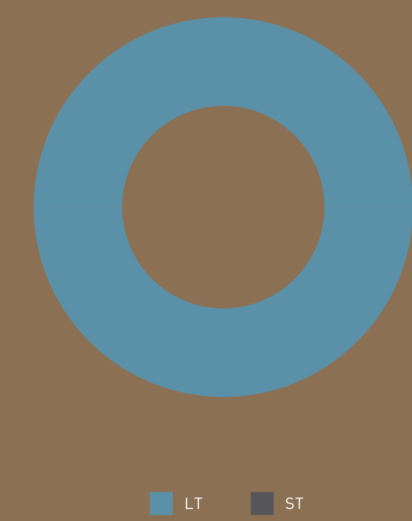


NET INTEREST INCOME

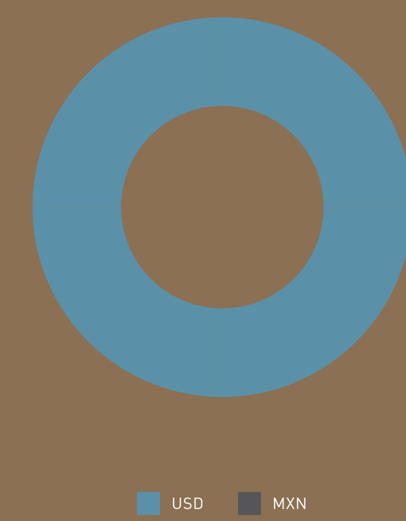


Mix of debt - Q413

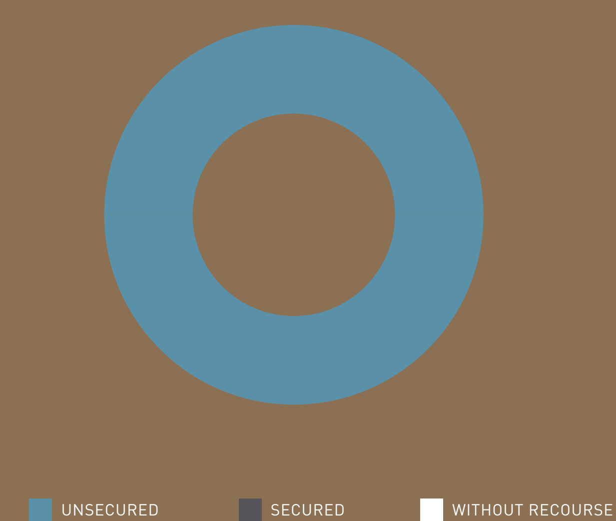
TERM



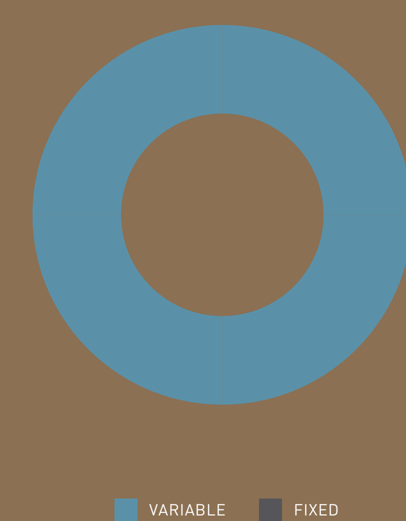
CURRENCY
(TOTAL DEBT)



SURETY



RATE



TOTAL DEBT WAS $4.5576 BILLION (US$348.5 MILLION), NET OF ISSUE EXPENSES, WHILE NET DEBT, ACCORDING TO IFRS, WAS US$254.3 MILLION; THE NET DEBT TO EBITDA RATIO WAS 2.6 TIMES, WHICH COMPARES FAVORABLY WITH THE 3.4 TIMES REPORTED IN Q412.

Finances

THE STRATEGY TO START TO HEAL THE GROUP'S FINANCES BEGAN WITH THE SALE OF THE HOTELS IN SOUTH AMERICA, WHICH GENERATED RESOURCES OF US$278 MILLION.

During 2013, the company successfully continued to deleverage and its *Liability Management* program —which had begun in the second half of 2012—, in contrast to the complicated situation this year.

The strategy to start to heal the Group's finances began with the sale of the hotels in South America, which generated resources of US$278 million. This revenue allowed us to prepay $2.250 billion (US$175 million) on the securities certificates, various secured bank loans for a total US$47 million and a convertible loan for US$6 million, and we started to clear positions in derivatives for US$3 million.

Sequentially, in November 2012, a US$225 million five-year note was released (7.875% Senior Notes due 2015) with an annual interest rate below 9.25% Senior Notes due 2015 and, simultaneously, with these resources, US$117 million in Notes maturing 2015 were repurchased and $900 million (US$79 million) was prepaid on a Convertible Bond.

In January 2013, Grupo Posadas announced the successful placement of an additional US$50 million offering on its 2017 Senior Notes, at a price of 106.462%, equal to a yield at maturity of 6.3%.

At the time, this offering had the lowest rate for Notes, rated B2 by Moody's, B by S&P, and B+ by Fitch. The net proceeds from the offering of the additional Senior Notes and from the sale of the Fibra-Hotel hotels were used to pay the US$21.5 million outstanding balance on a bank loan. These three events and the sale of 14 hotels also represented increased cash for the company.

In addition, on April 30, 2013, discontinuances were filed with the courts corresponding to actions pursued by the Company and various of its subsidiaries against tax obligations amounting to $1.414 billion pesos, generated between 2004 and 2008.

Consequently, on May 7 a payment was made for 10% of this amount and the remainder was forgiven in accordance with the favorable resolution received May 14, 2013 from the Federal Tax Service.

Meanwhile, as a result of the new tax laws in Mexico taking effect, we have had to recognize $882 million in Income Tax payable, derived from the elimination of Fiscal Consolidation, plus a tax payable for $1.297 billion as a result of the elimination of the SIBRAS regimen.

The execution of the strategy in 2013 relative to having the assets we want (*asset right*), more cash flow, and lower leverage, together with good operating results, led to a considerable improvement in our financial health. The company's cash balance, to consolidate as of December 31, 2013 a total of $1.232 billion (US$94 million), will be invested in underscoring the growth of Grupo Posadas.

As a result, the company closed 2013 with EBITDA of $1.273 billion pesos —including the sale of 14 hotels—, which represents an increase of 21%, or $219 million pesos, over 2012.

Our 2013 financial statements report a consolidated net loss of $1.758 billion. These results were affected primarily by extraordinary events (among others, the impairment of assets and the elimination of fiscal consolidation), which, from our perspective, do not impact our ability to generate flow, in addition to our cash position being sufficient to meet our future commitments.

Fiesta Americana Santa Fe

AS A COMPREHENSIVE HOTEL COMPANY, HOTEL OWNER AND OPERATOR, GRUPO POSADAS OPERATES MORE THAN 104 HOTELS AND 18,000 ROOMS UNDER OUR SIX BRANDS.

13.4% GROWTH IN NET OPERATING INCOME

Fiesta Inn Chetumal

Live Aqua Mexico City

Grupo Posadas: profitability and efficiency

REGARDING RESORT HOTELS, OUR SUCCESS IN THE CONVERSION AND OPERATION OF OUR HOTELS TO THE ALL-INCLUSIVE CONCEPT HAS LED TO THE SIGNING OF OUR FIRST ALL-INCLUSIVE FIESTA AMERICANA PROJECT IN PUERTO VALLARTA, WITH 438 ROOMS.

A. PROPERTY

At Grupo Posadas we continue our efforts to consolidate our leadership in all categories, as our 2013 results show. As of December 31, 2013, we had signed agreements to operate 41 new hotels with 5,584 more rooms.

Also, 2013 was a record year in terms of signing new contracts, which allowed us to exceed previous levels, such as in 2008. During the reporting period, 20 new projects were signed to make a total 64 Fiesta Inn hotels and 35 One hotels in the country in 2014.

These projects, besides various Fiesta Inn hotels, include others of great importance under the Fiesta Americana brand.

Two flagship projects stand out in Monterrey: one in the heart of Valle Oriente, with the Trebol project, which involves one 180-room Fiesta Americana Grand hotel and one 46-room Aqua hotel; the other downtown, at the Pabellon M tower, where there will be a —newly designed— 183 room Fiesta Americana hotel.

In addition to these projects, we have added a Fiesta Americana Grand in Puebla, beside the Angelopolis shopping mall, and another in Oaxaca, as well as the Fiesta Americana San Luis Potosi. All of this has resulted in very significant growth for the Fiesta Americana brand.

Regarding resort hotels, our success in the conversion and operation of our hotels to the All-Inclusive concept has led to the signing of the first project for a Fiesta Americana All Inclusive in Puerto Vallarta, with 438 rooms.

The whole of this development plan represents a 29% increase in the offering of rooms. Of this percentage, 77% are Fiesta Inn and One Hotels brands.

These hotels represent a total investment of US$423.2 million, which will be made by Grupo Posadas´s independent investors. The Group has contributed approximately 7% of this amount, corresponding to the investment for the final phase of the Vacation Club in Los Cabos.

The openings will start in the first quarter of 2014. It is expected that all the hotels will be in operation before December 2015, as scheduled with the owners of the properties.

B. FRANCHISE

In keeping with our strategy of growth and development, we have strengthened our Franchise division through four pillars: brands and marketing, brand standards, loyalty programs, and distribution systems.

BRANDS AND MARKETING

LIVE AQUA

Sensory is the word that defines the brand, embodying the aromas, the music, the flavors that carry the guest to experience unbridled luxury.

In 2013, Posadas consolidated the brand concept by taking the sensations, aromas and comfort found at the beach to the urban setting of Mexico City. The success of this challenge was recognized by the experts at the publication Condé Nast Traveler, who included the Hotel Live Aqua Mexico City on their "Hot list editors' picks of the world's Best New Hotels of 2013".

FIESTA AMERICANA AND FIESTA AMERICANA GRAND

To keep the brand at the forefront and to respond to the needs of the new high level business traveler, we redesigned our Fiesta Americana Grand and Fiesta Americana city products in 2013. With this, we are offering more than spaces, warm atmospheres, and exclusivity, special details, flexible and open areas, as well as the personal attention that is characteristic of the brand.

The new architectonic and interior design reflects the exclusivity, the style, and the sophistication of a world class hotel, combined with our standards of service.

The brand maintains its leadership, and for the third year running, Fiesta Americana received the "Global Traveler" award, recognizing this as the best hotel chain in Mexico. This prestigious international award is given to the tourism sector.

We also re-launched The Explorean, backed by the Fiesta Americana brand, and started construction on the second The Explorean in Cozumel.

Fiesta Americana Grand Coral Beach Cancun

FIESTA INN

During 2013, Fiesta Inn has continued the expansion of its new concept, distinguished for its multi-purpose and friendly spaces, connected and independent, serving the needs of the new business traveler.

As a leading brand in the Business Class segment in Mexico, with 60 properties and presence in 41 destinations nationwide, at 2013 close, Fiesta Inn had renovated a total of 12 hotels to offer travelers the experience of a 360° lounge: an open, multi-purpose space where, in addition to the reception desk and the restaurant, guests will find La Isla, offering snacks; a work area with B-on table, connectivity and computers, and a place to relax, with TV and bar.

The goal is to attract new business opportunities with our commitment to evolving our current hotels into the new brand concept, by modernizing and building infrastructure.

ONE

During 2013, the goal and the communication of One Hotels changed: from a hotel for "Economy Class" business travelers, to a concept for all types of budget travelers, either business or pleasure. Its promise: "Travel doesn't have to cost a lot."

The brand currently has 23 hotels and will soon open another 18.

The One Hotels brand is also evolving and has a new multi-purpose lobby area, adapted to and thinking of the traveler who wants to feel comfortable and have everything they need for their stay.

GAMMA

Posadas introduces GAMMA by Fiesta Inn, a new brand that launches Grupo Posadas into the franchise model. This is a brand designed to affiliate hotels that are already present in the market. Its product standards are flexible, without sacrificing quality.

GAMMA is the brand that has the best of two worlds; it maintains the essence of known local hotels, appreciated by their guests, but will now become part of the Posadas family. It also offers the option of owner or Grupo Posadas operation.

GAMMA by Fiesta Inn will offer the charm of the local magic at Mexico's favorite destinations, with benefits and service our guests recognize. With this option, Grupo Posadas jumps into the franchise market full force.

Marketing

VIAJA is the promotions platform for the Grupo Posadas hotels, whose consolidation in 2013 included the incorporation of different sales segments, such as national groups, conventions, and national consortiums, through different formats and value added for the business and vacation segments. This has made us the best option for accommodation at more than 50 destinations throughout Mexico.

VIAJA reported 35% growth in sales in 2013, in its different formats.

In 2014, we will continue with our VIAJA campaign as the principal platform for communication and sales of promotions for all the hotels

The Explorean

We Thank Our Guests for their Loyalty: Fiesta Rewards

At the hotels, 25% of occupancy is thanks to Fiesta Rewards members, our loyalty program that rewards the effort and preference of the frequent guests of our hotel brands.

We have evolved constantly in terms of image, benefits, and commercial partnerships, to continue to consolidate as a versatile program offering our members outstanding service.

To celebrate our 25th anniversary, in 2013, we finalized an alliance with the hotel chain Accor increasing the benefits offered to Fiesta Rewards and Le Club Accorhotels members.

Without doubt, this partnership offers one of the most attractive options for travelers worldwide. With this association, we have expanded the scope of Fiesta Rewards internationally and strengthened our position as the best hotel program in Mexico, and also the value proposition with our members.

Distribution systems

In keeping with our goal of achieving operating efficiency through automation, in 2013 we attained direct connectivity with 17 intermediary wholesale agents, which allows us to offer dynamic rates and to improve revenue management.

These automatic interfaces generated a 45% year-over-year increase in room revenue in these same segments.

Our corporate account channel (Corpo-rate) added 330 new accounts thanks to the efforts of the sales force, corporate and local, increasing room revenues from this channel by 40% compared to 2012. This practically maintained the cost of the channel.

Regarding our call center (Konexo), the initiatives and achievements in 2013 include the following:

- Posadas "Voice at your service" project
    - Unnecessary processes are eliminated
    - Reservation processes are improved or simplified
    - Changes are made to platforms to make the reservation process more efficient
- Staff optimization, to generate savings on billing
- Investment in hardware and software to generate savings in operating expenses

CRM systems and smart marketing

We have a database with more than 150,000 preferences that help us to tailor the stays of our guests, even when they visit the hotel for the first time. Thus, we can create memorable experiences by offering personalized service.

At Grupo Posadas, we have set out to offer the best experience using different tools and platforms that allow us to identify consumer patterns, and also we have the best channels of communication for campaigns and promotions to help us develop cross and up selling opportunities.

We have an e-mail marketing capacity of more than 15 million messages, with a conversion (purchase) rate above the industry average.

We maintain an optimal resource management system so as to ensure the best return at the lowest cost possible, and also to identify the sensitivity of response based on seasonality and type of travel.

In addition, we incorporated a reporting system for reservations by segment, agency, and channel, to visualize our PMS automatically and in real time. Having this information means the sales team can prepare analyses of reservation trends by customer/vendor in real time to be able to implement key actions proactively.

