GROWTH

ANNUAL REPORT

2014

POSADAS®

POSADAS®

José Carlos Azcárraga Andrade, CEO.

LETTER TO STOCKHOLDERS

2014 REPRESENTED THE HIGHEST GROWTH IN OUR HISTORY, ACHIEVING A RECORD OF 20 NEW HOTEL OPENINGS. WITH THESE OPENINGS WE REACH 127 HOTELS AND MORE THAN 21,000 ROOMS

DEAR STOCKHOLDERS:

We are proud of our performance in 2014 which, one more time, shows the strength of our business model. The diversification of the hotels operated by Posadas in different areas of the country, with a multiplicity of different formats and focus on the client to improve the quality of our service, demonstrated to be the key to generate growth and protect margins.

During 2014, we recorded a good operating result in our hotels on a global scale. The average rate grew 6.5% and occupancy diminished 1%, which resulted in a RevPAR (Revenue per available room) growth of 4.9% compared to the previous year.

2014 represented the highest growth in our history, achieving a record of 20 new hotel openings: 10 One hotels, 4 conversions to the new brand Gamma, 3 Fiesta Inn, 2 Fiesta Inn Loft and The Explorean at Cozumel. With these openings we reach 127 hotels and more than 21,000 rooms, and thus demonstrate the strength of our operating, commercial and technological infrastructure.

Beyond our assets basis and their remodeling, the brand portfolio has benefitted as well from innovation, with the launching of new hotel concepts and operation models. Regarding the subject of brands, 2014 was determined by three actions: the launching of the new concept of Fiesta Americana, a complete renovation that includes the image, the logo and even the public areas and bedrooms; the extensions of the brand Fiesta Inn Hotel & Loft and Fiesta Inn Express in response of the travelers' needs, as well as our new franchise business model under the Gamma brand.

Fiesta Americana Vacation Club celebrated its 15th birthday in the market and is now immersed in an aggressive stage of growth. During 2014, we broadened the offer of this product with the reopening of the hotels Fiesta Americana Cozumel, The Explorean Cozumel, and the end of the last phase of the villas project at the Fiesta Americana Grand Los Cabos hotel. Furthermore, we started the executive project of what will become the new Fiesta Americana Grand Acapulco Diamante.

Financial Results

For the fiscal year of 2014 we generated an EBITDA of $954 million pesos. On a comparable basis, it represents an increase of 14% compared to that obtained in 2013. We have increased by 6% our total assets up to $13,318 million pesos.

Regarding macroeconomic events, in which we are unable to exert any influence, the Peso currency depreciated 12.6% against the American Dollar, affecting our debt position. Nevertheless, in 2014 we kept a solid general balance. In the course of the year, we continued strengthening our capital structure and improving our debt maturity profile, in line with our target of acquiring financial flexibility. As a result, the pro forma average life of our debt was 2.6 years at the end of 2014.

Our liquidity, as of today, is solid. In November 2015, 13% of our total debt will expire, and the outstanding balance until 2017. The projection indicates that we will continue to be selective in the use of the cash we generate, while we seek for opportunities that make sense to our business and align with our strategic objectives.

Growth & Development

In the last 12 months, the Group operates 20 new hotels, representing a total of 2,248 additional rooms. The Company continues with a strong plan of development that includes agreements to operate 42 new hotels with 6,252 rooms.

Such hotels imply, for the next years, a total estimated investment of US$515 million dollars, which will be performed by investors independent of Grupo Posadas. In such hotels, the Group will contribute with an approximate 18%, corresponding mainly to the investment in the Vacation Club project in Acapulco Diamante.

Operating Results

2014 was the fifth consecutive year of recovery and growth of the RevPAR in nominal Pesos (MXN) for our hotel portfolio.

The city hotels, which represent 81% of the total rooms operated under our brands, improve consistently with a RevPAR increase of 3.9%. In addition, it is worth pointing out the superior performance of the resorts, with a RevPAR increase of 6.4%.

An increase in the average rate of 18.7% vs the previous year was achieved in our main resorts, standing out all inclusive hotels (Live Aqua Cancún All Inclusive, Fiesta Americana Condesa Cancún All Inclusive y Fiesta Americana Grand Los Cabos All Inclusive), which ended 20.9% up in the average rate and 22.5% up regarding RevPar.

The promotional summer campaign “Viaja por todo México” was quite successful, generating additional sales of 27% compared to the previous campaign in 2013, and contributed to achieve a double-digit income growth of 17.2% compared to 2013.

The hotels, in general, had a gross income operation efficiency between 13% and 15% during the year compared to 2013.

For 2014, the Vacation Club—Fiesta Americana Vacation Club (FAVC)—represented the most important business of the Company regarding EBITDA generation, which was mainly stimulated by a much faster pace in the sales volume of memberships.

Furthermore, since September 2014, the hotels Fiesta Americana Cozumel All Inclusive and The Explorean Cozumel reopened to the public after a complete remodeling with a total investment of approximately $300 million pesos.

On December 30, 2014, the balance of membership sales portfolio amounts to US$138 million dollars and the Vacation Club has more than 50,000 members, from which 16,000 belong to the Kívac program, our system of exchangeable points for hotel accommodation.

In addition, and together with the efforts to achieve the growth of the Company, we continue with projects to strengthen the chapter of social responsibility within the Company. To this day, we have several institutional training and development programs for our staff, which helps to promote a better quality of life for our associates, and support in life-threatening situations, such a hurricane Odile in Los Cabos.

I conclude and extend my thanks to all our shareholders, associates and guests for the confidence placed in us, and reiterate our commitment to continue working towards achieving that Grupo Posadas remains the benchmark for profitability, service and innovation of the Mexican hotel industry.

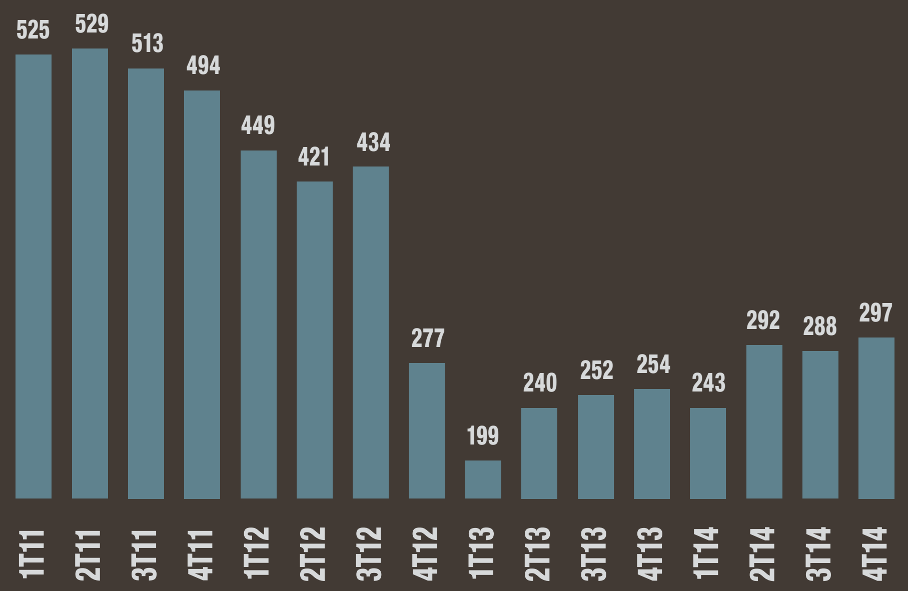
Sincerely,
JOSÉ CARLOS AZCÁRRAGA
CEO

February 2015

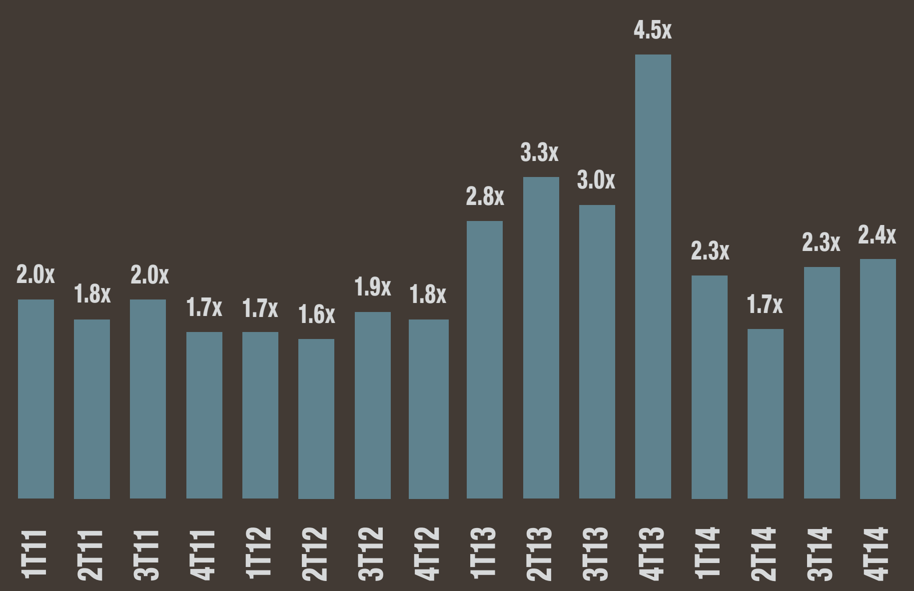
“The detail of the financial situation at the end of the 2014 fiscal year shows duly explained and classified the results of the Company during the fiscal period and shows the changes in the financial position during that same period. It also evidences the changes in the items that integrate the capital equity that occurred during the fiscal year of 2014. This detail and the necessary notes that complete and clarify the information contained in such Financial Statements, is and must appear in Appendix 1 of this Report, which corresponds to the Report of the Independent Auditors and the consolidated Financial Statements of 2014 and 2013 of Grupo Posadas, S.A. B. de C.V. and its subsidiaries, issued by Galaz, Yamazaki, Ruiz Urquiza S.C. (Deloitte).”

01
FINANCIAL HEALTH

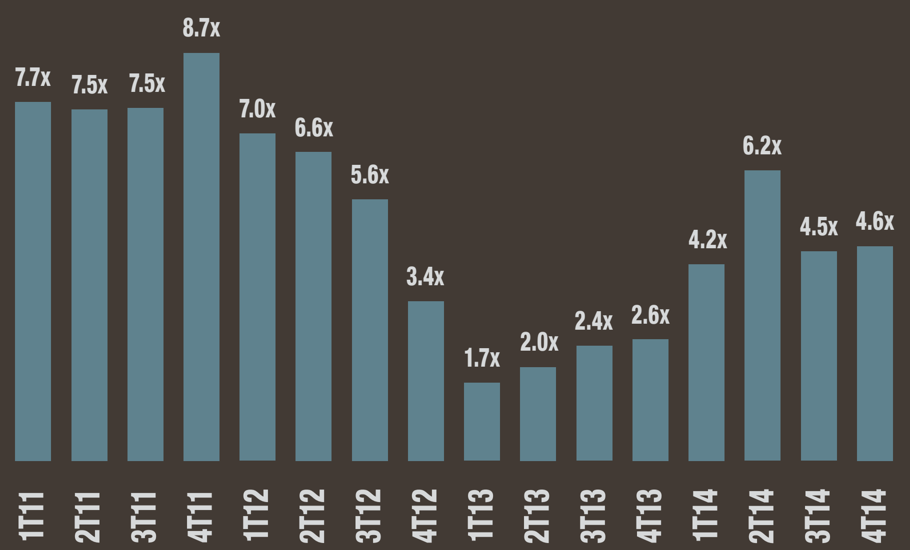
01 NET DEBT (US$M)