C. HOTELERA POSADAS

As a comprehensive hotel company, hotel owner and operator, and also project developer and coordinator, at Grupo Posadas we operate more than 104 hotels and over 18,000 rooms under our six brands. This allows for an efficient centralized management and a high level scale economy.

Our strategic focal points are:

• Owners

The results obtained in 2013 are proof of our commitment to the owners and confirm Grupo Posadas as an attractive option for investment, having reported growth of more than 13.4% in our Net Operating Income (GOP, Gross Operating Profit).

The estimates agreed to with our owners were surpassed at more than 50% of the hotels, while the others saw minimal variation.

• Our people

The competitive advantage in operations for our brands is "Our people." This is why all our projects in 2013 focused on attracting, developing, and retaining our talent.

In 2013, we focused on listening, understanding, and orienting the voice of our team members, through a new measuring tool for our work climate, which also allows us to further our vision of "Making Posadas the best place to work."

Since its beginnings, this program has formed part of the ongoing improvement plans and is a means for us to stay close to our team members.

With this vision, in 2013, we identified and selected more than 664 team members. In this initial phase, we have identified their plans for professional growth and development, to earmark these team members for key positions.

Of the 206 positions filled this year, 80% were through in-house promotions. Actions such as these allow us to cover key positions at our hotels in a timely and efficient manner.

Also, we launched our Executive Training program, which aided in the promotion of 54 team members to management positions in the different brands, through a four-month practical training program. The program teaches the management, technical, and operational skills needed to lead an area. The final evaluation is carried out by the area's Director of Operations.

Live Aqua Cancun

Live Aqua Mexico City

We will continue to promote global actions to improve the satisfaction of our team members in the workplace.

Expert team members

To create memorable experiences, our team members need to be experts in their duties.

In 2013, we strengthened our Operational Training program, which focused on generating impact on the quality and productivity indicators through an analysis and focus on the guest's voice, which includes the operating needs of the hotels.

This focus allows us to develop plans so that our team members are able to take, at least once a month, an operational training program, and perform their duties to the standards of quality that distinguish us.

IN 2013, WE STRENGTHENED OUR OPERATING TRAINING PROGRAM, WHICH FOCUSED ON GENERATING IMPACT ON THE QUALITY AND PRODUCTIVITY INDICATORS THROUGH AN ANALYSIS AND FOCUS ON THE GUEST'S VOICE, WHICH INCLUDES THE OPERATING NEEDS OF THE HOTELS.

We also have operating manuals for different areas, such as: food and beverage, human resources, duties and responsibilities, which standardize our processes, strengthen compliance with regulations, and support the ongoing training of our team members.

These actions are complemented with the 62 institutional courses in which 47 hotels and 2,550 team members from all levels have participated, and also nine training courses on hotel openings and conversions, which covered 100% of the workforce.

Thanks to these efforts, our guest satisfaction rating has improved, a trend that has exceeded previous results in this area.

• Impeccable properties

To ensure the properties are maintained, increase their value, and continue to meet guest needs, Grupo Posadas places special emphasis on decisions regarding the quality systems that validate compliance with standards.

To achieve this, we have developed a new tool that helps to follow-up on actions to correct the problems identified through evaluations, which, since its implementation, has led to a nearly 3 percentage point increase in the quality system rating, thanks to good follow-up on the actions plans.

As a complement to this work, Grupo Posadas has defined standards of "Zero Tolerance" to preserve the safety of our guests while on our premises. We report potential risks and communicate the measures the hotel should take, and also inform the hotels of the penalties that may be incurred if they do not comply. At 2013 close, we achieved a 40% reduction in the number of problems, thanks to the implementation of this policy.

We also sought the approval of capital expenditures through a tool that automates and improves the approval process for Capex, with an 85% reduction in response times.

This year, 80% of the Capex requested was approved, which had a positive impact on improving the satisfaction of our guests and meeting our standards.

• Operating efficiency

Our goal is to create memorable experiences for our guests and to achieve this, we've undertaken initiatives that will put us on the cutting edge.

Throughout the year, we've focused our efforts on strategic areas such as:

1) Tailored service. We aim to recognize and anticipate the needs of our guests through our tailored service program.

   Our "Ana" smartphone application was created, which is already being used by more than 3,500 guests, offering a virtual concierge service to help guests get the most out of their stay at our hotels.

   We registered a 30% increase in the preference recognition of our guests and in the number of congratulatory remarks, driven by training and the recognition of the work of our team members.

2) Key Manager. This new project is starting to be implemented at *Fiesta Americana*. It seeks to improve attention and service tailored to the needs of the guest, problem solving, and providing immediate response to critical situations. Since the project was launched, customer satisfaction at reception has increased 0.5 percentage points.

3) Chef 2.10. The goal of this initiative is to make the service at our food and beverage facilities more efficient and personal, and also to ensure quality and service. The aim is that the responsibility for the Food and Beverage area will lie with just one person, who has expertise and management skills in Administration and Service. We currently have 10 hotels that have adopted this new model.

• Passion for the business

Our marketing model starts with identifying demand and the environment, to then classify our hotels into three strategic circles. This helps us to achieve short, medium and long term sales, and to optimize inventory and our rates.

In addition to strengthening our own marketing channels, we've prepared a narrative so that each property, in the case of the resorts, can tell the story of the concept and their experience.

Fiesta Americana Grand Coral Beach Cancun

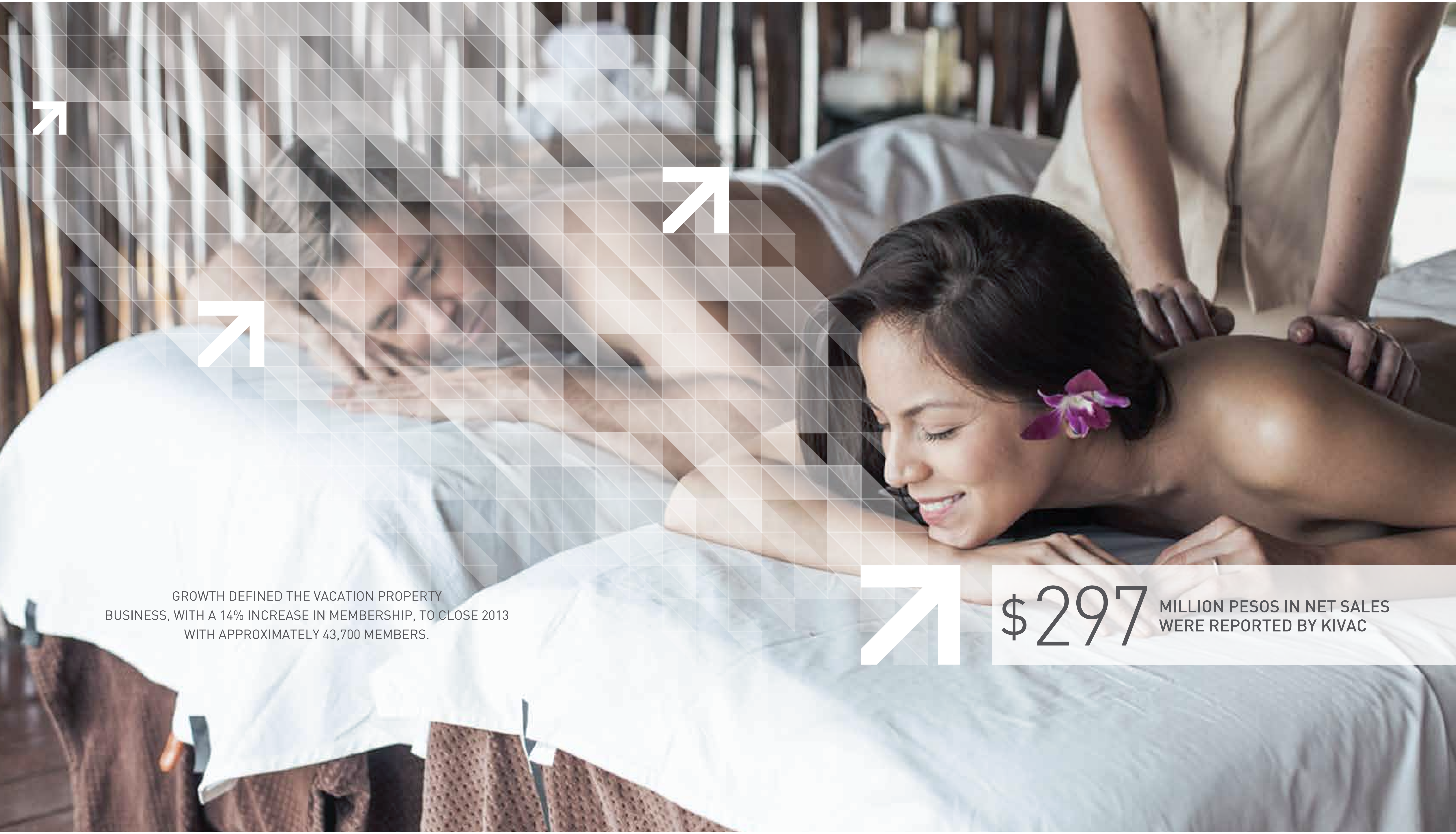
This effort has been reflected in the social media, where Live Aqua, for example, has 10,000 likes on Facebook, and also in recognitions and the top spot in recommendations on one of the largest travel websites in the world, Trip Advisor.

Essential marketing values:

- 24/7 PASSION FOR THE BUSINESS
- ADAPTATION OF PROCESSES TO CUSTOMER NEEDS
- REINFORCE THE PROFESSIONALIZATION OF THE SALES FORCE. ("FULL CIRCLE BUSINESS")
- SPIRIT OF TEAMWORK
- FOCUS ON LONG AND MEDIUM-TERM SALES, AND OPTIMIZE SHORT-TERM SALES. MORE AND BETTER CUSTOMERS
- BETTER DISTRIBUTION AND VISIBILITY OF OUR PRODUCTS, WITH PREFERENCE GIVEN TO MORE PROFITABLE CHANNELS
- SPEED OF RESPONSE THROUGH THE ONGOING OPTIMIZATION OF OUR TIMES AND RESOURCES
- INCREASED EXPOSURE, CREATIVITY & INNOVATIVE PROMOTIONS

• Support and monitoring system

We are offering an innovative service with a new application that will extend the hotel experience to the smartphones of our guests, contacts, and the general public. From the comfort of a smartphone, users can quickly, dynamically, and securely access relevant information for our hotels to make reservations, find out about our various services, and make their stay a different experience.



GROWTH DEFINED THE VACATION PROPERTY BUSINESS, WITH A 14% INCREASE IN MEMBERSHIP, TO CLOSE 2013 WITH APPROXIMATELY 43,700 MEMBERS.

$297 MILLION PESOS IN NET SALES WERE REPORTED BY KIVAC

Provac: Vacation experiences

US$18 MILLION INVESTED IN 2013 IN A COMPLETE REMODELING OF THE FIESTA AMERICANA COZUMEL HOTEL.

FIESTA AMERICANA VACATION CLUB

In 2013, we invested US$18 million in a complete remodeling of the Fiesta Americana Cozumel hotel, to introduce a vacation concept of all-inclusive suites. The inventory of this hotel will be allocated to our Vacation Club, to increase the offerings for this product.

Meanwhile, one of the sections of the property was transformed to create The Explorean Cozumel by Fiesta Americana, with 56 rooms, to start the expansion of this special category hotel brand. The value added on the brand is an adventure vacation experience with superior service and absolute comfort. Ideal for couples or groups of friends.

We also completed phase three of the Fiesta Americana Vacation Club Los Cabos project, which started operations in December 2013, with the incorporation of 148 new keys.

The expansion and development of Fiesta Americana Vacation Club continues with the acquisition of two lots for development in Acapulco Diamante and Nuevo Vallarta in the last quarter of 2013.

These projects will represent an increase of more than 50% of the total inventory of the Vacation Club modules.

KIVAC

After four years in the market, KIVAC now has 13,500 members and more than 630,000 room nights, representing 10% of the rooms available in the Posadas system. Net sales were $297 million pesos in 2013.

KIVAC —a system of points redeemable for accommodation— has allowed us to innovate the marketing of hotel rooms during low season, and also to respond to the travel needs and budget of a customer segment that offers interesting opportunities to maximize growth in this area of the business.

Month to month, our customers reserve more than 3,500 room nights and over 85% of these are incremental rooms, meaning inventory that is typically under-utilized.

During 2013, the KIVAC Card project was consolidated to mass market KIVAC, launching into retail commercial channels in addition to corporate sales. The results of this effort will be seen in 2014.

THE FRONT DOOR

We have launched a new product, The Front Door: a private, residential club that gives access to an exclusive experience of service and originality for those looking for the unique vacation in a relaxed, different, and flexible environment.

A club that offers memorable experiences, at spectacular destinations, in luxury accommodations.

The Front Door offers a select portfolio of residential properties; the freedom to enjoy vacations; expert and tailored advice so that club members don't have to worry about anything other than enjoying every minute of their trip.

To access the benefits and privileges the club offers, members purchase a points package to be redeemed over 40 years, to reserve vacations at the developments that are part of the The Front Door portfolio.

In April 2013, Grupo Posadas acquired 16 spectacular two and three bedroom apartments in Puerto Vallarta, across from the marina in the most vibrant zone of the city. These apartments are exclusive to the The Front Door portfolio.

The Front Door Marina Vallarta


BUSINESS ETHICS, QUALITY OF LIFE IN THE COMPANY, CONNECTION WITH THE COMMUNITY & RESPECT FOR THE ENVIRONMENT, WITH A FOCUS ON SUSTAINABILITY
820 CHILDREN AND YOUTH RECEIVED EDUCATIONAL SCHOLARSHIPS

Fundación Posadas: social responsibility

IN 2013, WE HAVE FOCUSED OUR EFFORTS AND STRENGTHENED OUR ACTIVITIES IN TERMS OF SOCIAL RESPONSIBILITY IN ECONOMIC, SOCIAL, AND ENVIRONMENTAL ASPECTS, WITH PROGRAMS BOTH WITHIN AND OUTSIDE THE COMPANY

Our focus has led to both the group and our brands being awarded, for the first time, the Socially Responsible Company distinction. This is due to both the sustainability of our operation and our consideration for the interests of the groups with which we interact, such as vendors, guests, the community, and the authorities, while also caring for the environment.