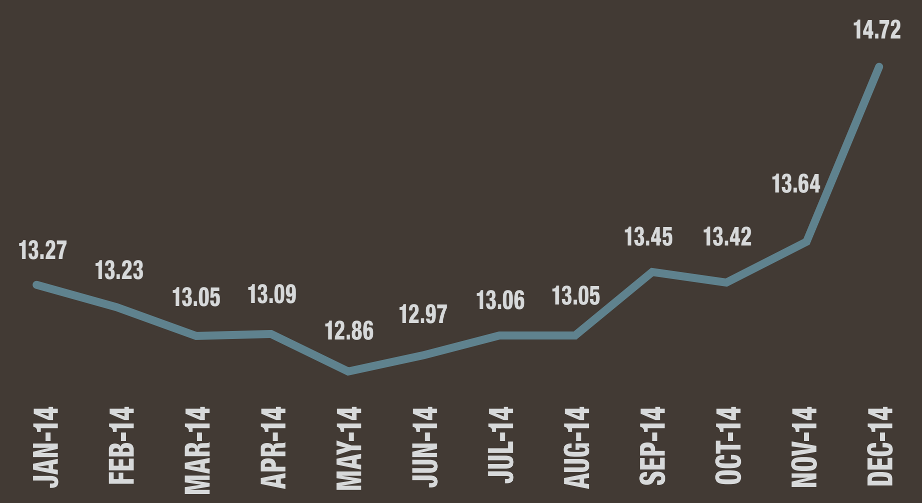
01 NET INTEREST COVERAGE



01 NET DEBT EBITDA

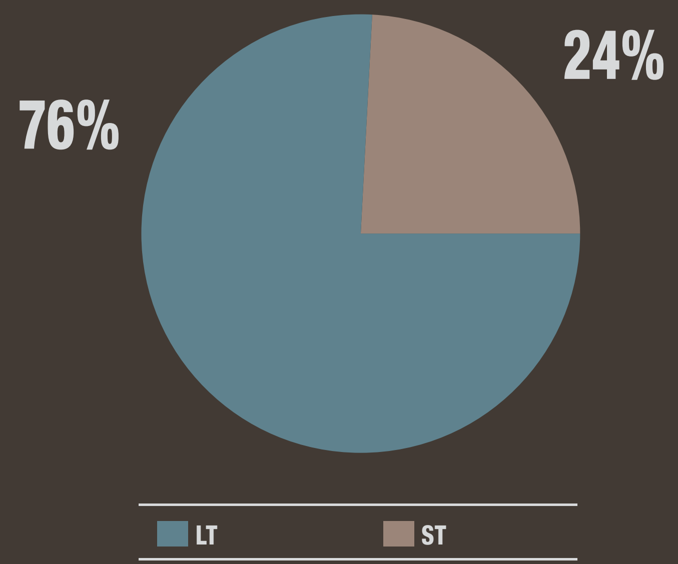


01 EXCHANGE RATE FIX

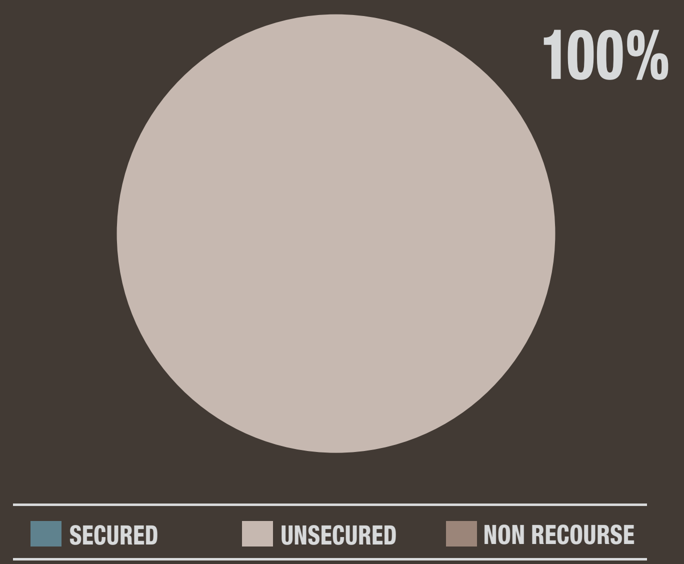


001
DEBT MIX 4T14

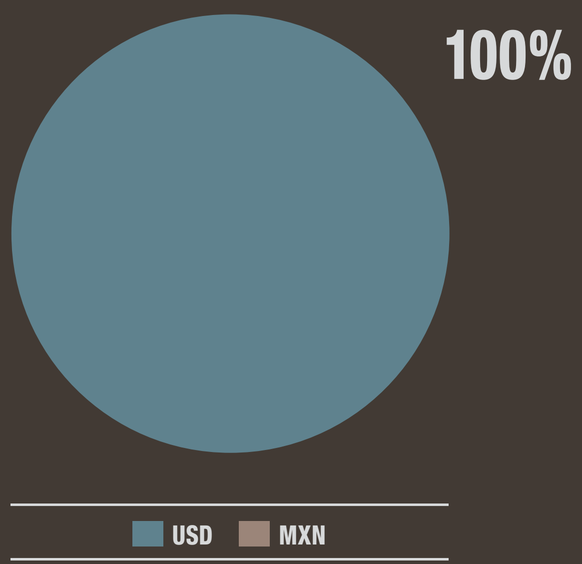
001 TENOR



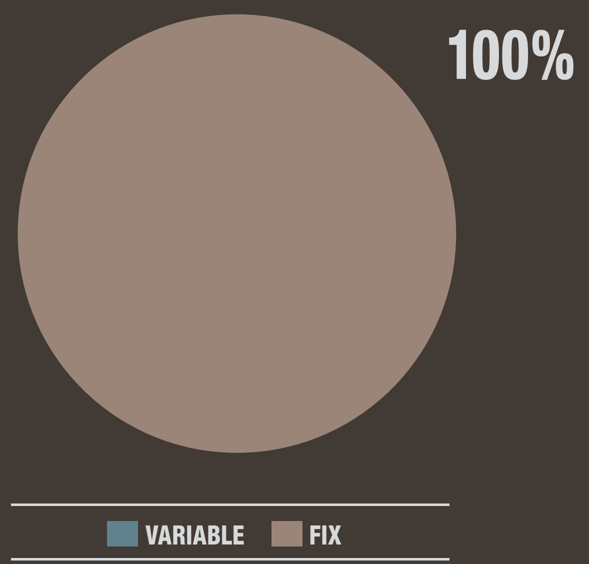
001 GUARANTY



001 CURRENCY (TOTAL DEBT)



001 RATE



Total Debt
US$ 400 M
Cash US$103 M

MOVING

IN 2014, WE HAVE CONTINUED WITH A SATISFACTORY OPERATING RESULT IN OUR HOTELS ON A GLOBAL SCALE.

Fiesta Inn Toluca Aeropuerto.

FOR THE FISCAL YEAR OF 2014, WE GENERATED AN EBITDA OF $954 MILLION PESOS. ON A COMPARABLE BASIS, IT REPRESENTS AN INCREASE OF 14% COMPARED TO THAT OBTAINED IN 2013.

FINANCIAL

IN 2014, WE HAVE CONTINUED WITH SATISFACTORY OPERATING RESULTS IN OUR HOTELS ON A GLOBAL SCALE. THE AVERAGE RATE INCREASED 6.5% AND OCCUPANCY DECREASED 1%, WHICH RESULTED IN A REVPAR GROWTH OF 4.9% COMPARED TO THE PREVIOUS YEAR.

For the fiscal year of 2014, we generated an EBITDA of $954 million pesos. On a comparable basis, it represents an increase of 14% compared to that obtained in 2013. We have increased by 6% our total assets up to $13,318 million pesos.

In 2014, we have continued with satisfactory operating results in our hotels on a global scale. The average rate increased 6.5% and occupancy decreased 1%, which resulted in a RevPAR growth of 4.9% compared to the previous year.

The city hotels, which represent 81% of the total rooms operated under our brands, improve consistently with a RevPAR increase of 3.9%. In addition, it is worth pointing out the superior performance of the beach hotels, with a RevPAR increase of 6.4%.

In 2014, the Company successfully continued its ongoing program of Liability Management—that started in the second half of 2012.

On February 20, 2014, the Company announced the supplementary issue of US$35.0 million dollars of it 2017 Senior Notes, with an annual rate of 7.875% and maturing in 2017. The 2017 Senior Notes were issued based on a private exchange of US$31.6 million dollars of the Senior Notes principal with 2015 maturity. The additional 2017 Senior Notes constitute an additional issue of our 2017 Senior Notes, with identical terms, thus reaching a total amount of US$310.0 million dollars. As a result of the 2015 Senior Notes termination that were exchanged, the total principal in circulation from the latter is US$51.7 million dollars.

IN SEPTEMBER 2014, WE CONCLUDED AN AGREEMENT TO ENTIRELY TERMINATE THE WARRANTY ESCROW RELATED TO THE SALE OF SOUTH AMERICA'S HOTELS OPERATION, WHICH PROVIDED US WITH THE AMOUNT OF US$16.6 MILLION DOLLARS.

The Extraordinary and Ordinary Shareholder's Meeting held in March 19, 2014 agreed to amend Clause number seven of the Articles of Association and the cancellation of 64,151,031 "A" series shares, subject to the termination of some trusts where the issuer was the direct or indirect beneficiary thereof. After concluding this agreement, the equity is represented by 512,737,588 shares with book value of $1.00 peso.

Based on the corporate restructuring information brochure that will be available on April 10, 2014, we are executing an ambitious project of corporate readjustment of the Company's subsidiaries. We want, among other purposes, to transform the Controlling Company into a share holding company only, and thus substantially reduce the number of subsidiaries of the Company.

In September 2014, we concluded an agreement to entirely terminate the warranty escrow related to the sale of South America's hotels operation, which provided us with the amount of US$16.6 million dollars.

Hurricane Odile hit Los Cabos city on September 14, 2014, causing damages to sections of Hotel Fiesta Americana Grand Los Cabos and Fiesta Americana Vacation Club Villas. Both buildings are covered against risks of physical damage and loss of profit, and have resumed their operations since November 15, 2014 under the benefits provided by those insurance policies. In order to have an idea of the extent of the claim, in the third quarter of 2014, the Hotel and Villas in Los Cabos represented 3.5% of the total room inventory.

On December 2, 2014, the Company received the resources from the placement of the European Commercial Paper (ECP) for US$50 million dollars with one-year maturity and a maturity rate of 6.0%. The net proceeds from the issue will be primarily for corporate use and to continue with strong savings that should make it possible for Grupo Posadas to address its operation needs and capital expenditures.

The net profits in 2014 were $718 million pesos, which corresponded, partially, to a decrease in the provision of deferred taxes, as a result of a corporate restructuring, and adversely, to an exchange loss of the Peso (MXN) devaluation against the US Dollar of 12.5%.

On January 15, 2015, Posadas paid on the date of maturity a balance of US$51.7 million dollars from the notes issued five years ago, "9.25% Senior Notes due 2015", in the total amount of US$200 million dollars.

WE ARE EXECUTING AN AMBITIOUS PROJECT OF CORPORATE READJUSTMENT OF THE COMPANY'S SUBSIDIARIES.

GROW ING

THE GROUP'S GROWTH IS EVIDENT IN ALL CATEGORIES: 1 AQUA, 8 FIESTA AMERICANA, 10 FIESTA INN, 20 ONE, 2 GAMMA AND 1 THE FRONT DOOR.

Fiesta Americana Villas Acapulco.

WITHIN GRUPO POSADAS WE CONTINUE WORKING TO
CONSOLIDATE OUR LEADERSHIP IN ALL DIFFERENT CATEGORIES.
THE LATTER IS SHOWN BY THE 2014 RESULTS.

PROPERTY

2014 WAS A GREAT YEAR TOO, REGARDING THE EXECUTION OF NEW CONTRACTS, WHICH ALLOWED US TO KEEP THE STRONG PACE OF GROWTH AIMING AT THE GOAL OF HAVING OVER 210 HOTELS IN 2018.

Within Grupo Posadas we continue working to consolidate our leadership in all different categories. The latter is shown by the 2014 results, during which we achieved the largest growth in our history, with a record of 20 newly opened hotels (10 One, 5 Fiesta Inn, 4 Gamma) and The Explorean in Cozumel. It is important to point out as well the commencement of operations of the new Gamma brand.