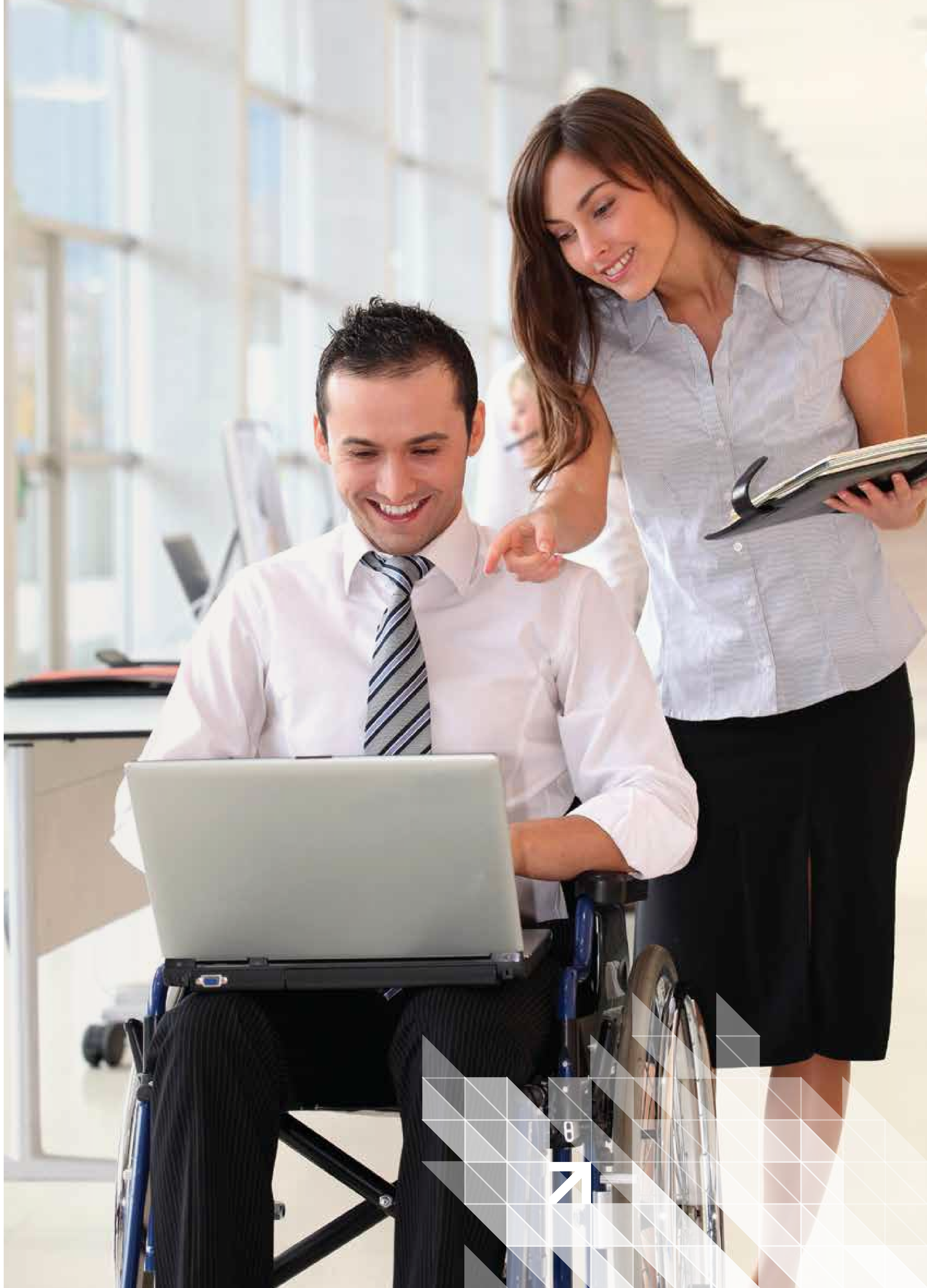
QUALITY OF LIFE IN THE COMPANY

- We promote training and development programs for personnel directed at sustainability and offering opportunities for professional growth
- We foster a sense of belonging and teamwork
- We adopt healthy work practices in a clean and safe workplace
- We hire differently abled people in a non-discriminatory environment

These efforts have also earned us the Equal Opportunity Company Award given by the Ministry of Labor and Social Welfare (Secretaría del Trabajo y Previsión Social, STPS).

CONNECTION WITH THE COMMUNITY

Fundación Posadas promotes initiatives and programs that contribute to development in Mexico and to improving the quality of life for people in vulnerable situations, particularly in the areas of health, education, and lifestyle.



640,000 CHILDREN SUPPORTED THROUGH OTHER FOUNDATIONS IN WHICH FUNDACIÓN POSADAS IS INVOLVED

Health

Fundación Posadas has supported more than 6,900 children and youth since 2006, through the following alliances and actions:

- Children with cancer, in collaboration with Asociación Mexicana de Ayuda a Niños con Cáncer (AMANC).
- Financing for major and emergency surgery for children who aren't properly treated by the public health services.
- Support for illnesses that are not treated by public hospitals.
- 1,500 hours of therapy each year for children suffering from illnesses or disabilities.
- Eye exams and glasses at low cost, through the "To see you better" program.
- Detection of hearing problems and medical consults, exams, and hearing aids through the "Today, I hear better" program.
- Addiction and bullying prevention, through conferences to inform and raise awareness on these issues.
- Support for families affected by natural disasters and by other causes.

Education

Thanks to the "An opportunity to study" program, more than 820 children and youth from low-income families have received scholarships.

Volunteering and building homes

- The foundation's "A Home, A Future" program improves the quality of life for families who have been affected by natural disasters or who do not have adequate or safe housing. This volunteer program arranges for Posadas team members to travel to the communities where the families live to help rebuild their homes.
- Posadas employees donate their time: every year, they set aside time to share with children in shelters or to help build homes for needy families.
- Guests lend their support by making cash donations to Fundación Posadas to help build a brighter future for Mexican children and youth.

OTHER PROGRAMS

Fundación Posadas has also benefited approximately 640,000 children through other organizations with which the foundation is involved.

In 2013, Fundación Posadas was ranked 25 out of the 30 most important foundations in Mexico by the publication *Poder y Negocios*.

CARE AND PRESERVATION OF THE ENVIRONMENT

Grupo Posadas is committed to the environment. The company's construction and operating manuals specify the use of materials, finishes, equipment, and installations, and also policies and procedures that are environmentally and socially friendly.

The result of this is a vital balance between the investor, the operator, the guest, the community, and the environment; key aspects in achieving success in "sustainable tourism."

RECOGNITIONS

- Environmental Quality in Tourism (certificate given by the Procuraduría Federal de Protección al Ambiente, PROFEPA).
- Hydro-Sustainable Hotel (recognition given by the Helvex Foundation).
- National Energy Saving Award (awarded by the CFE)
- Environmental Leadership for Competitiveness (recognition given by the SEMARNAT).
- Fire, alarm and detection equipment (certificate given by the company FTech).
- In-house Civil Protection Program (accreditation give by Civil Protection).

Executive Board

José Carlos Azcárraga Andrade
Chief Executive Officer

Francisco Javier Barrera Segura
Vice-President, Franchise

Rafael De la Mora Ceja
Vice-President, Hotelera Posadas

Rubén Guillermo Camiro Vázquez
Corporate Chief Financial Officer

Jorge Carvallo Couttolenc
Vice-President, Posadas Real Estate

Gerardo Alonso Rioseco Orihuela
Vice-President, Vacation Properties

Board of Directors

Sitting Members

Pablo Azcárraga Andrade
Chairman

José Carlos Azcárraga Andrade
Enrique Azcárraga Andrade
Fernando Chico Pardo
Juan Servitje Curzio
Silvia Sisset de Guadalupe Harp Calderoni
Carlos Levy Covarrubias
Jorge Mario Soto y Gálvez
Emilio Carrillo Gamboa
Benjamín Clariond Reyes Retana
Luis Alfonso Nicolau Gutiérrez

Secretaries to the Board of Directors

Olga Patricia Gutiérrez Nevárez
Secretary
Víctor Ángel Bohon Devars
Alternate Secretary

Alternate Board Members

Charbel Christian Francisco Harp Calderoni
Alfredo Loera Fernández

Audit Committee

Jorge Mario Soto y Gálvez
Chairman

Luis Alfonso Nicolau Gutiérrez
Emilio Carrillo Gamboa

Company Practices Committee

Luis Alfonso Nicolau Gutiérrez
Chairman
Emilio Carrillo Gamboa
Jorge Mario Soto y Gálvez

Executive Planning and Finance Committee

Pablo Azcárraga Andrade
Enrique Azcárraga Andrade
Fernando Chico Pardo
Carlos Levy Covarrubias

Grupo Posadas, S. A. B. de C. V. and Subsidiaries
Independent Auditors' Report and Consolidated
Financial Statements for 2013 and 2012

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Posadas, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Grupo Posadas, S. A. B. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial situation as of December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years ended December 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial situation of Grupo Posadas, S. A. B. de C. V. and Subsidiaries as of December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Other matters

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Carlos M. Pantoja Flores
February 24, 2014

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statement of Financial Situation as of December 31, 2013, 2012

(In thousands of Mexican pesos)

Assets	Notes	December 31, 2013	December 31, 2012
Current assets:			
Cash and cash equivalents	6	$ 706,365	$ 1,431,867
Investments in securities	7	525,351	48,110
Total cash and cash equivalents		1,231,716	1,479,977
Accounts and notes receivable – Net	8	2,251,204	1,704,108
Inventories		35,803	44,375
Prepaid expenses		121,866	77,370
Vacation Club inventory	9	105,996	70,395
Other current assets		35,383	21,268
Assets classified as held for sale	10	-	1,364,958
Total current assets		3,781,968	4,762,451
Non-current assets:			
Long-term notes receivable – Net	11	1,513,309	1,355,028
Long-term accounts receivable	12	396,679	319,938
Vacation Club inventory in construction		239,944	272,600
Property and equipment – Net	13	6,337,625	7,367,586
Investment in shares of associated companies	14	35,437	40,300
Other assets	15	214,415	130,496
Total non-current assets		8,737,409	9,485,948
Total assets		**$ 12,519,377**	**$ 14,248,399**

Liabilities and stockholders' equity	Notes	December 31, 2013	December 31, 2012
Current liabilities:			
Bank loans and current portion of long-term debt	16	$ 2,498	$ 1,005,842
Trade accounts payable		348,327	381,355
Other liabilities and accrued expenses		784,931	954,872
Income tax payable		597,538	45,203
Deferred income of Vacation Club		45,069	29,266
Current portion of long-term value-added tax		101,703	111,945
Derivative financial instruments	21	-	19,798
Liabilities directly associated with assets classified as held for sale	10	-	514,816
Total current liabilities		1,880,066	3,063,097
Long-term liabilities:			
Debt	16	4,555,080	4,059,456
Accrued liabilities	18	276,050	170,011
Value-added tax payable		165,051	156,796
Deferred income of Vacation Club		394,198	256,000
Income tax payable	17	702,233	99,359
Deferred income tax	17	1,158,482	1,220,783
Total long-term liabilities		7,251,094	5,962,405
Total liabilities		9,131,160	9,025,502
Stockholders' equity:			
Contributed capital:			
Capital stock	22	495,937	489,427
Contributions for future capital increases		12,516	17,523
Share repurchase reserve		133,509	133,509
Shares held in trust		(3,322)	(3,322)
Additional paid-in capital		157,429	25,451
		796,069	662,588
Earned capital:			
Share repurchase reserve		559,371	559,371
Retained earnings		1,785,189	3,609,315
Foreign currency translation gain		17,187	15,138
		2,361,747	4,183,824
Total controlling interest		3,157,816	4,846,412
Non-controlling interest		230,401	376,485
Total stockholders' equity		3,388,217	5,222,897
Total liabilities and stockholders' equity		**$ 12,519,377**	**$ 14,248,399**

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Comprehensive Income for years ended December 31, 2013 and 2012

(In thousands of Mexican pesos, except earnings (loss) per share)

	Notes	2013	2012
Revenues:			
Hotel operation		$ 2,673,704	$ 3,026,383
Hotel management, brand and other		1,200,437	1,268,734
Vacation Club		1,894,629	1,844,757
Sales of non- strategic properties		2,781,588	-
		8,550,358	6,139,874
Operating expenses:			
Hotel operation cost and expenses		1,007,563	1,069,259
Hotel management cost and expenses		1,351,814	1,459,605
Vacation Club cost and expenses		1,429,250	1,250,621
Cost of sales of non- strategic properties		2,216,418	-
Administrative		137,977	240,699
Sales, advertising and promotion		110,563	130,342
Maintenance and energy		292,641	331,797
Property taxes and insurance		25,329	29,560
Corporate expenses		195,769	212,070
Depreciation and amortization		420,057	431,511
Impairment of assets		894,831	-
Real estate leasing		326,513	331,154
Other expenses, net		183,213	30,989
		8,591,938	5,517,607
Operating (loss) income		(41,580)	622,267
Interest expense		393,659	610,174
Interest income		(110,875)	(27,139)
Commissions and financial expenses		57,711	173,847
Exchange result, net		29,996	(152,200)
Effects of valuation of financial instruments		(2,209)	(80,613)
		368,282	524,069
Equity in results of associated companies		(4,863)	(2,119)
(Loss) income before income tax		(414,725)	96,079
Income tax expense	17	1,161,883	616,559
Consolidated (loss) from continuing operations		(1,576,608)	(520,480)
(Loss) income from discontinued operations, net of income tax	25	(181,206)	1,876,044
Consolidated net (loss) income		$ (1,757,814)	$ 1,355,564

	Notes	2013	2012
Consolidated net (loss) income attributable to:			
Controlling interest		$ (1,753,264)	$ 1,342,894
Non-controlling interest		(4,550)	12,670
Consolidated net (loss) income		$ (1,757,814)	$ 1,355,564
Other comprehensive (loss) income:			
Consolidate net (loss) income		$ (1,757,814)	$ 1,355,564
Foreign currency translation gain (loss)		2,049	(155,359)
Consolidated comprehensive (loss) income		$ (1,755,765)	$ 1,200,205
Consolidated comprehensive (loss) income attributable to:			
Controlling interest		$ (1,751,215)	$ 1,187,535
Non-controlling interest		(4,550)	12,670
Consolidated comprehensive (loss) income		$ (1,755,765)	$ 1,200,205
(Loss) earnings per share:			
From continuing and discontinued operations-			
Basic (loss) earnings per common share (in pesos)		(3.57)	2.77
Diluted (loss) earnings per share (in pesos)		(3.57)	2.77
From continuing operations-			
Basic loss per common share (in pesos)		(3.20)	(1.06)
Diluted loss per share (in pesos)		(3.20)	(1.06)
Weighted average shares – basic		492,496,017	490,030,254
Weighted average shares – diluted		492,496,017	490,030,254

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos)

	Contributed capital				
	Capital stock	Contributions for future capital increases	Shares repurchase reserve	Shares held in trust	Additional paid-in capital
Balances as January 1, 2012	$ 489,427	$ 118,814	$ 133,529	$ (3,322)	$ 80,734
Repurchase of shares	-	-	(20)	-	-
Contributions for future capital increases	-	848,000	-	-	-
Convertible debenture liability	-	(900,000)	-	-	-
Non-controlling dividends paid	-	-	-	-	-
Partial payment of convertible debt	-	(49,291)	-	-	(55,283)
Acquisition of non-controlling interest and stock purchase surplus	-	-	-	-	-
Consolidated comprehensive income	-	-	-	-	-
Balances at December 31, 2012	489,427	17,523	133,509	(3,322)	25,451
Capital increase by issuing shares in trust	6,510	-	-	-	131,978
Liability recognized for employee benefits	-	-	-	-	-
Dividends paid	-	-	-	-	-
Non-controlling dividends paid	-	-	-	-	-
Partial payment of convertible debt	-	(5,007)	-	-	-
Acquisition of non-controlling interest and stock purchase surplus	-	-	-	-	-
Consolidated comprehensive (loss)	-	-	-	-	-
Balances at December 31, 2013	**$ 495,937**	**$ 12,516**	**$ 133,509**	**$ (3,322)**	**$ 157,429**