In addition, on December 31, 2014, we had concluded agreements to operate 42 new hotels with 6,252 rooms. The Group's growth is evident in all categories: 1 Aqua, 8 Fiesta Americana, 10 Fiesta Inn, 20 One, 2 Gamma and 1 The Front Door.

2014 was a great year too, regarding the execution of new contracts, which allowed us to keep the strong pace of growth aiming at the goal of having over 210 hotels in 2018.

Among the projects in progress, we underscore the hotels of our flagship brand Fiesta Americana with its new concept. Such is the case of the hotel under construction at the new mall Parque Toreo, developed by Fibra Danhos.

In addition, we have three new developments of the hotel model for long stays, supported by the brand Fiesta Inn.

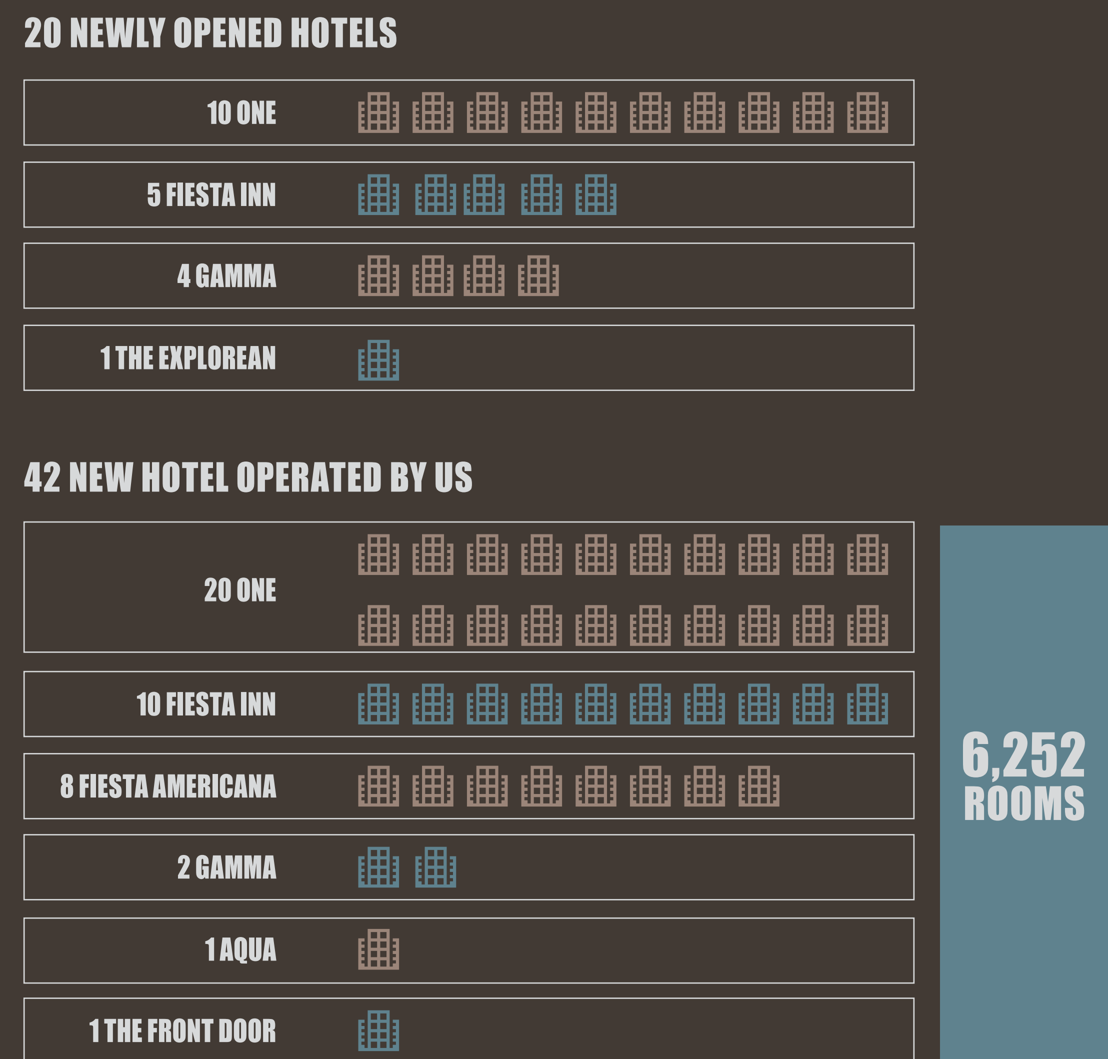
It is important to emphasize that our brand One, around mid-2016, will have 50 hotels in operation, with a presence in the 40 main cities of the country.

Such hotels imply an estimated investment of US$515 million dollars, which will be carried out by investors distinct of Grupo Posadas. In such hotels, the Group will contribute with an approximate 18%, which corresponds mainly to the investment in the project Vacation Club in Acapulco Diamante.

In addition, in 2014, Grupo Posadas entered thoroughly into the franchise business, thereby offering further support to Fiesta Americana and Fiesta Inn, the leader hotel brands in Mexico, and may allow hotels with local enchantment to enhance their opportunities. Furthermore, Grupo Posadas offers management services in case the owner opts for that option.

The affiliation to the new Gamma brand benefits from the largest marketing force and call center in Mexico, which allows us to increase in the short term the rates and occupancy of the existing hotels.

OUR GROWTH IN 2014



AMONG THE PROJECTS IN PROGRESS, WE UNDERSCORE THE HOTELS OF OUR FLAGSHIP BRAND FIESTA AMERICANA WITH ITS NEW CONCEPT.

Fiesta Americana Cozumel All Inclusive.

ADDING

WE MANAGED TO ATTRACT 77,707 NEW MEMBERS, WHICH REPRESENTS A 21% INCREASE COMPARED TO 2013.

One Saltillo Derramadero

IN THE HOTELS, 27% OF THE OCCUPANCY HAS BEEN ACHIEVED THROUGH THE FIESTA REWARDS LOYALTY PROGRAM, WHICH GENERATES 1,273,280 NIGHT ROOMS.

FRANCHISE
BRANDS & MARKETING

"VIAJA POR TODO MÉXICO" WITH FIESTA AMERICANA AND FIESTA INN IS THE MOST IMPORTANT MARKETING CAMPAIGN OF MEXICO'S TOURIST SECTOR. IN FIVE YEARS, WE HAVE INVESTED MORE THAN $248 MILLION PESOS IN A CAMPAIGN THAT SEEKS TO PROMOTE TOURISM IN THE COUNTRY.

LIVE AQUA

LIVE AQUA MEXICO CITY

In 2014, the innovative concept of Live Aqua Mexico City has been awarded important prizes: the Certificate of Excellence by TripAdvisor, Travelers' Choice, TripAdvisor 2014 and 5 Expedia stars for its exceptional service quality.

In addition, it obtained the certification for Tourist Environmental Quality granted by PROFEPA and the first place of the Energy Savings National Award.

Thanks to its amenities, the senses of our guests have awakened to the Live Aqua experience, a brand that is consolidating its position. A recent study revealed that 96% of our clients would recommend staying with us.

For 2015, we are planning the expansion of the brand, now in the north of the country with the opening of Live Aqua Monterrey.

LIVE AQUA CANCÚN

The video clip *Sacred Place* is a visual project that had never been done in Mexico's hotel history, launched by the brand Live Aqua. The video conveys in an avant-garde manner all aspects of the experience provided by Live Aqua Cancún All Inclusive.

The big objective of the project was communication, and therefore the visual media was essential, since it entailed telling a provocative story that would contribute to its positioning, brand genetic and attributes.

The production involved more than 120 people, 15 months of planning and was shot in 5 days. Live Aqua is a *Sacred Place* has achieved its goal combined with a media investment in U.S. digital media and magazines niche.

FIESTA AMERICANA

Our flagship brand introduced its new hotel concept that goes together with a noticeable evolution in its identity. This also means a radical change in its logo, which symbolizes our promise of offering only great experiences.

The new Fiesta Americana concept is an *avant-garde* and sophisticated space, beyond the usual idea of a hotel. It is a symbolic space that inspires, confers status and provides company as well as exclusivity along with the networking of projects, ideas and business transactions. Primarily it offers the following services:

- 360º and seamless check-in
  We have implemented a new system that allows a more efficient check-in. Now guests may check-in using mobile devices, thus slowly eliminating the necessity of a front desk.
- *Show Kitchen*
  Integrated by the bar and restaurant, this concept allows to operate with a smaller number of personnel. By night, it turns into a restaurant for a more formal dinner.
- Rooms
  With a contemporary design, comfortable furniture and open spaces, it allows guests to fully rest and enjoy moments of relaxation, entertainment and work. It is a balanced luxury space.

GRAND FIESTA AMERICANA

It has renewed its concept, image and logo, in order to grant the most challenging guests the freedom of choice. Furthermore, its name has changed to provide more emphasis to the word "Grand", as the attribute of the brand that it represents.

ONE

It is the market leader brand in the Economy Class category, loyal to its promise to offer the best price to travelers that seek functional proposals with all the perks of a chain hotel. As a hotel proposal, One has achieved an expansion that has exceeded our projections.

The development and evolution of One has been consistent. There are currently 34 entirely new hotels and 20 more will be added very soon, in addition to 29 potential openings envisaged in different cities of our country. These new hotels will complete the attractive offer for guests who travel either for business or leisure, and require an excellent location that provides leisure and the good service they need at an affordable cost.

GAMMA

Travelers that enjoy the magic of the local taste and do not want the strict standards of a traditional hotel chain, but seek security and support, have found what they were looking for in GAMMA, which in only 9 months since its launching has reached a market share of 7% regarding room numbers in the segment of Mid-Price Franchises.

It has 2 brand extensions, Gamma by Fiesta Americana for 5-star hotels and Gamma by Fiesta Inn for 4-star hotels.

The time to transform a property into a GAMMA hotel is about 3 months, and that is why the growth volume of this brand is quite fast.

FIESTA INN

It continues with its renovation plans. Currently, 20 Fiesta Inn hotels have been transformed according to our new concept 2.10; five are in progress, in addition to the openings scheduled for 2015.

Evolution, innovation and service excellence are the distinctive features of our brand, which today, as a response to the travelers' needs, has projected for 2015 two extensions of the brand:

Fiesta Inn Hotel & Loft

- It is intended for people who need to spend long periods out of his place of residence. A new hotel concept conceived for making our guest feel the comfort and warmth of their home within their rooms, with all they need to work or rest, and fulfill the goals of their travels.

Fiesta Inn Express

- It is intended for our guests who require a short but productive stay. With a total Business Class concept, in addition to the reputation of the brand, it projects a more efficient and effective offer for a concrete and specific business travel.

MARKETING

"VIAJA por todo México" (TRAVEL All Over Mexico) with Fiesta Americana and Fiesta Inn is the most important marketing campaign of Mexico's tourist sector. In five years, we have invested more than $248 million pesos in a campaign that seeks to promote domestic tourism. The campaign is a reflection of the leadership of Grupo Posadas, its commitment with domestic tourism and with the economic growth of our country.

One Acapulco Costera · Live Aqua Cancún All Inclusive · Fiesta Inn Cancún Las Américas.

WE HAVE ADDED 4 NEW BUSINESS ALLIANCES AND RENEGOTIATED SOME EXISTING ONES, AMONG WHICH WE CAN MENTION THE AFFILIATION CAMPAIGNS WITH VISA AND AMERICAN EXPRESS, AS WELL AS REWARD POINTS EXCHANGE WITH CLUB PREMIER AND AVIS, AMONG OTHERS.

Combining the pre-launching of "VIAJA por todo México" with a new experience of FAM Trip (familiarization trip) turned out positive; not only great coverage was granted in the social networks, but the publications in websites and printed media have been quite positive. The results were very beneficial, considering that there were two stages: first, the campaign launching and, second, the report of the 2014 results. In both stages the importance of the campaign was demonstrated and we were present in the mainstream media in two different moments, in summer and at the end of the year.

LOYALTY PROGRAMS

Fiesta Rewards

In the hotels, 27% of the occupancy has been achieved through the Fiesta Rewards loyalty program, which generates 1,273,280 night rooms.

We managed to attract 77,707 new members, which represents a 21% increase compared to 2013.

We have totally renewed the rewards catalog, which is now 85% larger than that of 2013, and included 300 new items.

In 2014, 144,158 prizes were redeemed, of which 77% were nights at the hotels.

For our clients with a co-branding card Santander-Fiesta Rewards, we carry out billing dynamics and promotions, frequency, lodging and data update, taking advantage of joint sponsorship with regard to relevant events.

We have added 4 new business alliances and renegotiated some existing ones, among which we can mention the affiliation campaigns with Visa and American Express, as well as reward points exchange with Club Premier and Avis, among others.

We have improved the efficiency of communication channels with members, maintaining an ongoing dialog regarding their accounts, promotions and alliances information.

DISTRIBUTION SYSTEMS

Continuing with our objective of making more efficient the operation through automation, in 2014 we kept a two-sided communication with 17 intermediaries (wholesale agencies), which allows us to handle dynamic rates and improve revenue management. We incorporated to the interface all openings, including the Gamma brand hotels.

Such computerized interfaces generated a profit increase per room of 39% compared to the previous year (2013) in the same segments.

Fiesta Americana Grand Coral Beach, Cancún.

409 new accounts were incorporated into our on-line, direct and private channel of negotiated rates accounts (corpo-rate.com), thanks to our sales, corporate and local work force, which increased the channel's room income production by 27% versus 2013. This channel had one more time the lowest booking cost of all other channels.

Regarding our call center (Konexo):

- We received 1.2 million calls from clients, which represented a 6% increase.
- There was a growth of 4% in voice reservations and 15% in data.
- Room income increased by 11% in voice, and 30% in data.
- The indicators of discontinuation, service level and global conversion stayed within the forecasted limits.

Among the additional initiatives and achievements of the call center for 2014, it is worth mentioning the following ones:

- Project of search and documentation of efficiency in the processes of voice groups with the following objectives:
  - Elimination of unnecessary processes
  - Improvement or simplification of the booking procedures
  - Staff optimization, which generate savings in bills

- The telephone infrastructure change project (IVR) was concluded, which allowed the modernization of the operation, the incorporation of new functionalities and improvement of its performance and level service.

In additional projects that embraced all distribution channels:

- We defined the processes with the Franchise Services area and, with the technology area, we concluded the project of modifications in the systems and channels to allow the decentralization of their operation in the Gamma franchised hotels.

- All channels suffered modifications and functionality release in order to make the booking processes more efficient and improve their performance, as well as facilitate the configuration of rates.

Live Aqua Bosques Mexico City.

CRM & BUSINESS INTELLIGENCE

At CRM, continuing with the efforts to communicate the right information at the right time to our prospects and guests, we have increased the number of campaigns by 35%, with a cost efficiency of 23% compared to 2013, which translates into better segmentations to select customers.

During 2014, we dedicated two of every three emails to promotions and advertising. The purpose was to address focused segments that may respond to the incentives we offer, the remaining communication was focused in building an awareness halo (to get noticed) regarding our brands and products, which builds a long-term relationship.

Fiesta Americana Grand Coral Beach Cancún.

We achieved progress in the segmentation of our clients, concentrating our efforts in those who display a higher frequency and longer stays. In the short-term we will focus in the integration of additional variables, such as level of satisfaction or client loyalty, which will result in better-targeted communication with the clients.

In addition, the business intelligence area has improved its business reports, integrating today client segmentations within the hotel systems, which has produced reports per hotel from the source of origin, therefore providing real-time support to sales managers and customer service. We have improved the efficiency of the databases and business reports processing, reaching at the beginning of 2015 the necessary level to migrate to predictive and data analysis models, which will be our task in the short term.