	Earned capital				
	Shares repurchase reserve	Retained earnings	Foreign currency translation gain (loss)	Non-controlling interest	Total stockholders' equity
Balances as January 1, 2012	$ 559,669	$ 2,347,982	$ 170,497	$ 746,887	$ 4,644,217
Repurchase of shares	(298)	-	-	-	(318)
Contributions for future capital increases	-	-	-	-	848,000
Convertible debenture liability	-	-	-	-	(900,000)
Non-controlling dividends paid	-	-	-	(23,763)	(23,763)
Partial payment of convertible debt	-	-	-	(8,137)	(112,711)
Acquisition of non-controlling interest and stock purchase surplus	-	(81,561)	-	(351,172)	(432,733)
Consolidated comprehensive income	-	1,342,894	(155,359)	12,670	1,200,205
Balances at December 31, 2012	559,371	3,609,315	15,138	376,485	5,222,897
Capital increase by issuing shares in trust	-	-	-	-	138,488
Liability recognized for employee benefits	-	8,795	-	-	8,795
Dividends paid	-	(73,520)	-	-	(73,520)
Non-controlling dividends paid	-	-	-	(43,608)	(43,608)
Partial payment of convertible debt	-	-	-	(2,170)	(7,177)
Acquisition of non-controlling interest and stock purchase surplus	-	(6,137)	-	(95,756)	(101,893)
Consolidated comprehensive (loss)	-	(1,753,264)	2,049	(4,550)	(1,755,765)
Balances at December 31, 2013	**$ 559,371**	**$ 1,785,189**	**$ 17,187**	**$ 230,401**	**$ 3,388,217**

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012

(In thousands of Mexican pesos)

	2013	2012
Cash flows from operating activities:		
Consolidated net (loss) income	$ (1,757,814)	$ 1,355,564
Adjustments for:		
Income tax expense	1,161,883	616,559
Asset impairment, depreciation and amortization	1,314,888	431,511
Equity in results of associated companies	4,863	2,119
(Income) loss on sale of fixed assets	(565,170)	518
Interest income	(110,875)	(27,139)
Unrealized foreign exchange (gain) loss	23,789	(74,988)
Discontinued operations	181,206	(1,876,044)
Effects of valuation of financial instruments	-	184,759
Interest expense	393,659	610,174
	646,429	1,223,033
(Increase) decrease in:		
Accounts and notes receivable – Net	(326,828)	(141,720)
Inventories	8,572	9,255
Prepaid expenses	(44,496)	11,871
Vacation Club inventory	(35,601)	66,045
Other current assets	(14,115)	(21,719)
Increase (decrease) in:		
Trade accounts payable	(33,028)	(74,495)
Other liabilities and accrued expenses	(203,615)	188,652
Deferred income of Vacation Club	154,001	124,031
Interest paid	(375,654)	(625,937)
Income taxes paid	(268,946)	(45,628)
Net cash (used in) provided by operating activities	(493,281)	713,388
Cash flows from investing activities:		
Consideration received from discontinued operations	-	2,834,506
Purchases of property and equipment	(1,154,237)	(157,576)
Interests collected	76,672	14,892
Other assets	(83,919)	-
Cash flow from discontinued operations	-	(8,755)
Cash flow from sales of non-strategic properties	2,326,298	-
Net cash flows provided by investing activities	1,164,814	2,683,067

	2013	2012
Cash flows from financing activities:		
Borrowings	835,470	1,737,277
Loan payment	(747,336)	(4,124,511)
Repayment of convertible debts	(900,000)	-
Contributions for future capital increases	-	848,000
Partial payment of convertible debt	(7,177)	(112,711)
Derivative financial instruments	(22,007)	(185,414)
Repurchase of shares	-	(318)
Capital increase by issuing shares in trust	138,488	-
Non-controlling interest dividends paid	(43,608)	(23,763)
Dividends paid	(73,520)	-
Cash flow from discontinued operations	-	(32,927)
Acquisition of non-controlling interest	(101,893)	(432,733)
Net cash used in financing activities	(921,583)	(2,327,100)
Net (decrease) increase in cash and cash equivalents	(250,050)	1,069,355
Cash and cash equivalents at the beginning of period	1,479,977	422,454
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,789	(11,832)
Cash and cash equivalents at the end of period	$ 1,231,716	$ 1,479,977

See accompanying notes to consolidated financial statements.

Grupo Posadas, S. A. B. de C. V. and Subsidiaries

Notes to the Consolidated Financial Statements
For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos, except earnings per share data)

1. ACTIVITIES

Grupo Posadas, S. A. B. de C. V. (Posadas) and Subsidiaries (the Entity) are primarily engaged in the ownership, operation and management of hotels as well as to the purchase and sale of real estate within the tourism industry. As of December 31, 2013 and 2012, the Entity operated a total of 110 hotels with 18,795rooms and 105 hotels with 17,871 rooms, respectively. The Entity mainly operates hotels under its Fiesta Americana, Fiesta Inn and One Hotels brand names throughout México and until October of 2012, Caesar Park and Caesar Business in Brazil, Argentina and Chile.

The Entity enters into long-term management contracts with all the hotels that it operates. From the total of hotels that the Entity operated at December 31, 2013 and 2012, 16 and 29, respectively, are owned hotels and 15 and 16, respectively, were operated under leasing contracts. The remaining 79 and 60 hotels, respectively, are owned by third parties and operated by the Entity at December 31, 2013 and 2012. For purposes of these consolidated financial statements, these hotels are referred to as the Entity's "owned", "leased" and "managed" hotels, respectively.

Posadas receives fees pursuant to the management long-term contracts it has with all of the hotels it operates. Certain fees, including management, brand use fee, reservation services and technology usage, among others, are based on hotel revenues. Posadas also receives an incentive fee based on the hotels' operating income.

Additionally, the Entity operates a Vacation Club business called Fiesta Americana Vacation Club (FAVC) through which members purchase a "40-year-right-to-use" evidenced by an annual allocation of FAVC points. FAVC points can be redeemed to stay at the Entity's seven FAVC resorts in Los Cabos (villas and resort), Acapulco, Cancun, Cozumel, Chetumal and Puerto Vallarta, as well as any of the hotels in its portfolio. In addition, members of FAVC can also redeem their FAVC points to stay at any Resorts Condominium International (RCI), affiliated resort or Hilton Grand Vacation Club resorts throughout the world. At the same time, the Entity marketing a product called "Kívac" consisting in sales of points, with a maturity of up to 5 years that can be redeemed for stays at any of the hotels in the Entity's portfolio, as well as its new product "Front Door" focused in a high economic solvency sector.

Since 2012, the Entity had initiated a restructure of its business focus towards ownership of strategic assets and the growth of its hotel administration business and FAVC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Note 2a and 2c) and is prepared to significantly reduce the number of companies that compose it.

The hotel industry is seasonal and particularly sensitive to macroeconomic and social changes, leading to changes in income and relative costs during periods of twelve months. The Entity seeks to reduce the impact of seasonality on its results through marketing strategies such as agreements with institutions, competitive prices and intensive promotion. Therefore, the impact of seasonality in the statements of comprehensive income and financial situation is not significant.

The principal place of business is Paseo de la Reforma 155 Colonia Lomas de Chapultepec, Distrito Federal Mexico.

2. SIGNIFICANT EVENTS

a. *Sale of non-strategic assets*

On December 20, 2013, through the sale of shares of some subsidiaries, the Entity sold a series of non-priority assets, including a plot of land in Chemuyil, Quintana Roo, whose book value was $1,299,744 as of December 31, 2012. The selling price of the transaction was set at $677,000 for the sale of shares and $3,000 for a real property located in Cancun, Quintana Roo. Of the first amount, $390,000 was paid on December 30, 2013 and $185,000, on January 10, 2014.

The remaining $102,000 will be paid between January 15, and December 15, 2015, accruing interest at TIIE plus 5%. This amount is recorded under long-term accounts receivable.

The contract established a series of precedent conditions which were fulfilled as of December 30, 2013; similarly, call options were executed for other non-strategic assets, which will be resolved no later than March 31, 2014 based on the appraisals performed by the potential buyer.

In addition, and as a result of the sale, the Entity recorded impairment in the value of the Chemuyil land of approximately $763,869, directly in the consolidated statement of comprehensive income.

This transaction resulted in a loss which was recorded in the consolidated statement of comprehensive income as follows:

Selling price	$	677,000
Less -		
Book value of the plot of land in Chemuyil		(535,875)
Account receivable		(143,395)
Other		(281)
Loss	**$**	**(1,989)**

The account receivable was settled by the Entity on January 7, 2014.

The Chemuyil land had been acquired on August 3, 1998 through the execution of an Irrevocable Trust contract with the Instituto del Patrimonio Inmobiliario de la Administración Pública del Estado de Quintana Roo (IPAE), whereby ownership of the land was transferred to the Entity in exchange for a payment of US$10.4 million, subject to certain obligations, including the construction of 250 hotel rooms and their respective shared facilities, at an estimated cost of US$97.4 million. Subsequently, several amendment agreements were executed to extend the original compliance term; the last one was executed on July 1, 2010, extending the original term to June 30, 2013. The new extension included a clause whereby the Entity was obligated to pay the IPAE a contractual penalty of US$10 million in the event of default. It also established a guarantee trust in favor of the IPAE, to which the Entity had contributed 8,799,000 Series "A" shares as of December 31, 2012 to cover the contractual penalty amount.

Given that on June 30, 2013, the IPAE considered that the commitments had not been fulfilled by the Entity, the guarantee trust settled 5,803,976 shares for $138,488 of which $6,510 is recorded as common stock and $131,978 as a share issue premium. The trust paid the IPAE $127,321 as a contractual penalty. Consequently, the Entity recorded an expense of $144,225, which includes certain related costs under "other expenses" in the consolidated statement of comprehensive income. The remaining 2,995,024 shares, together with cash from the guarantee trust of $10,797, are still in the trust at the Entity's disposal.

b. *Tax effects of 2013*

i. Up to December 31, 2012, there were several tax lawsuits originated from 2004 to 2008, in which the Entity and its subsidiaries acted as plaintiffs or defendants, whose outcomes cannot be assured as of that date. The tax authorities had alleged the non-payment of federal taxes, mainly income tax, value-added tax, and asset tax. The historical amount claimed in these lawsuits was $1,120,965, including restatement, penalties, and surcharges as of the date of the tax liability assessment. In addition to the proceedings for annulment filed, sureties had been granted through joint obligations and foreclosures of real property, for the equivalent of the amount claimed plus the applicable restatement and surcharges. The lawsuits were in different stages and the Entity had filed several administrative procedures and annulment proceedings against the tax authority's claims.

During the first half of 2013, the Entity asked the authorities to apply the forgiveness benefits established in various rules and criteria published in the Federal Income Law, better known as "tax amnesty". Consequently, there were several rulings in favor of the Entity forgiving all of the alleged debt contested in exchange for a sole payment of $142,908, of which $125,585 is recorded in the consolidated statement of comprehensive income under "income taxes" and refers to income tax and $17,323 is recorded under "other expenses", and is associated to local and value-added tax. The above actions concluded the aforementioned lawsuits.

ii. Under the new Income Tax Law (LISR) in effect in 2014, the tax consolidation scheme was eliminated and, therefore, the Entity and its subsidiaries are obligated to pay the deferred tax up to December 31, 2013, during the following five years as of 2014. This deconsolidation tax of $882,262 was recognized under income taxes in the consolidated statement of comprehensive income as of December 31, 2013; the respective short- and long-term liabilities were also recognized.

iii. Similarly, the 2014 LISR eliminates the incentive that allowed for the contribution real property to Real Estate Companies (SIBRAS) and the accrual of the gain on sale of these properties at the time the shares of such companies are sold. Consequently, if the above assumptions for accrual of the gain have not been fulfilled as of December 31, 2016, it must be accrued on that date. The liability for this gain was not fully recorded previously because the Entity had no plans to sell the shares or the assets. Consequently, due to the change in circumstances, the Entity recorded a deferred tax in the consolidated statement of financial position of $1,297,422 as of December 31, 2013.

c. *Assets available for sale – FibraHotel*

During the third quarter of 2012, a trust called FibraHotel was established mainly to acquire, own, and develop hotels of various categories in Mexico. In late November 2012, FibraHotel issued an initial public offering, which was a condition precedent to closing the sale of 12 hotels by the Entity to FibraHotel, out of 14 hotels intended for sale, of which 10 were owned by Fondo Inmobiliario Posadas, S. A. de C. V., Sociedad de Inversión de Capitales (SINCA). On October 9, 2012, the Entity executed a purchase-sale agreement with FibraHotel to sell the real property and equipment of 12 hotels located in Central and Northern Mexico, which operate under the Fiesta Inn and One Hotel brands. Posadas was the majority owner of these hotels.

The execution of the sale was subject to the fulfillment of certain previous conditions precedent, mainly the execution of the public offering and obtaining the authorization of the Federal Anti-Trust Board and the approval of certain creditors. All of these conditions were subsequently fulfilled on January 21, 2013 and 11 of the Entity's hotels were sold for $1,486,594; generating a profit of approximately $331,103, which was recorded in January 2013. Similarly, when the resources were received, the financial debt of $270,237, which was secured by the real property sold to FibraHotel, was repaid. The Entity sold the real property without any labor liabilities and has granted a bond of $400,000, which matures on July 21, 2014, to answer for any hidden flaws. Similarly, there is a contingent consideration whose value is not expected to be significant, which will allow the Entity to obtain additional resources based on the operating and financial performance of some hotels during the next 12 and 18 months.

The selling price was subject to a formula based on the amount received by FibraHotel in its public offering; the sale resulted in the reception of cash in exchange for such assets.

Three more hotels were sold during February, April, and June 2013, as part of secondary offers of FibraHotel, at a selling price of $406,696, generating profit of $115,632 recorded in 2013, practically with the same sale conditions used for the first 11 hotels.

Prior to the sale of these three hotels, through a share purchase-sale agreement the Entity acquired the percentage related to the non-controlling interest of those entities for $101,893. This transaction resulted in a difference between the book value of the shares and the purchase price of $6,137, which was recorded in the consolidated statement of changes in stockholders' equity, given that these investments were previously consolidated.

Given that every accounting criteria required for assets available for sale had been fulfilled as of December 31, 2012, total assets subject to sale, including real property and furniture and fixtures of the hotels involved, of $1,364,958 have been recorded as "assets available for sale" in the consolidated statements of financial position as of December 31, 2012. Similarly, financial debt and the effects of deferred taxes related to these assets have been presented as "liabilities directly associated to assets available for sale", because they are directly related to the assets that will be transferred.

Similarly, as the hotels sold do not represent a significant line of business as prescribed by International Financial Reporting Standards, the transaction was not considered as discontinued operations in the consolidated statement of comprehensive income. As a result of the sale, the hotels are no longer classified as "proprietary", but as "managed", because the Entity continues to operate them. See Note 10 for details on the assets classified as available for sale.

d. *Corporate office sale and leaseback*
The Entity executed a purchase-sale agreement for its corporate property located in Mexico City with Fibra Uno on June 27, 2013 at a selling price of USD$14.9 million and a book value of $86,226 at the selling date, resulting in a favorable difference of $108,169.

Similarly, a 10-year lease agreement was signed, subject to a 10-year extension, whereby the Entity is obligated to pay for the use of such offices. As this transaction is classified as a "sale and leaseback", the difference on the sale compared to the appraisal value at that date will be amortized over the mandatory lease term.

e. *Discontinued operations 2012-South America's segment*
On July 16, 2012, the Entity announced that it had reached an agreement with Accor, S.A. (Accor), one of the world's leading hotel management entities, to sell its operations in South America for a total enterprise value of US$278 million, including the assumption of debt. Accor acquired all of Posadas assets in the region which include 15 owned, leased, and managed hotels (four of which were owned), the Caesar Park and Caesar Business brands and a pipeline of an undisclosed number of hotels under management in Brazil, Argentina and Chile.

On October 10, 2012, the sale was officially completed. A portion of the sale price currently remains subject to adjustment for certain variables referred to in the sale contract, and on that date the Entity received proceeds in the amount of US$238.7 million. In order to ensure the remaining amount of the sale a balance of US$32 million will remain in an escrow account in which Accor is the primary beneficiary. These funds will be released to the Entity on various dates from 2014 through 2019, only when certain precedent conditions, established in the sale contract, have been met. On December 31, 2013, the Entity believes that it will recover approximately US$22.6 million, equivalent to $294,679, which is presented under the heading of "long term account receivables" in the consolidated statement of financial situation.

The disposal of this segment represents a discontinued operation and it is presented as such in the consolidated statements of comprehensive income for the year ended December 31, 2012. See Note 25 for details of discontinued operations and net assets.

During 2013 there were various claims and disputes over the transaction's price that generated an additional expense in the amount of $181,206 registered as a loss from discontinued operations in the consolidated statement of comprehensive income.

f. *Issuance of "Senior Notes 2017"*
On November 30, 2012, the Entity consummated the issuance of US$225 million of notes known as "Senior Notes 2017" through the Luxembourg Stock Exchange. The intention of the bond issuance was to buy back a portion of the previous issue of US$200 million of notes known as "Senior Notes 2015". The entity offered US$1,060 per US$1,000 of notes outstanding of the "Senior Notes 2015", to holders accepting the terms and conditions of the repurchase before November 23, 2012. Subsequent to that date, the Entity offered US$1,045 per US$1,000 of notes outstanding.

As a result, the Entity repurchased US$116.7 million of "Senior Notes 2015" with US$127.7 million from the proceeds of the issuance of the "Senior Notes 2017", thereby releasing certain restrictions related to the "Senior Notes 2015", mainly with respect to the ability to make certain prepayments related to the bonds. At December 31, 2012, US$83.3 million of "Senior Notes 2015" are outstanding.

The US$225 million "Senior Notes 2017" were issued at a price equivalent of 99.49% of the principal amount and bear interest at an annual rate of 7.875%, with maturity on November 30, 2017. Interest is payable semiannually, beginning on May 30, 2013. The bond is guaranteed by certain subsidiaries of the Entity. The indenture contains certain restrictions on the Entity related to the ability to:

- Incur additional indebtedness
- Grant guarantees
- Pay restricted investments
- Sell assets
- Declare dividends
- Make certain intercompany transactions
- Merge with other companies

Issue costs amounted to $125,575, which are capitalized, presented net against the related debt, and are amortized based on the life of the "Senior Notes 2017", using the effective interest rate method. The Entity incurred a prepayment premium of US$7.0 million related to the early payment of the "Senior Notes 2015", which was written off to "Commissions and financial expenses" in the consolidated statement of comprehensive income. Additionally, debt issuance costs related to the "Senior Notes 2015" were recorded in the results of the Entity, based on the proportion of the amount repaid, totaling $17,996.

On January 30, 2013, the Entity issued a tack-on of US$50 million to the "Senior Notes 2017", which were integrated into a single issuance of US$275 million, containing the same terms and conditions previously mentioned.

g. *Use of proceeds received*

The proceeds received from the transactions described in a. and c. were mainly used for the following purposes:

Date	Amount			Concept
December 19, 2012 and January 2, 2013	$	428,235	(i)	Purchase of non-controlling of Fondo Inmobiliario Posadas, S. A. de C. V., Sociedad de Inversión de Capital (SINCA)
December 21, 2012		2,250,000	(ii)	Prepayment of Stock Certificates
January 2, 2013		900,000	(iii)	Payment of convertible bonds
December 13 and 14, 2012		41,300	(iv)	Payment of derivatives
December 28, 2012		282,700	(v)	Credit payments with Banco Mercantil del Norte, S. A. (Banorte)
January 21, 2013		270,237	(vi)	Credit payments with Scotiabank Inverlat, S.A. (Scotiabank)
February 7, 2013		273,409	(vii)	Credit payments with Banco de Comercio Exterior S. N. C. (Bancomext)
	$	4,445,881		

(i) Purchase of minority interest of SINCA

The Entity acquired, through a purchase-sale agreement, subject to a condition subsequent to make payment on January 2, 2013, among other conditions which were ultimately fulfilled, 47.8% of the share capital of the SINCA, which is the holding of a group of companies that owns 10 hotels that were sold in a transaction with FibraHotel, explained subsequently. This purchase resulted in a gain of $131,104, based on the difference between the carrying value of the non-controlling interest held by the Entity and the amount paid, recorded in the consolidated statement of changes in stockholders' equity. Half of the purchase price was paid on December 19, 2012, and the remainder of $214,118 was paid on January 2, 2013, which incurred interest at an annual rate of 5%. The purchase price also contains contingent consideration, based on the operating and financial performance of certain hotels sold in the subsequent 12 to 18 months. The amount of the contingent consideration, at fair value at December 31, 2012, is nil. The differential at December 31, 2012 was shown under the item "Other liabilities and accrued expenses". The resolutive condition consisted of just making payment on January 2, 2013 and other conditions were met.

(ii) Prepayment of Stock Certificates

On December 11, 2012, at a meeting of the holders of the Stock Certificates issued by the Entity, such holders agreed to prepay such Certificates, considering the respective interest and prepayment premium of $15,800. At December 31, 2013 and 2012, no outstanding amounts are due under the Stock Certificates.

(iii) Issuance and payment of convertible debt

On March 7, 2012, at an Extraordinary General Stockholders' Meeting, the stockholders approved to carry out a private offering of subordinated debentures mandatorily convertible into 183,257,000 Series "A" shares of the Entity, up to the amount of $900,000. The obligations were subordinated to all liabilities of the Entity and were issued in two tranches, the first of up to $679,172 and the second up to $220,828, with collateral to ensure the Entity's compliance with its obligations. These instruments accrue interest at a fixed rate of 9% annually, paid quarterly and convertible in a period not to exceed 27 months, at a price of six pesos per share. If paid in advance, the interest rate would be 16% fixed annually. Additionally, the stockholders approved the issuance of 183,257,000 Series "A" shares, without par value, held in treasury to fulfill the conversion of the bonds, which will be subscribed upon such conversion. Because the instruments allowed the Entity the possibility to avoid cash payment in relation to the amount of capital through the delivery of a fixed number of shares of equity, the instruments were initially classified as equity, presented in "Contributions for future capital increases" in the accompanying consolidated statement of changes in stockholders' equity.

Ultimately, however, the Entity decided to pay cash with respect to these obligations and notified the bondholders on December 27, 2012, specifying that liquidation would be on January 2, 2013. Therefore, the total amount of $900,000 was reclassified to "Bank loans and current portion of long-term debt" and the decrease in the shareholders' equity as "convertible obligations liability entry". The previously issued shares were canceled by the Stockholders Meeting of the Entity held on March 15, 2013.

(iv) Payments of derivatives

During the first nine months of 2012, the Entity prepaid cross currency swaps (CCS), hedging a notional amount of $834.7 million of Stock Certificates at December 31, 2011, equivalent to US$79 million, and Stock Certificates with a notional balance of $677.8 million, equivalent to US$65.8 million at December 31, 2011, resulting in a balance of CCS at September 30, 2012 of $298.1 million and US$28.9.

On December 13 and 14, 2012, the Entity paid $41,300 of CCS covering a notional amount at December 31, 2012 of $97,537, equivalent toUS$9.4 million, resulting in a fair value of derivatives at December 31, 2012 of $19,798.

(v) Prepayment of Banorte loans

On December 28, 2012, the Entity prepaid the balance of its loans with Banorte under revolving credit lines, which were guaranteed by notes receivable related to the financing granted by the sale of Vacation Club memberships.

The receivables from sales of vacation club memberships were assigned to a trust located outside Mexico. The Entity transferred certain of the collection rights to those receivables in the trust to Banorte. At December 31, 2012, there are no outstanding amounts owed to Banorte.

(vi) Prepayment of Scotiabank loans

On January 21, 2013, the Entity prepaid the remaining balance of loans amounting to $80,289 and US$14.6 million, equivalent to $189,948, owed to Scotiabank under dual credits that were secured by seven hotels owned by SINCA.

(vii) Prepayment of Bancomext loans

On February 7, 2013, the Entity prepaid the remaining balance of loans with Bancomext under revolving credit lines, which were secured by notes receivable relating to the financing provided by the sale of Vacation Club memberships.

The receivables from sales of vacation club memberships were assigned to a trust located outside Mexico. The Entity had effectively sold those receivables to the trust. At December 31, 2012 the debt with Bancomext was US$22.1 million, equivalent to $288,484.

h. *Payment of convertible debt 2012*

The Entity had a convertible loan agreement for a US$8 million with the International Finance Corporation (IFC) as of December 31, 2011. Through September 2012, the Entity prepaid US$2.7 million equivalent to $34,815 and October 19, 2012, the Entity paid the remaining balance of US$5.6 million (equivalent to $75,610) plus accrued interest. Both payments are shown as a partial payment of convertible debt in the accompanying statement of changes in stockholders' equity.

3. BASIS OF PRESENTATION

a. *Explanation for translation into English*

The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. Certain accounting practices applied by the Entity in the accompanying consolidated financial statements may not conform to accounting principles generally accepted in the country of use.

b. *New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements*

In the current year, the Entity has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Entity has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is maintained as 'income statement'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee Benefits (as revised in 2011)

In the current year, the Entity has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

Amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets.

The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial situation to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in the comprehensive income in prior years amounting $8,795. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

c. *New and revised IFRSs in issue but not yet effective*

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments*[3]
Amendments to IFRS 9 and IFRS 7, *Mandatory Effective Date of IFRS 9 and Transition Disclosures*[2]
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment Entities*[1]
Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*[1]

[1] Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

d. *Reclassifications*
The consolidated financial statements as of December 31, 2012 have been reclassified to make them comparable with those of December 31, 2013, mainly in the short-term presentation of the Return reserve from Vacation Club and the current portion of the allowance for doubtful accounts of the notes receivable from sales of Vacation Club memberships.

4. SIGNIFICANT ACCOUNTING POLICIES

a. *Statement of compliance*
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by IASB.

b. *Basis of measurement*
The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities (including financial derivatives) that are measured at fair values, as explained in the accounting policies below.

i. Historical cost
Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Basis of consolidation*
The consolidated financial statements incorporate the financial statements of Posadas and its subsidiaries controlled by it. Control is achieved when Posadas:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Posadas obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Posadas accounting policies.
The shareholding in the share capital is as follows:

Entity	Shareholding (%) 2013 y 2012
Posadas de México, S. A. de C. V. and Subsidiaries	100
Inmobiliaria Hotelera Posadas, S. A. de C. V. and Subsidiaries	100
Servicios Hoteleros Posadas, S. A. de C. V. and Subsidiaries	100
Posadas USA, Inc., and Subsidiaries	100
Fondo Inmobiliario Posadas, S. A. de C. V. and Subsidiaries	100

All intragroup amounts and transactions between members of the Entity are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately with respect to investments that the Entity has in them. The non-controlling interests may be initially valued either at fair value or at the proportionate share of the same over the fair value of the net identifiable assets of the acquired entity. The selection of the basis of measurement is individually acquired by each. Subsequent to acquisition, the carrying amount of the controlling interest represents the amount of those interests at initial recognition plus the portion of subsequent non-controlling interests in the consolidated statement of changes in stockholders' equity.
Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. *Investments in associates*

An associate is an entity over which the Entity has significant influence (significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies). Usually these entities are those in which a shareholding of between 20% and 50% of the voting rights held. Investments in associates are initially recognized at historical cost and then through the equity method. The Entity's investment in associates includes goodwill (net of any accumulated impairment loss, if exist) identified at time of purchase.

e. *Non-current assets classified as held for sale*

Non-current assets and disposal groups are classified as held for sale (such as the FibraHotel assets) if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or group of assets held -for-sale) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Entity will retain a non-controlling interest in its former subsidiary after the sale.

After the disposal takes place, the Entity accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Entity uses the equity method.

Non-current assets (and groups of assets available for sale) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

f. *Revenue recognition*

The entity recognizes its revenues as follows:

i. Revenue from hotel operations, including hotel´s rent, are recognized based on the providing of hotel service (rooms, sale of food and drinks, etc.);

ii. Revenues from management and brands fees are recognized as earned as set forth in the respective agreements;

iii. Revenues from loyalty programs with third parties are recognized when the service is provided;

iv. Revenues from the operation of Vacation Club is recognized as rental income separating the part of the contract that is assigned to the land, which is recognized as deferred, and the part that is assigned to the building, which is recognized as income by financial leasing and;

v. Revenue from the sale of points of Kívacs are recognized once the service is provided more an estimate of those points will never be redeemed; unused services are revealed in the short and long term captions of deferred income in the statement consolidated of financial situation.

g. *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives (i.e. grace period) are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

h. *Foreign currency transactions*

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The recording and functional currencies of the foreign operation are as follows:

Country	Recording and functional currencies
United States of America	American dollar

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss. Any differences in changes that have previously been attributed to non-controlling interests are derecognized, without reclassified to results.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period.

i. *Income taxes*
Income tax expense represents the sum of the tax currently payable and deferred tax.

- Current tax
Current income taxes, calculated as the higher of the regular Mexican income tax ("ISR") or the Business Flat Tax ("IETU"), are recorded in the results of the year in which they are incurred.

- Deferred income tax
To recognize deferred income taxes, based on its financial projections, the Entity determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

- Current and deferred tax for the year
  Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

- Effect of income tax due to the tax reform of 2010.
  On December 7, 2009, amendments to the Income Tax Law applicable from 2010 in which it was established were published that: a) the payment of income tax related to tax consolidation benefits obtained in the years 1999 to 2004 should be paid in installments from 2010 to 2014, and b) the tax related to tax benefits in fiscal consolidation in 2005 and following years will be paid from the sixth to the tenth year following that in which the benefit was obtained.

- Tax on assets
  The tax on assets (IMPAC) expected to be recovered is recorded as a tax receivable. The tax on assets (IMPAC) expected to be recoverable is recorded as a tax credit and is presented in the consolidated statement of financial position in the deferred taxes line item

j. *Inventories and cost of sales*
Inventories are stated average cost not exceed their net realizable value.

k. *Inventories of Vacation Club*
Vacation Club Inventories are stated at cost of construction. Cost of sales is recorded at the time the sales are recorded.