EVOLV ING

WE CONCLUDED, TOGETHER WITH FRANCHISE, THE DEVELOPMENT OF THE NEW OPERATIONAL AND DESIGN CONCEPT OF FIESTA AMERICANA CORE, ACHIEVING THE EVOLUTION OF THE FIESTA AMERICANA BRAND.

Live Aqua Cancún All Inclusive.

REGARDING THE RECOGNITION OF OUR BRANDS, WE ALSO ACHIEVED RANKING LIVE AQUA CANCÚN IN THE 17TH POSITION IN TRIPADVISOR AMONG THE ALL-INCLUSIVE HOTELS WORLDWIDE.

HOTELERA

THE SUMMER PROMOTIONAL CAMPAIGN "VIAJA POR TODO MÉXICO" WAS EXTREMELY SUCCESSFUL, AND GENERATED ADDITIONAL SALES OF 27% COMPARED TO THE SALES OF THE FORMER YEAR CAMPAIGN.

The main challenge of recovering and increasing the rate levels was achieved in 2014, since the general average rate growth was 6.5% compare to previous year and highlighting the all-inclusive hotels which growth were 20.9% above the average rate.

We had locations with important increases in RevPAR compared to 2013: Mexico City 14%, Monterrey 14%, Veracruz 14%, Ciudad del Carmen 14%, León 10% and Durango 14%.

The summer promotional campaign "Viaja por todo México" was extremely successful, and generated additional sales of 27% compared to the sales of the former year campaign, contributing to achieve a two-digit income growth of 17.2% compared to the previous year.

In 2014, we had the largest group basis of the last 5 years that produced good results, since the national groups experienced an income growth of 20% against the former year, and the international groups achieved a growth of 22.8%.

We concluded, together with Franchise, the development of the new operational and design concept of Fiesta Americana Core, achieving the evolution of the Fiesta Americana brand, and we launched a new bed for the Fiesta Americana and Grand Fiesta Americana brands in order to improve the experience of our guests.

Regarding the recognition of our brands, we also achieved ranking Live Aqua Cancún in the 17th position in TripAdvisor among the all-inclusive hotels worldwide, and ranking Fiesta Americana Condesa Cancún in the 25th place. In addition, in the list of the best resorts in Cancún, Live Aqua Cancún is in the first position, Fiesta Americana Condesa Cancún in the eighth place, and Fiesta Americana Grand Coral Beach Cancún in the ninth.

Additionally, we reinforced the competitive advantage of our brands, where we identified the most important value: "Our People". In 2014, all projects were focused in attracting, developing and retaining our human talent.

POSADAS

WE CONSOLIDATED THE EMPLOYMENT CLIMATE MEASUREMENTS PROGRAM, ISSUING A CULTURE OF LISTENING, UNDERSTANDING AND COUNSELING THE EMPLOYEE.

We consolidated the Employment Climate measurements program, issuing a culture of listening, understanding and counseling the employee. We achieved our associates' confidence in the tool because their comments became concrete actions, improving the satisfaction and loyalty of our associates in 1.2 percentage points (pp) with regard to the former year. Today, Posadas is proud that 93% of our associates consider themselves "Very Happy" persons. This is the reason why they live under the values of our company and naturally deliver a differentiated service by their kindness, warmth, commitment and good humor.

One of the most important efforts carried out during the year was to imbue the culture of surprising our guests with a service that surpasses their expectations. We have set our minds in generating memorable experiences and customize their stay. The program columns to achieving this objective are Attitude, Magic, and Action. During the whole year we trained 7,500 associates in this program and we managed to surprise over 3,000 guests with initiatives that resulted in loyalty increase.

Together with this program, we continued to work with the culture of guest recognition. We improved the tools that help us anticipate their needs and fulfill their expectations. Today, 8 out of 10 guests are recognized and we deliver 6 out of 10 preferences, which is reflected with a compliment every two days in our satisfaction survey.

Again, our service quality is the priority at Posadas in order to continue positioning our brands. Therefore, during the year, we worked on improving the standards evaluation. As a result of this measure, the training model had a foremost impact in the operation, since today the program is linked to all quality indicators. Our training model was successfully designed and customized for the areas of improvement for each hotel; the training plan was based on the results of the quality indicators. In average, each hotel provided 15 training courses per month, and all were reinforced with operation manuals for all different areas. Today, 80% of all processes are documented in those operation manuals, which are used as a tool for the training.

In addition, we reinforced the institutional lectures regarding service, leadership and operational guarantee. During 2014, 72 institutional lectures were given involving 53 hotels with 3,300 attendants of all levels.

For Posadas, it is essential to retain the internal talent by offering development and growth through training programs, which may allow associates to reach executive positions. In 2014, 68 associates were promoted after finishing the training plan that lasts approximately 4 months, in order to develop management and operational skills.

We closed the year with 4.5% rotation, which makes us proud and proves that the initiatives focused in "Our People" are being well channeled, achieving the goal of retaining, developing and growing our associates. This figure is much less than the industry average.

Studies confirm our service as our most significant advantage. The results of the satisfaction survey show that we are in the right path, since 5 out of 10 guests leave a congratulatory comment, quite above the industry's average. In Fiesta Americana we increased the quality index by almost one percent, and the remaining brands stayed the same.

These results make us feel proud and provide the motivation to continue generating initiatives focused in the satisfaction and loyalty of our guests.

The second important attribute of the brand study is the product. One of Posadas' objectives is to insure that the properties are provided with proper maintenance, increase their value and meet the requirements of our clients. As a consequence of the program "Zero Tolerance", today our guests may be assured that they are safer in our properties than in their own houses. In this year, the physical conditions of the hotels increased 2.67 pp, making us feel proud to offer a service of such quality.

Finally, regarding our support systems to improve our guests' experience during their stay using the Internet service, we have replaced the standard links with high availability and redundancy links in 100% of our hotels. In addition, we developed a model of technology infrastructure (NUBE) that allows the fast and efficient setup of hardware and software platforms related to the digital sales force of Grupo Posadas, available in the GAMMA brand hotels.

FOR POSADAS, IT IS ESSENTIAL TO RETAIN THE INTERNAL TALENT BY OFFERING DEVELOPMENT AND GROWTH THROUGH TRAINING PROGRAMS, WHICH MAY ALLOW ASSOCIATES TO REACH EXECUTIVE POSITIONS.

FIESTA AMERICANA CONDESA CANCÚN WAS RANKED IN THE POSITION 25 IN TRIPADVISOR AMONG THE ALL-INCLUSIVE HOTELS WORLDWIDE .

Live Americana Condesa Cancún.

EXPAN DING

DURING 2014, A 360° STRATEGY WAS DESIGNED BASED ON THE TRAVEL EXPERIENCE OF THE USERS, IN ORDER TO BUILD THE KÍVAC TRAVELERS COMMUNITY.

Fiesta Americana Cozumel All Inclusive.

FIESTA AMERICANA VACATION CLUB
SHARING SMILES WITH OVER 34,000
THROUGH A CLEAR

CELEBRATED ITS 15TH BIRTHDAY
MEMBERS AND IT UNDERGOES
STAGE OF GROWTH.

PROVAC
VACATION PROPERTIES

MONTH BY MONTH, OUR CLIENTS BOOK OVER 5,000 ROOMS/NIGHT AND OVER 88% OF THESE ARE INCREMENTAL ROOMS, THAT IS, TYPICALLY UNEMPLOYED INVENTORY.

PROVAC

Provac consolidates a solid product, sales and promotion structure, preparing for a more dynamic growth.

Fiesta Americana Vacation Club celebrated its 15th birthday sharing smiles with over 34,000 members and it undergoes through a clear stage of growth.

In 2014, we increased the offer of Fiesta Americana Vacation Club with the reopening and opening of the hotels Fiesta Americana Cozumel and The Explorean Cozumel, and the end of the last phase of the villas project at the Fiesta Americana Grand Los Cabos hotel. Furthermore, we started the architectural project of the new Fiesta Americana Grand Acapulco Diamante, a development with 350 rooms and luxury suites that will meet the growing demand in that destination.