The long-term Vacation Club inventories correspond to the cost of reconstruction of hotel buildings, which are remodeled to provide Vacation Club services. Short-term Vacation Club units represent hotel building approved for sale by management that are expected to be sold within one year. Accordingly, they are classified as current assets even though their business cycle could be longer.

l. *Property, plant and equipment*
The property and equipment are measured initially at acquisition cost.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial situation at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized during the construction of new hotels along with during the remodeling of existing hotels, as of December 31, 2013 and 2012, no amounts were capitalized in this connection since the Entity does not construct or remodel any asset of importance. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation of property has been calculated according to the identified components in them.

The furniture and equipment are presented in the consolidated statement of financial position at acquisition cost less accumulated depreciation and impairment losses.

The cost of improvements, renovations and replacements to hotel rooms are capitalized within the property and equipment caption and are amortized over a period of 3 to 5 years. The costs of minor repairs and maintenance are expensed as they are incurred.

The average percentage rate of depreciation of property and equipment are:

	(%)
Buildings	3
Furniture and equipment	10
Vehicles	25
Computer	30
Operating equipment	33

Land is not depreciated.
Depreciation is recognized so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, which is 24% in the building's case as determined by the independent valuation agents, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or if its live-period is shorter in the lease term corresponding.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

m. *Other assets*
This item includes all direct costs, primarily commissions on sales Kívacs are reflected in other assets and recognized in the consolidated statement of comprehensive income, once the service is rendered and accordingly revenue is recognized. An estimate of short-term operations is presented as other current assets; related with the part that is expected to be used during the next 12 months.

- Internally-generated intangible assets - research and development expenditure

  Expenditure on research activities is recognized as an expense in the period in which it is incurred.

  An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

  - The technical feasibility of completing the intangible asset so that it will be available for use or sale.
  - The intention to complete the intangible asset and use or sell it.
  - The ability to use or sell the intangible asset.
  - How the intangible asset will generate probable future economic benefits.
  - The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
  - The ability to measure reliably the expenditure attributable to the intangible asset during its development.

- The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

  Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

- Derecognition of intangible assets
  An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

n. *Impairment of tangible and intangible assets*
At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss unless the asset is already measured at a revaluated amount, in which case the impairment loss should be considered as a decrease in the revaluated amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

o. *Provisions*

Provisions are recognized when the Entity has a present obligation (legal or assumed) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are classified as current or noncurrent based on the estimated period of time to meet the obligations covered.

- Restructurings

  A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

- Reserve for returns related to the Vacation Club

  The Entity performs an analysis of sales of Vacation Club memberships to identify sales whose collectability is uncertain. Under IAS 18, *Revenue*, a reserve for returns is recognized based on the historical experience of the Entity, calculated based on the estimated future cash flows expected to be received from the sale.

- Contingent liabilities acquired in a business combination

  Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 *Revenue*.

p. *Retirement benefit costs*

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

In the case of defined benefit plans, including pension and seniority premiums, cost is determined using the projected unit credit method, with actuarial valuations performed at the end of each reporting period. Remeasurements , which include actuarial gains and losses, the effect of changes in the floor of the asset (if any) and return on plan assets (excluding interest) , is reflected immediately in the statement of financial position, with charge or credit, recognized in other comprehensive income in the period incurred. Remeasurements recognized in other comprehensive income are recognized immediately in retained earnings and are not reclassified to income. Past service cost is recognized in income in the period of the plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period of the obligation to the defined benefit asset. Defined benefit costs are classified as follows:

- Cost of service (including current service cost, past service cost and gains and losses on curtailments and settlements).
- The interests income or expense- net.
- Remediation

The retirement benefit obligation recognized in the consolidated statement of financial situation represents current gains or losses in the Entity's defined benefit plan. Any gain arising from this calculation is limited to the present value of any economic benefits available rebates.

Any indemnification obligation is recognized when the entity can no longer withdraw the offer of compensation and/or when the Entity recognizes the related restructuring costs.

q. *Direct benefits to employees*

Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. These benefits include mainly statutory employee profit sharing (PTU) payable, paid absences and, vacation pay and bonuses.

r. *Employee profit sharing (PTU)*

PTU is recorded in profit or loss of the year in which it is incurred and presented under other expenses in the consolidated statement of comprehensive income.

s. *Financial instruments*

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

t. *Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As of the date of the consolidated financial statements, the Entity only had financial instruments classified as "available-for-sale" and loans and receivables.

- Method of the effective interest rate
  The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

- Financial assets at FVTPL
  Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

  A financial asset is classified as held for trading if:

  • It has been acquired principally for the purpose of selling it in the near term; or
  • On initial recognition, it is part of portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking, or
  • It is a derivative that is not designated and effective as a hedging instrument.

  A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

  • Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
  • The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity documented risk management or investment strategy, and information about the Entity is provided internally on that basis, or
  • It forms a part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset of liability) to be designated as FVTPL.

  Financial assets at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in the profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of comprehensive income.

- Held-to-maturity investments
  Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

- Available-for-sale financial assets
  Available for sale financial assets are no derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

  Listed redeemable notes held by the Entity that are traded in an active market are classified as available for sale and are stated at fair value at the end of each reporting period. The Entity also has investments in unlisted shares that are not traded in an active market but that are also classified as available for sale financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Changes in the carrying amount of available for sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available for sale equity investments are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

  Dividends on available for sale equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

  The fair value of available for sale monetary financial assets denominated in foreign currency is determined in that foreign currency and translated at the closing rate at the end of the reporting period. The foreign currency exchange gains and losses that are recognized in profit and loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are classified as accounts receivable. Loans and receivable are measured at amortized cost using the effective interest method, less any impairment.

  Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

- Impairment of financial assets

  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

  For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

  For all other financial assets, objective evidence of impairment could include:

  - Significant financial difficulty of the issuer or counterparty; or
  - Breach of contract, such as a default or delinquency in interest or principal payments; or
  - It becoming probable that the borrower will enter bankruptcy of financial re-organization; or
  - The disappearance of an active market for that financial asset because of financial difficulties.

  For certain categories of financial assets, such as trade receivable, assets are assessed for impairment on a collective basis even if they were assessed no to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments in the portfolio exceed the maximum credit period 11 months, as well as observable changes in national and local economic conditions that correlate with defaults on payments.

  For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

  For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

  The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

  When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

  For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

  In respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit and loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in revaluation surplus on investment. With respect to debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after recognition of the impairment loss.

- Derecognition of financial assets

  The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

  On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

u. *Financial liabilities and equity instruments*
Classification as debt or equity
Debt and equity instruments issued by the Entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of liabilities and equity.

- Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized by the proceeds received, net of direct issue costs.

Repurchase of Entity's own equity is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

- Compounds instruments
The components of compound instruments (convertible notes) issued by the Entity are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Entity's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component at the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity capital remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to capital stock and premiums, accordingly. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the lives of the convertible notes using the effective interest method.

- Financial liabilities
Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities

- Financial liabilities at fair value through profit or loss
A financial liability at fair value through profit or loss is a financial liability is either held for trading or it is designated as fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term, or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profits-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.
- Such designation eliminates or significantly reduces a measurement of recognition inconsistency that would otherwise arise, or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising from remeasurement in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

- Other financial liabilities
  Other financial liabilities (including loans and payables) are subsequently valued at amortized cost using the method of effective interest method.

  The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated cash payments through the expected life of the financial liability or, (where appropriate) a shorter period, to the net carrying amount on initial recognition

- Liabilities under financial guarantee contract
  A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

  Financial guarantee contracts issued by the Entity are initially measured at their fair value and, if not designated as FVTPL are subsequently valued at the higher of:

  - The amount of the obligation under the contract as determined in accordance with IAS *37 Provisions, Contingent Liabilities and Contingent Assets*; and

  - The amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

- Derecognition of financial liabilities
  The Entity derecognizes financial liabilities when, and only when, the Entity 's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

v. *Derivative financial instruments*
The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 21.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Entity designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

All derivative instruments recognized in the accompanying consolidated financial statements have been classified as trading derivatives since they do not comply with all the conditions for hedge accounting required by the applicable standards for accounting purposes.

w. *Classification of costs and expenses*
Costs and expenses presented in the consolidated statements of comprehensive income were classified in combination of their nature and function.

x. *Statements of cash flows*
The Entity reports cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Interest paid is usually classified as operating activities and interest and dividends received are usually classified as investing activities.

y. *Other businesses*
Operations from other businesses include principally revenues, direct cost and operating expenses of certain subsidiaries engaged in the sale of Vacation Club memberships, distribution of operating equipment for hotels, management fees from loyalty programs and revenues from shared services center.

z. *Loyalty programs*
The fair value of the awards is recognized as a reduction to revenues and recognized as deferred income until the benefits are delivered to the client, and the liability is presented under the heading of "Other accounts payable and accrued liabilities" in the consolidated statement of financial situation.

aa. *Earnings per share of the controlling interest*
Basic earnings per share are calculated by dividing the net income attributable to the controlling interest by the weighted average shares outstanding during the period. The diluted earnings per share is determined by adding 1) to the net income utilized in the numerator of the basic earnings per common share computation, interest and exchange rate fluctuation recorded in earnings attributable to voluntarily convertible loans and 2) to the weighted average shares

outstanding in the denominator of the computation, the weighted average of outstanding obligations converted to stock based on the conversion factor established in the convertible loan agreements. As of December 31, 2013 and 2012, the Entity does not have ordinary shares with potential dilution effects.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Entity's accounting policies, which are described in Note 4, the Entity's management are required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and important sources of uncertainty which the Entity's management has determinate an estimate at the date of the financial statements that could have a significant impact on the carrying amounts of assets and liabilities during the subsequent financial period are as follows:

i. The reserve for doubtful accounts and returns related to the Vacation Club
ii. Financial projections for asset impairment
iii. The use of tax losses
iv. The effects of the contingencies faced by the Entity
v. Labor obligations
vi. Redemption of loyalty points
vii. The residual value of properties
viii. Revenue recognition of Vacation Club and Kívacs
ix. Classification criteria of the operating segments of the Entity
x. The estimated amount of investments in securities other than cash equivalents.

6. CASH AND CASH EQUIVALENTS

Cash consists of cash on hand and demand deposits. Cash equivalents are maintained to meet cash commitments rather than short term for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and subject to insignificant risk of changes in value.

Therefore, an investment normally qualifies as a cash equivalent when it has a short maturity of generally three months or less from the date of acquisition. Investments in securities are not included in cash equivalents unless they are, in substance, cash equivalents; otherwise, they are presented as investments in securities. Cash is stated at nominal value and cash equivalents are measured at fair value, the changes in value are recognized in profit or loss.

	2013	2012
Cash	$ 137,917	$ 123,334
Cash equivalents:		
Overnight investment	150,000	1,199,918
Dual structure notes investment	418,448	-
Others	-	108,615
Total	**$ 706,365**	**$ 1,431,867**

7. INVESTMENTS IN SECURITIES

	2013	2012
Trading:		
Overnight investment	$ 479,060	$ -
Deposit certificates	-	48,110
Others	46,291	-
	$ 525,351	$ 48,110

8. ACCOUNTS AND NOTES RECEIVABLE – NET

	2013	2012
Clients and agencies	$ 640,847	$ 575,085
Account receivable from sale of non- strategic assets	185,000	-
Other taxes recoverable, net	629,092	394,466
Receivables from Vacation Club	911,264	945,021
Credit cards	18,550	17,337
Others	108,738	80,904
	2,493,491	2,012,813
Less - Allowance for doubtful accounts	(242,287)	(308,705)
	$ 2,251,204	$ 1,704,108

a. Accounts receivable from clients and agencies

The average credit term related to amounts owed for hotel services is 22 days. The Company does not charge interest on outstanding amounts. Normally, amounts owed within this portfolio are not aged significantly. During 2013 the Entity identified and wrote-off an amount of $67,710 of the reserve for doubtful accounts as it determined such amounts would not be collected.

b. Notes receivable from Vacation Club

Sales of Vacation Club memberships usually require a 10% deposit up front, with the rest of the amount financed over five years, such financing accruing interest at market rates. The Entity anticipates that, after the implementation of certain business strategies, those accounts that are at most 11 months old may be reactivated; accounts aged greater than 11 months are normally cancelled. However, estimates of the reserve for doubtful accounts are recorded based on the entire portfolio.

c. Composition of the trading portfolio

	2013	2012
Clients and agencies-		
Less than 90 days	$ 381,975	$ 408,100
Over 90 days	258,872	166,985
	$ 640,847	$ 575,085
Notes receivable from Vacation Club -		
Less than 90 days	$ 417,904	$ 518,497
More than 90 and less than 330 days	290,211	250,896
More than 330 days	203,149	175,628
	$ 911,264	$ 945,021
Allowance for doubtful accounts -		
Clients and agencies	$ (207,838)	$ (277,321)
Notes receivable from Vacation Club	(34,449)	(31,384)
	$ (242,287)	$ (308,705)

9. VACATION CLUB INVENTORY

	2013	2012
Vacation Club inventory	$ 89,342	$ 53,812
Villas and residential lots	16,654	16,583
	$ 105,996	$ 70,395

Inventories recognized in the costs and expenses of Vacation Club for sale memberships during the period in respect of continuing operations was $75,893 and $88,736 at December 31, 2013 and 2012, respectively.

10. ASSETS CLASSIFIED AS HELD FOR SALE

	December 31, 2012
FibraHotel transaction:	
Properties and hotel equipment held for sale	$ 1,364,958
Liabilities directly associated with assets held for sale in FibraHotel transaction:	
Long-term debt (including current portion)	$ (270,237)
Non-current deferred tax	(244,579)
Total liabilities directly associated with assets classified as held for sale	**$ (514,816)**

11. LONG-TERM NOTES RECEIVABLE – NET

Long-term notes receivable correspond to the long-term portion of accounts receivable from sales of Vacation Club memberships, as follows:

	2013	2012
Long-term notes receivable	$ 1,568,095	$ 1,379,473
Less:		
Allowance for doubtful accounts	(54,786)	(24,445)
Total	**$ 1,513,309**	**$ 1,355,028**

The maturities of the long-term notes receivable at December 31, 2013 are as follows:

	Import
2015	$ 715,822
2016	323,225
2017	235,000
2018 and thereafter	294,048
Total long-term notes receivable	$ 1,568,095

12. LONG-TERM ACCOUNTS RECEIVABLEO

	2013	2012
Escrow account for sale of South America´s segment	$ 294,679	$ 319,938
Receivable account for sale of Chemuyil	102,000	-
Total	**$ 396,679**	**$ 319,938**

13. PROPERTY AND EQUIPMENT – NET

	Buildings	Furniture and equipment	Vehicles	Computers	Land	Total
Balance at December 31, 2012	$ 3,896,167	$ 566,849	$ 4,757	$ 38,667	$ 2,861,146	$ 7,367,586
Additions	413,822	287,937	17,029	60,999	374,450	1,154,237
Depreciation	(212,135)	(161,522)	(6,576)	(39,996)	172	(420,057)
Effect of foreign currency exchange differences	500	1,117	64	-	368	2,049
Assets sold	(239,312)	(90,415)	(643)	(429)	(540,560)	(871,359)
Impairment	(130,962)	-	-	-	(763,869)	(894,831)
Balance at December 31, 2013	$ 3,728,080	$ 603,966	$ 14,631	$ 59,241	$ 1,931,707	$ 6,337,625

	Buildings	Furniture and equipment	Vehicles	Computers	Land	Total
Balance at January 1, 2012	$ 6,084,309	$ 740,051	$ 7,584	$ 54,398	$ 3,634,220	$ 10,520,562
Additions	35,499	84,558	2,769	34,750	-	157,576
Depreciation and disposals	(332,243)	(152,603)	(5,104)	(48,398)	-	(538,348)
Effect of foreign currency exchange differences	(880)	(1,910)	(44)	-	(368)	(3,202)
Assets sold as part of discontinued operations	(902,578)	(50,257)	(232)	-	(450,977)	(1,404,044)
Property and equipment classified as held for sale	(987,940)	(52,990)	(216)	(2,083)	(321,729)	(1,364,958)
Balance at December 31, 2012	$ 3,896,167	$ 566,849	$ 4,757	$ 38,667	$ 2,861,146	$ 7,367,586

a. *Fair value of land and buildings*

The land and buildings of the Entity are stated at fair value at the date of revaluation, less accumulated depreciation and accumulated impairment losses. Entity's measurements of the fair value of land and buildings to December 31, 2013 and 2012 were conducted by independent valuation agents, who have the right qualifications and experience required for the measurement of the properties in the respective relevant locations.