We celebrated this anniversary in our showrooms, with activities that were the perfect excuse to generate new sales and get testimonies that may be used as an ideal sales tool.

PROVAC= PRODUCT+SALE+PROMOTION=MORE DYNAMIC GROWTH

KÍVAC

After five years in the market, KÍVAC already adds up 16,000 members and more than 2,500,000 rooms/night to be potentially used, which represent 10% of the rooms currently used. In 2014, it reached sales for $320 million pesos.

KÍVAC—the system of exchangeable points for accommodation—has allowed us to innovate in the commercialization of hotel spaces in low season, as well as to respond to the travel necessities and budget of a client segment that offers interesting opportunities to boost growth in this business area.

Month by month, our clients book over 5,000 rooms/night and over 88% of these are incremental rooms, that is, typically unemployed inventory.

During 2014, a 360° strategy was designed based on the travel experience of the users, in order to build the Kívac travelers community. The results include new interfaces through applications and experiences online, which will be released during 2015. The product communication was reconfigured in order to segment Kívac travelers by usage intensity and stimulate even more the use of points and repurchase.

Fiesta Americana Cozumel All Inclusive

THE FRONT DOOR

As a result of the good relationship with our partners for over 15 years, and with the object of continuing pampering them, during mid-2013 we launched "The Front Door" as a residential kind of product within the vacation properties options. This new product has been well accepted among our members, who are ready for an upscale product. We managed to close 2014 with 280 members that added up to this program.

The product, which started with 16 condos acquired in Puerto Vallarta's marina in 2013, has been enriched with travel opportunities thanks to the strategic alliances of exchange programs such as "Registry Collection" and affiliations of some developments in destinations considered inspirational. And it provides the opportunity to travel to more than 200 destinations all over the world that add up those offered by the infrastructure of the best suites and rooms operated by Grupo Posadas at a national level.

"The Front Door" club has allowed its members to live unforgettable experiences, in spectacular destinations and luxury accommodations, with expert and personalized advice, so their only worry is to enjoy every second of their travel.

We closed the year with a sold inventory close to 7 million points and net sales for US$17.7 million dollars.

In addition, the accommodation of the members has concentrated in 65% of the facilities operated by the Group, which represents an additional income from food, beverages and miscellaneous services offered in the Posadas hotels.

HELP ING

IN GRUPO POSADAS WE ENCOURAGE THE SENSE OF BELONGING AND TEAMWORK.

THANKS TO ALL THE ACTIONS DEDICATED TO SOCIAL RESPONSIBILITY, POSADAS OBTAINED THE 40TH PLACE IN THE RANKING OF RESPONSIBLE COMPANIES ACCORDING TO THE MEXICAN MAGAZINE EXPANSIÓN.

FUNDACIÓN POSADAS

WE PROMOTE TRAINING AND DEVELOPMENT PROGRAMS FOR OUR PERSONNEL AIMING AT SUSTAINABILITY, AND PROVIDE OPPORTUNITIES FOR THEIR PROFESSIONAL GROWTH.

In 2014, Posadas was awarded, for the second consecutive year, the distinction as a Socially Responsible Company. This recognition is the result of the Company's good practices in the economic, social and environmental fields, both inside and outside the Company.

As part of the business strategy, Posadas integrates the interests of the different groups with whom we relate (suppliers, guests, community, authorities), striving as well to benefit the future generations.

Thanks to all the actions dedicated to social responsibility, Posadas obtained the 40th place in the *ranking* of responsible companies according to the Mexican magazine *Expansión*, and was one of the 36 companies with a high social commitment according to *Forbes* magazine.

Life Quality within the Company

- We promote training and development programs for our personnel aiming at sustainability, and provide opportunities for their professional growth.
- We encourage the sense of belonging and teamwork.
- We favor healthy work practices in a clean and safe work environment.
- We integrated 31 differently-abled people in a non-discriminatory environment.

Posadas obtained the 21st place in the *Súper Empresas Expansión ranking.*

Involvement with the Community

Through Fundación Posadas, which celebrated its 10th anniversary in 2014 and is present in 29 Mexican states, we strive to promote programs that contribute to Mexico's development and improve the life quality of people in conditions of vulnerability, especially in the fields of health, education, housing and support to disaster victims.

FUNDACIÓN POSADAS CELEBRATED ITS 10TH ANNIVERSARY IN 2014 AND IS PRESENT IN 29 MEXICAN STATES

Health

With the support of Fundación Posadas, more than 700 children and youths were benefited in 2014 with the following actions:

- Financing of major and urgent surgeries to children who do not receive appropriate medical care by the public health services.
- Support to deal with medical conditions that are not covered by public healthcare institutions.
- 1,500 hours of annual therapy to children that suffer from an illness or disability.
- Eye exams and low-cost glasses under the program "Para verte mejor".
- Detection of hearing-impaired children, and medical advice, tests and hearing aids under the program "Hoy escucho mejor".
- Help for children with cancer through the Asociación Mexicana de Ayuda a Niños con Cáncer.

Education

In 2014, we granted integral educational support to 404 children and youths with limited resources under the program "Una oportunidad para estudiar".

Support to Disaster Victims

In September 2014, hurricane Odile devastated the state of Baja California Sur. Fundación Posadas helped with food supplies, household goods, clothing and construction materials for more than 490 affected families.

Voluntary Work

With its voluntary program, Fundación Posadas promotes a culture of assistance both inside and outside the Company. Under this program, volunteers visited many group homes and participated in the reforestation of the Santa María Tetitla community, where 700 trees were planted.

In addition, the guests supported the work of Fundación Posadas through cash donations, to continue building a better future for Mexican children and youths.

Other Programs

In 2014, we integrated the "Comunidades sustentables" (sustainable communities) program that supports 59 indigenous children in 6 different indigenous communities in a comprehensive manner.

Through the "Regalando sonrisas" (giving smiles) program, Posadas took 204 children to the Papalote Children's Museum.

Fundación Posadas has also provided benefits to approximately 640,000 children through collaboration with other foundations.

Care & Preservation of the Environment

Grupo Posadas has a model of "sustainable tourism" that has permitted it to position itself as leader in environmental matters.

For the protection and care of the environment, it is based on the construction and operation manuals that include the use of specific materials, finishes, equipment and installations, as well as policies and procedures that minimize the impact over the environment, both natural and social.

Grupo Posadas aims at certifying all its hotels before PROFEPA with regard to "Tourist Environmental Quality". It is worth mentioning that the certification demands the implementation of several control measures and evaluation processes, including the inventory of fossil fuel consumption, electricity and water.

During 2014, 10 hotels were opened with the following technology:

- Heat recuperating system (to reduce gas consumption for heating water).
- Automation system for air conditioning and illumination in rooms (to reduce electricity consumption).
- LED illumination (to reduce electricity consumption).
- Dual-flush toilets (to reduce water consumption).

Green Hotels

+ green actions in hotels

Adaptation of physical plant for waste disposal:

- Temporary storeroom for organic and inorganic waste, training, signaling according to the standards, collection and final disposal certified by PROFEPA.
- Temporary storeroom for hazardous waste, training, signaling according to the standards, collection and final disposal certified by PROFEPA.
- Adaptation of physical plant for handling chemical products and solvents.
- Temporary warehouse for chemical products and solvents, signaling according to the standards and training.
- Collection and final disposal of vegetable oil used to manufacture biodiesel.

Regarding the latter, Grupo Posadas has received the following awards:

- Tourist Environmental Quality (certificate issued by PROFEPA).
- Water Sustainable Hotel (award from Helvex Foundation).
- Environmental Leadership for Competitiveness (recognition issued by SEMARNAT).
- Fire Equipment, Alarm and Detection (certification issued by the company FTech)
- Internal Program of Public Safety (certification issued by Protección Civil).