Fair value of land was determined based on comparable market approach reflecting recent transaction prices for similar properties. The fair value of buildings is determined using the cost method that reflects the cost of a market participant for the construction of comparable age and use, adjusted for obsolescence. The last date for the determination of fair value was the December 31, 2011. There has been no change in the valuation technique during the year.

14. INVESTMENT IN SHARES OF ASSOCIATED COMPANIES

	Principal activity	% interest at December 31 2013	**2013**	2012
Investment in associates-				
Inmobiliaria				
Las Animas, S. A. de C. V.	Hotels in Jalapa	25.00	$ 27,571	$ 27,294
Other-				
Inmobiliaria Hotelera de				
Yucatán, S. A. de C. V.	Hotels in Merida	9.2	6,450	9,806
Other		Miscellaneous	1,416	3,200
			$ 35,437	$ 40,300

15. OTHER ASSETS

	de 2013	de 2012
Development expenses	$ 13,898	$ 20,768
Guarantee deposits	56,110	22,912
Advanced payments on Kívacs	144,407	86,816
	$ 214,415	$ 130,496

16. LONG-TERM DEBT

a. Long-term debt is as follows (variable interest rates in effect at December 31, 2013):

	2013	2012
U.S. dollar-denominated:		
Senior Notes 2017, fixed rate of 7.875%%	$ 3,474,406	$ 2,801,149
Senior Notes 2015, fixed rate of 9.25%	1,080,674	1,071,705
Mortgage loans, fixed interest rate of 2.55%	-	189,948
Mortgage loans with accounts receivable from Vacation Club as collateral at a rate that of 4.73%	-	288,484
Other loans, at rates between 3.16% and 3.21%	2,498	3,960
Mexican peso-denominated:		
Convertibles bonds, at a rate of 16%	-	900,000
Mortgage loans at rates that range from 6.82%	-	80,289
	4,557,578	5,335,535
Less- Mortgage loans reclassified as "liabilities directly associated with assets classified as held for sale"	-	(270,237)
Less- Current portion	(2,498)	(1,005,842)
Long-term debt	$ 4,555,080	$ 4,059,456

The maturities of long-term debt at December 31, 2013, are as follows:

	Thousands of U.S. dollars
2015	83,016
2016	-
2017	275,000
2018	-
	358,016
Equivalent in thousands of pesos	$ 4,681,596
Less –debt issuance costs	(126,516)
	$ 4,555,080

b. On November 30, 2012, the Entity issued a bond for US$225 million known as the "2017 Senior Notes", which mature on November 30, 2017 and bear interest at a 7.875% fixed rate. See Note 2f.

c. On January 15, 2010, the Entity issued debt securities for US$200 million under a Senior Notes program, due on January 15, 2015 ("2015 Senior Notes"). The securities bear interest at a rate of 9.25% annually, with semiannual coupons. The net proceeds from these bonds were used to prepay a portion of the outstanding debt at the end of 2010 due in the short- and medium-term. A portion of the proceeds from the "2017 Senior Notes" was used to repay a portion of the "2015 Senior Notes", resulting in a remaining balance of US$83.2 million at December 31, 2013 and 2012.

At December 31, 2013, none of the debt includes mortgage guarantees, while at December 31, 2012 debt with mortgage guarantees amounted to $270,237. The main guarantees correspond to properties (hotels), which net book value amounted to $743,899. At December 31, 2012 such financings accrued interest at the TIIE plus 1.5 to 5 percentage points with respect to loaned in pesos. These loans were settled in January 2013 with the proceeds from the sale of hotels to FibraHotel.

d. During 2008, the Entity began a Stock Certificates program (Stock certificates), for a total authorized amount of up to $3,000,000. The nominal value of the certificates was one hundred pesos and each issue maturing within five years, with interest payable every 28 days. In April 2008, $1,500,000 was available and in July 2008, a second program was opened for $750,000 under the same terms and conditions. Amounts outstanding under the program were settled in 2012 from the resources obtained from the sale of the operations in South America.

e. The Entity settled on January 2, 2013, the convertible debentures which were issued in March 2012.

f. The Entity had financing at December 31, 2011 with the IFC, in the amount of US$8 million, bearing interest at the London Interbank Offered Rate (LIBOR) plus two percentage points. These loans had a convertible feature into Series "L" shares of the Entity. The portion of the financing corresponding to equity was presented as contributions for future capital increases within stockholders' equity. During 2012 remaining amount was paid in full.

g. At December 31, 2011, the Entity had three revolving credit lines, two with Banco Mercantil del Norte, S. A. (Banorte) and one with Banco de Comercio Exterior, SNC (Bancomext) whose balance at that date was US$28.5 million, US$0.1 million and $510,637, respectively.

Withdrawals under these facilities bear interest at variable rates and are secured by notes receivable relating to the financing granted by the sale Vacation Club memberships. Collection rights on these receivables had been assigned to trusts located inside and outside of Mexico. According to collateral assignment contracts, the Entity had transferred to Bancomext and Banorte, the collection rights related to the receivables assigned to the trusts. The lines of credit established mortgage guarantees over the Vacation Club properties.

During December 2012, the line of credit with Banorte was settled leaving only the line of credit with Bancomext whose balance at December 31, 2012 is US$22.1 million; the amount of notes receivable amounts assigned to the trust at that date totaled US$31.5 million. The line of credit with Bancomext was settled on February 7, 2013 with proceeds received from the "2017 Senior Notes" for US$50 million concreted on January 30, 2013.

h. The most significant restrictions and obligations contained in debt agreements at December 31, 2013, prohibit the Entity from:

- Incurring additional indebtedness
- Granting guarantees
- Making payments or restricted investments
- Selling assets
- Declaring dividends
- Making certain intercompany transactions
- Merging with other companies

At December 31, 2013 and the date of the consolidated financial statements, restrictions and obligations have been satisfied.

i. Below is detail of key financial items of the Entity and the subsidiary guarantors of the "2017 Senior Notes":

	Grupo Posadas, S.A.B. de C.V. and guarantor subsidiariess		Non-guarantor subsidiaries		Total consolidated	
	2013	2012	**2013**	2012	**2013**	2012
Total revenues	$ 5,589,003	$ 4,537,562	$ 2,961,355	$ 1,602,312	$ 8,550,358	$ 6,139,874
Impairment, depreciation and amortization	1,217,558	316,071	97,330	115,440	1,314,888	431,511
Lease expense	326,513	331,154	-	-	326,513	331,154
Operating (loss) income	(618,718)	527,948	577,138	94,319	(41,580)	622,267
Consolidated net (loss) income	(1,162,965)	1,058,963	(594,849)	296,601	(1,757,814)	1,355,564
Total assets	12,023,808	10,132,515	495,569	4,115,884	12,519,377	14,248,399
Total liabilities	**$ 7,965,883**	**$ 5,389,894**	**$ 1,165,277**	**$ 3,635,608**	**$ 9,131,160**	**$ 9,025,502**

j. Below is a detail of key financial items of the Entity and the subsidiary guarantors of the "2015 Senior Notes":

	Grupo Posadas, S.A.B. de C.V. and guarantor subsidiaries		Non-guarantor subsidiaries		Total consolidated	
	2013	2012	**2013**	2012	**2013**	2012
Total revenues	$ 5,924,392	$ 5,840,173	$ 2,625,966	$ 299,701	$ 8,550,358	$ 6,139,874
Depreciation and amortization	1,256,801	310,227	58,087	121,284	1,314,888	431,511
Lease expense	326,513	331,154	-	-	326,513	331,154
Operating (loss) income	(527,867)	524,196	486,287	98,071	(41,580)	622,267
Consolidated net (loss) income	(2,175,730)	1,314,623	417,916	40,941	(1,757,814)	1,355,564
Total assets	12,284,855	12,699,238	234,522	1,549,161	12,519,377	14,248,399
Total liabilities	**$ 8,498,735**	**$ 8,195,915**	**$ 632,425**	**$ 829,587**	**$ 9,131,160**	**$ 9,025,502**

17. INCOME TAXES

The Entity is subject to ISR and until 2013 to IETU.

ISR -The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR law (2014Tax Law), the rate will continue at 30% in 2014 and thereafter. The Entity incurred ISR on a consolidated basis up to 2013 with its Mexican subsidiaries. As a result of the 2014 tax reform, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax determined as of that date during the subsequent five years beginning in 2014, as illustrated below.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

IETU – IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%.

The current income tax is the greater of ISR and IETU up to 2013.

Through 2012, based on financial projections, the Entity identified that in certain years it would pay ISR. As a result, the Entity calculated both deferred ISR and IETU. As of 2013, only deferred ISR is calculated due to the elimination of IETU.

Taxation in the United States - The subsidiaries operating in that country are subject to the payment of income tax at a rate of 35%.

Tax balance in Mexico - The main differences affecting the taxable income of the Entity were on the recognition of the effects of inflation, equity in earnings of associated companies, amortization of deferred credits and amortization of prior year losses.

a. Income tax expense (benefit) is as follows:

	2013	2012
Current tax		
Long-term ISR tax deconsolidation	$ 882,262	$ 56,044
Current ISR	416,308	-
Expense tax amnesty (Note 2b)		
	125,585	-
	1,424,155	56,044
Deferred tax		
Deferred ISR	(262,167)	588,952
Deferred IETU	(105)	(28,437)
	$ 1,161,883	$ 616,559

b. The main items originating the balance of the deferred ISR liability at December 31, are:

	2013	2012
Notes receivable	$ 397,128	$ 351,346
Allowance for doubtful accounts	(92,475)	(83,195)
Real estate held for sale	16,594	54,140
Property and equipment	265,057	123,990
Other assets	157,832	39,149
Reserve for losses of subsidiaries for 2010 tax reform	-	556,584
Reserves and deferred income	(327,708)	(488,988)
Tax loss carryforwards	(573,529)	(190,360)
Recoverable IMPAC	(3,528)	(7,178)
Tax benefits (Conacyt)	21,689	22,210
Tax effect of SIBRAS	1,297,422	843,085
	$ 1,158,482	$ 1,220,783

c. The benefits from tax loss carryforwards and recoverable IMPAC for which has already been partially recognized deferred tax assets and tax credit, respectively, has been recognized, can be recovered subject to certain conditions and at December 31, 2013 and 2012 amounted to $1,911,764 and $634,534 and $3,528 and $7,178, respectively.

d. **Tax consolidation**

The income tax liability at December 31, 2013 concerning the effects of benefits and tax deconsolidation shall be paid in the following years:

Year	
2014	$ 220,566
2015	234,078
2016	187,263
2017	140,446
2018	140,446
	922,799
Less - current portion	(220,566)
	$ 702,233

e. **Tax loss carryforwards**

The amount of actualized tax losses at December 31, 2013, which has not been recognized an asset for deferred tax amounted to $4,365,723. Expiration dates and actualized amounts as of December 31, 2013 are:

Year	
2018	$ 2,124,937
2019	386,432
2021	1,398,085
2023	456,269
	$ 4,365,723

18. LONG-TERM ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
Return reserve from Vacation Club and others	$ 132,464	$ 115,421
Employee benefits	16,290	21,426
Other statutory employee benefits	127,296	33,164
	$ 276,050	$ 170,011

A reserve of Vacation Club returns exists within current liabilities amounting as of December 31, 2013 and 2012, $81,623 and $82.405, respectively.

19. EMPLOYEE BENEFITS

The net period cost for obligations under the pension plan and seniority premiums relating totaled $16,089 and $13,920 in 2013 and 2012 respectively. Other disclosures required by accounting rules are not considered material.

20. FINANCIAL INSTRUMENTS

The Entity is exposed to market risks (including interest rate risks and exchange rate risk), credit risk and liquidity risk, which are all managed centrally.

Capital risk management policy - The Entity manages its capital to ensure that it will continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity structure. The overall strategy of the Entity has not been changed compared to 2012.

The Entity 's management reviews its capital structure when it presents its financial projections as part of the business plan to the Entity's Board of Directors and shareholders. As part of this review, the Board of Directors considers the cost of capital and its associated risks. The Entity analyzes the capital structure for each project independently, in order to minimize the risk for the Entity and optimize shareholder returns.

The Entity's management reviews, on a monthly basis, net debt and accrued interest and its relation to the EBITDA (earnings before interest, taxes, currency fluctuations, depreciation and amortization). This review is carried out when the Entity's financial projections are presented as part business plan to the Board of Directors and shareholders of the Entity.

The Entity is incorporated as a S. A. B. de C. V. in accordance with the Mexican Securities Law and the General Companies Law; fixed minimum capital is $50.

1. Debt index
   The debt index over the period under report is as follows:

	2013	2012
Debt [i]	$ 4,557,578	$ 5,335,535
Cash and banks	1,231,716	1,479,977
Net debt	3,325,862	3,855,558
Stockholders' equity [ii]	$ 3,388,217	$ 5,222,897
Index of net debt to equity	98%	74%

[i] Debt is defined as long-term loans and short-term (excluding derivatives and financial guarantee contracts), as described in Note 16.
[ii] Stockholders' equity includes all capital and reserves of the Entity that are managed as capital.

Interest rate risk management - The Entity is exposed to market risks related to fluctuations in interest rates, as some of its bank loans at December 31, 2013 bear interest at variable rates linked to the rate Interbank Equilibrium Interest Rate (TIIE). The increase in interest rates could result in a higher payment date. At December 31, 2013, the 2017 and 2015 Senior Notes issued represent almost 100% of the debt of the Entity, and bears interest at a fixed rate. Practically all debt is denominated in dollars at a fixed rate.

Foreign currency risk management- In relation the exchange rate risk, the Entity considers that the risk is material due to the December 31, 2013 100% of the entire debt is in U.S. dollars. The Entity hires some of its financing in the same currency as the source of payment. A depreciation (or appreciation) of 10% in the Mexican peso against the U.S. dollar would result in a foreign exchange loss or (gain) in the results and equity of the Entity of approximately $213,000.

The exchanges in current pesos to date are:

	December 31,		February , 24
	2013	2012	2014
Pesos per U.S. dollar	$ 13.0765	$ 13.0101	$ 13.2704

Credit risk management - Credit risk refers to the risk that the counterparties will default on their contractual obligations, resulting in a loss for the Entity. The Entity's principal credit risk stems from cash and cash equivalents, investments in securities and accounts and notes receivable.

The Entity has a policy of maintaining cash and cash equivalents only with recognized, prestigious institutions with a high credit rating. Additionally, investments are limited to instruments with high credit quality. In the case of accounts and notes receivable, the credit risk mainly stems from the Vacation Club portfolio; otherwise, the respective guarantees are obtained in accordance with established credit policies.

The maximum exposure to credit risk is represented by the amounts shown in the consolidated statement of financial situation.

Liquidity risk management – The Entity does not consider a material liquidity risk over short-term debt of the company as of December 31, 2013. The Entity liquidated debt maturing shorter-term with the resources of the reopening of the 2017 Senior Notes.

The principal sources of liquidity of the Bank have been cash flow from operating activities generated primarily from operating income from its owned and leased hotels, management revenues, the sale and financing of Vacation Club memberships and proceeds from asset sales.

The Entity management is responsible for liquidity management, and has established appropriate policies to mitigate this risk through the monitoring of working capital, which allows management to manage funding requirements in the short, medium and long-term, maintaining sufficient cash reserves, available credit lines, continuously monitoring cash flows, both projected and actual and reconciling the maturity profiles of financial assets and liabilities.

Fair value of financial instruments:

Financial derivatives – At December 31, 2013, a portion of the revenues of the Entity, usually around 20%, have been either directly or indirectly denominated in U.S. dollars. This is due to the fact that the room rates at coastal hotels (primarily at Cancun and Los Cabos) were quoted in U.S. dollars and, historically, a portion of the sale and financing of Vacation Club memberships have been quoted in U.S. dollars.

Because a significant portion of revenues are denominated directly or indirectly in U.S. dollars and to minimize the exposure to highly volatile interest rates in pesos, the Entity's policy has been to maintain a significant portion of its debt in U.S. dollars. This has been achieved by borrowing U.S. dollar denominated debt when credit market conditions allow for it, or, in recent periods, entering into cross-currency swaps where the Entity generally pays U.S. dollar amounts based on fixed interest rates and receive peso amounts based on peso variable interest rates. The derivative financial instruments are contracted in the over-the-counter market with international financial institutions.

In particular, when entering into these recent cross-currency swaps, the Entity attempts to hedge the positions by matching cash flows on its derivative transactions with cash flows on its indebtedness; however, for accounting purposes, the derivative financial instruments have not been designated as hedges because they do not meet all of the accounting requirements established by IFRS.

The liability for foreign currency swaps was $19,798 at December 31, 2012.

Valuation techniques and assumptions applied to determine fair value - The fair value of the financial assets and liabilities is determined as follows:

- The fair value of the financial assets and liabilities with standard terms and conditions, and negotiated in active liquid markets, are determined based on the prices quoted in the market.
- The fair value of the other assets and liabilities is determined in accordance with generally accepted price determination models, which are based on the analysis of discounted cash flows.

The fair value of long-term debt is as follows:

	December 31, **2013**	December 31, 2012
Thousands of US dollars:		
"2015 Senior Notes"	US$ 80,360	US$ 73,911
Mortgage loans	-	18,978
"2017 Senior Notes"	243,637	225,000
	US$ 323,997	US$ 317,889

Financial assets (cash, notes and accounts receivable) and short-term financial liabilities, are practically reflected at fair value in the consolidated statement of financial position.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The characteristics of debt and CCS hired to cover it are shown in the following table at December 31, 2012:

	Notional amount (In millions)	Start date	Maturity	Notional amount (In millions)	Fair value
Stock Certificates	$ 97.5	Julio, 2008	Abril, 2013	US 9.4	$ (19,798)

22. STOCKHOLDERS' EQUITY

a. As of December 31, stockholders' equity is comprised of the following shares without par value:

	Number of shares			
	2013 Serie "A"	Serie "A"	2012 Serie "L"	Total
Authorized capital	576,888,619	467,941,764	108,946,855	576,888,619
Less-				
Repurchase of shares	(18,899,099)	(11,911,566)	(6,987,533)	(18,899,099)
Shares in trust assigned to executives	(25,166,702)	(24,758,302)	(526,600)	(25,284,902)
Treasury stock	(33,890,206)	(33,890,206)	-	(33,890,206)
Chemuyil trust shares	(2,995,024)	(8,799,000)	-	(8,799,000)
	(80,951,031)	(79,359,074)	(7,514,133)	(86,873,207)
	495,937,588	388,582,690	101,432,722	490,015,412

b. During a Stockholders' Extraordinary General Meeting held on November 11, 2011, the stockholders approved the exchange of securities representing all the Series "A" and "L" shares of the Entity's common stock for new common, ordinary, no-par value, freely subscribed Series "A" shares at a rate of one Series "A" or "L" shares for one new Series "A" share. Such swap was carried out on February 27, 2013.

c. At December 31, 2013, the share capital is composed solely of Series "A" free subscription.

d. Stockholders' equity, except for restated paid-in capital and tax retained earnings, will be subject to ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years. As of 2014 there is an additional 10% rate on dividends.

e. At December 31, 2013 and 2012, the legal reserve, presented within retained earnings, amounts to $99,187 (nominal value) in both years and represents 20% of the nominal capital. This reserve may not be distributed to shareholders except in the form of dividends.

f. The trust shares assigned to executives consisted of two trusts for pension plan and for the Entity's executives, which may be assigned based on performance. During December 2013, the 118,200 shares which comprised the full pension plan trust were sold. As of December 31, 2013, the Entity is dismantling the executive trust and will submit its dissolution to the Stockholders' Meeting in 2014. As of that date, the trust held 25,166,702 of the Entity's Series "A" shares.

g. As discussed in Note 2a, during 2013, 5,803,976 shares were sold in the stock market as part of the Chemuyil contractual penalty, resulting in a capital increase of $138,488. The rest of the shares are still held in the guarantee trust on behalf of the Entity.

h. During a Stockholders' Ordinary and Extraordinary General Meeting held on March 15, 2013, the stockholders declared dividends of $83,698, which were paid beginning on April 18, 2013. The consolidated statement of changes in stockholders' equity shows this amount net of reimbursed dividends of $10,178, due to the release of shares from the different trusts discussed above.

i. During Stockholders' Ordinary Meetings held on March 11, and August 15, 2013, associated entities declared dividends of $85,184 and $4,065, in which non-controlling equity of 50% and 25%, respectively, is held. Such transaction is recognized in the consolidated statement of changes in stockholders' equity under "declaration of dividends to non-controlling equity" of $43,608.

23. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

Significant monetary position in foreign currencies at December 31 is:

	2013	2012
Thousands of US dollars:		
Current:		
Monetary assets	57,470	25,362
Monetary liabilities	(10,087)	(39,808)
	47,383	(14,446)
Long-term:		
Monetary assets	86,657	54,361
Monetary liabilities	(358,271)	(323,901)
	(271,614)	(269,540)
Net liability position	(224,231)	(283,986)
Equivalent in thousands of pesos	$ (2,932,161)	$ (3,694,686)

Foreign currency transactions made by entities located in Mexico are mainly income from hotel operations, certain sales of Vacation Club memberships and inventory and interest expense.

24. RELATED PARTY TRANSACTIONS

a. During 2013 and 2012, the Entity entered into transactions with related parties as follows:

	2013	2012
Interest on convertible debentures	$ -	$ 114,621

b. Employee benefits granted to key management personnel (and/or directors) of the Entity, were as follows:

	2013	2012
Short and long-term benefits	$ 102,911	$ 107,332
Termination benefits	$ -	$ 9,600

25. DISCONTINUED OPERATIONS

During the third quarter 2012, the Entity sold its South American operations. The financial situation at December 31, 2011 and results of the discontinued operations in 2013 and 2012, presented within discontinued operations in the consolidated statements of comprehensive income, are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

a. Consolidated statement of financial situation data

		September 30, 2012
Cash and cash equivalents	$	65,635
Accounts receivable		153,709
Inventories		8,661
Other assets		6,946
Current assets		234,951
Property and equipment		1,404,044
Other assets		381,251
Total assets	$	2,020,246
Current portion of long-term debt	$	23,767
Suppliers		19,387
Other accounts payable and accrued liabilities		143,568
Total current liabilities		186,722
Long-term debt		71,300
Other accounts payable and accrued liabilities		6,429
Deferred income tax		322,036
Total liabilities	**$**	**586,487**

b. Consolidated statements of comprehensive income data

		9 months ended September 30, 2012
Revenue	$	783,689
Other income		50,065
		833,754
Operating expenses:		
Administrative		713,520
Other expenses		27,635
		741,155
Operating income		92,599
Other financial income (expense)		(7,147)
Income before income taxes		85,452
Income taxes		21,151
Income from discontinued operations (attributable to controlling interest)	$	64,301

c. Consideration received

		2012
Consideration received in cash and cash equivalents	$	2,834,506
Contingent consideration at fair value		319,938
	$	3,154,444

d. Gain on sale of subsidiary

	2012
Consideration received	$ 3,154,444
Net assets sold and operations during the year	1,278,400
Gain on sale	$ 1,876,044

The gain on sale is included in results for the year within discontinued operations in the consolidated statement of comprehensive income.

26. INFORMATION BY GEOGRAPHICAL AREAS AND BUSINESS SEGMENTS

The operating segment information is presented according to the discretion of the Entity's administration based on their internal reporting for performance evaluation and resource allocation. In addition, the Entity presents condensed information by geographic area and operational segments.

The Entity operates in different geographical areas including Mexico, South America (Brazil, Argentina and Chile up to 2012) and the United States of America. The main financial captions by geographical area as of and for the year ended December 31, 2013 and 2012 are:

	Mexico	United States of America	Total consolidated
Total operating revenues	$ 8,493,756	$ 56,602	$ 8,550,358
Depreciation, amortization and real estate leasing	$ 1,635,641	$ 5,760	$ 1,641,401
Operating loss	$ (65,465)	$ 23,885	$ (41,580)
Consolidated net loss	$ (1,773,534)	$ 15,720	$ (1,757,814)
Total assets	$ 12,378,038	$ 141,339	$ 12,519,377
Total liabilities	**$ 9,116,703**	**$ 14,457**	**$ 9,131,160**

The main financial caption by geographic area at December 31, 2012 were as follows

	Mexico	South America	United States of America	Total consolidated
Total operating revenues	$ 6,075,260	$ -	$ 64,614	$ 6,139,874
Depreciation, amortization and real estate leasing	$ 755,526	$ -	$ 7,143	$ 762,669
Operating income	$ 606,662	$ -	$ 15,605	$ 622,267
Consolidated net income	$ (530,748)	$ 1,876,044	$ 10,268	$ 1,355,564
Total assets	$ 14,120,643	$ -	$ 127,756	$ 14,248,399
Total liabilities	**$ 9,008,833**	**$ -**	**$ 16,669**	**$ 9,025,502**

Information by reportable segment for the year ended December 31, 2013 is as follows:

	Hotel operation	Hotel management, brand and other	Corporate	Vacation Club	Sale of non-strategic assets	Total	Eliminations	Total consolidated
Statement of comprehensive income:								
Total revenues	$ 2,708,706	$ 2,043,439	$ -	$ 1,776,043	$ 2,781,588	$ 9,309,776	$ (759,418)	$ 8,550,358
Cost and general expenses	2,351,678	1,648,802	-	1,440,589	2,216,417	7,657,486	(759,418)	6,898,068
Corporate expenses	-	-	195,769	-	-	195,769	-	195,769
Depreciation and amortization	-	-	1,314,888	-	-	1,314,888	-	1,314,888
Other expenses	-	-	183,213	-	-	183,213	-	183,213
Operating income (loss)	$ 357,028	$ 394,637	$ (1,693,870)	$ 335,454	$ 565,171	$ (41,580)	$ -	$ (41,580)

Information by reportable segment for the year ended December 31, 2012 is as follows:

	Hotel operation	Hotel management, brand and other	Corporate	Vacation Club	Total	Eliminations	Total consolidated
Statement of comprehensive income:							
Total revenues	$ 3,071,734	$ 2,231,270	$ -	$ 1,716,785	$ 7,019,789	$ (879,915)	$ 6,139,874
Cost and general expenses	2,648,964	1,761,306	-	1,312,682	5,722,952	(879,915)	4,843,037
Corporate expenses	-	-	212,070	-	212,070	-	212,070
Depreciation and amortization	-	-	431,511	-	431,511	-	431,511
Other expenses	-	-	30,989	-	30,989	-	30,989
Operating income (loss)	$ 422,770	$ 469,964	$ (674,570)	$ 404,103	$ 622,267	$ -	$ 622,267

27. COMMITMENTS

a. At December 31, 2013 and 2012, the Entity has entered into long-term contracts to lease hotel and corporate properties, which generally have terms of 10 years. Lease payments are calculated based on percentages applied to income generated from hotel operations, varying between 12% and 25%. During the years ended December 31, 2013 and 2012, lease expense was $326,513 and $331,154 respectively. The minimum rent estimated for the following years is shown below.

Years	Amount
2014	$ 301,304
2015	307,509
2016	313,855
2017	320,346

b. At December 31, 2013 and 2012, the Entity has entered into rental contracts for computer equipment, which usually have a term of three years. Rental payments are based on the value of the rented equipment and vary in function with the requirements of the operational departments of the Entity. For the years ended December 31, 2013 and 2012, rental expense amounted to $45,937 and $40,509, respectively. The estimated rental payments for the following years is shown below:

Years	Amount
2014	$ 43,937
2015	20,065
2016	9,978
2017	652

28. SUBSEQUENT EVENTS

On February 20, 2014, the Entity announced the issuance of an additional US$35 million of 2017 Senior Notes, which accrue interest at an annual rate of 7.875%, maturing in 2017. The 2017 Senior Notes were issued based on a private exchange of US$31.6 million of the 2015 Senior Note. The 2017 Senior Notes constitute an additional issuance of 2017 Senior Notes, with identical terms, and a total outstanding amount of US$310 million. As a consequence of the cancellation of the a portion of the 2015 Senior Notes, the total outstanding principal of Senior Notes 2015 as of that date is US$51.7 million.

Based on applicable regulations, the Notes and related documents were not filed for review or approval with any federal or state securities commission or with any regulatory agency of any country.

29. CONTINGENCIES

The Entity faces a number of claims arising from the normal course of its operations. As the claims are generally in their initial stages or the impossibility of reliably estimating a probable outflow of resources related to such claims, the Entity has not recorded any provisions with respect to the claims. However, in the opinion of the Entity's management, and its legal counsel, the outcome of these matters are not expected to significantly affect the consolidated financial situation or results of operations of the Entity.

30. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements were authorized for issuance on February 24, 2014, by the Act. Rubén Camiro Vázquez, Finance Vicepresident, and consequently do not reflect events after this date and are subject to the approval of the Ordinary Shareholders Meeting of the Entity were may be modified, based on provisions set forth in the Mexican General Corporate Law.

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