Executive Board. From Left to Right, Standing: Jorge Carvallo Couttolenc, Gerardo Alonso Rioseco Orihuela, Arturo Martínez del Campo Saucedo. Sitting: José Carlos Azcárraga Andrade, Francisco Javier Barrera Segura y Enrique Calderón Fernández

EXECUTIVE BOARD

José Carlos Azcárraga Andrade
Chief Executive Officer

Francisco Javier Barrera Segura
Vice-President, Franchise

Enrique Calderón Fernández
Vice-President, Hotelera Posadas

Arturo Martínez del Campo Saucedo
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

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013, and Independent Auditors' Report Dated February 24, 2015

Independent Auditors' Report and Consolidated Financial Statements for 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 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, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

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, 2015

GRUPO POSADAS, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

AS OF DECEMBER 31, 2014 AND 2013 (IN THOUSANDS OF MEXICAN PESOS)

Assets	Notes	2014	2013
Current assets:			
Cash and cash equivalents	6	$ 997,792	$ 706,365
Investments in securities	7	519,073	525,351
Accounts and notes receivable - Net	8	2,627,080	2,251,204
Inventories		34,068	35,803
Prepaid expenses		133,311	121,866
Vacation Club inventory	9	286,968	105,996
Other current assets		27,733	35,383
Assets classified as held for sale	10	50,910	-
Total current assets		4,676,935	3,781,968
Non-current assets:			
Long-term notes receivable - Net	11	1,726,722	1,513,309
Long-term accounts receivable	12	-	396,679
Vacation Club inventory in construction		303,150	239,944
Property and equipment - Net	13	6,267,293	6,337,625
Investment in associates	14	1,879	35,437
Other assets	15	269,362	214,415
Deferred tax assets	17	72,610	-
Total non-current assets		8,641,016	8,737,409
Total assets		**$ 13,317,951**	**$ 12,519,377**

See accompanying notes to consolidated financial statements.

Liabilities and stockholders' equity	Notes	2014	2013
Current liabilities:			
Bank loans and current portion of long-term debt	16	$ 1,449,957	$ 2,498
Trade accounts payable		400,101	348,327
Other liabilities and accrued expenses		806,166	784,931
Income tax payable	17	280,272	597,538
Deferred income of Vacation Club		65,344	45,069
Current portion of long-term value added tax		133,539	101,703
Liabilities directly associated with assets classified as held for sale	10	6,423	-
Total current liabilities		3,141,802	1,880,066
Long-term liabilities:			
Debt	16	4,432,316	4,555,080
Accrued liabilities	18	343,898	276,050
Value added tax payable		248,719	165,051
Deferred income of Vacation Club		508,858	394,198
Income tax payable	17	533,148	702,233
Deferred income tax	17	-	1,158,482
Total long-term liabilities		6,066,939	7,251,094
Total liabilities		9,208,741	9,131,160
Stockholders' equity:			
Contributed capital:			
Capital stock	21	495,937	495,937
Contributions for future capital increases		12,516	12,516
Share repurchase reserve		16,800	133,509
Shares held in trust		-	(3,322)
Additional paid-in capital		157,429	157,429
		682,682	796,069
Earned capital:			
Share repurchase reserve		535,556	559,371
Retained earnings		2,645,031	1,776,394
Other items of comprehensive income		27,244	25,982
		3,207,831	2,361,747
Total controlling interest		3,890,513	3,157,816
Non-controlling interest		218,697	230,401
Total stockholders' equity		4,109,210	3,388,217
Total liabilities and stockholders' equity		**$ 13,317,951**	**$ 12,519,377**

GRUPO POSADAS, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR YEARS ENDED DECEMBER 31, 2014 AND 2013

(IN THOUSANDS OF MEXICAN PESOS, EXCEPT EARNINGS (LOSS) PER SHARE)

	Notes	2014	2013
Revenues:			
Hotel operation		$ 2,691,647	$ 2,673,704
Vacation Club		1,996,686	1,894,629
Hotel management, brand and other		1,107,921	1,200,437
Sales of non- strategic properties		26,197	2,781,588
Other income		25,827	-
		5,848,278	8,550,358
Operating expenses:			
Hotel operation cost and expenses		1,004,529	1,007,563
Vacation Club cost and expenses		1,520,736	1,429,250
Hotel management cost and expenses		1,116,372	1,300,426
Cost of sales of non- strategic properties		26,197	2,216,418
Administrative		177,299	137,977
Sales, advertising and promotion		105,726	110,563
Maintenance and energy		288,674	292,641
Property taxes and insurance		23,130	25,329
Corporate expenses		256,202	247,157
Depreciation and amortization		409,265	420,057
Impairment of assets		-	894,831
Real estate leasing		329,761	326,513
Other expenses, net		45,669	183,213
		5,303,560	8,591,938
Operating income (loss)		544,718	(41,580)
Interest expense		417,669	393,659
Interest income		(22,509)	(110,875)
Commissions and financial expenses		60,763	57,711
Exchange loss, net		427,934	29,996
Effects of valuation of financial instruments		-	(2,209)
		883,857	368,282
Equity in results of associated entities		(12,595)	(4,863)
Loss before income tax		(351,734)	(414,725)

	Notes	2014	2013
(Benefit) income tax expense	17	(1,061,257)	1,161,883
Consolidated income (loss) from continuing operations		709,523	(1,576,608)
Income (loss) from discontinued operations		8,718	(181,206)
Consolidated income (loss) for the year		$ 718,241	$ (1,757,814)
Other comprehensive income:			
Exchange differences on translating foreign operations		$ 10,844	$ 2,049
Remeasurement of defined benefit obligation		(9,582)	8,795
		1,262	10,844
Consolidated comprehensive income (loss) for the year		$ 719,503	$ (1,746,970)
Consolidated income (loss) for the year attributable to:			
Controlling interest		$ 716,817	$ (1,753,264)
Non-controlling interest		1,424	(4,550)
Consolidated income (loss) for the year		$ 718,241	$ (1,757,814)
Consolidated comprehensive income (loss) for the year attributable to:			
Controlling interest		$ 718,079	$ (1,742,420)
Non-controlling interest		1,424	(4,550)
Consolidated comprehensive income (loss) for the year		$ 719,503	$ (1,746,970)
Earnings (loss) per share:			
From continuing and discontinued operations -			
Basic and diluted earnings (loss) per common share (in pesos)		1.45	(3.57)
From continuing operations -			
Basic and diluted earnings (loss) per common share (in pesos)		1.43	(3.20)
Weighted average shares		495,937,601	492,496,017

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, 2014 AND 2013
(IN THOUSANDS OF MEXICAN PESOS)

	CONTRIBUTED CAPITAL				EARNED CAPITAL					
	Capital stock	Contributions for future capital increases	Shares repurchase reserve	Shares held in trust	Additional paid-in capital	Shares repurchase reserve	Retained earnings	Other items of comprehensive income	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2013	$ 489,427	$ 17,523	$ 133,509	$ (3,322)	$ 25,451	$ 559,371	$ 3,609,315	$ 15,138	$ 376,485	$ 5,222,897
Capital increase by issuing shares in trust	6,510	-	-	-	131,978	-	-	-	-	138,488
Dividends paid	-	-	-	-	-	-	(73,520)	-	-	(73,520)
Non-controlling dividends paid	-	-	-	-	-	-	-	-	(43,608)	(43,608)
Partial payment of convertible debt	-	(5,007)	-	-	-	-	-	-	(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)	10,844	(4,550)	(1,746,970)
Balance as of December 31, 2013	495,937	12,516	133,509	(3,322)	157,429	559,371	1,776,394	25,982	230,401	3,388,217
Capital increase by issuing shares in trust	-	-	-	3,322	-	7,669	-	-	-	10,991
Decrease shares repurchase reserve	-	-	(116,709)	-	-	(31,484)	148,193	-	-	-
Non-controlling dividends paid	-	-	-	-	-	-	-	-	(8,000)	(8,000)
Acquisition of non-controlling interest and stock purchase surplus	-	-	-	-	-	-	3,627	-	(5,128)	(1,501)
Consolidated comprehensive income	-	-	-	-	-	-	716,817	1,262	1,424	719,503
Balance as of December 31, 2014	$ 495,937	$ 12,516	$ 16,800	$ -	$ 157,429	$ 535,556	$ 2,645,031	$ 27,244	$ 218,697	$ 4,109,210

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, 2014 AND 2013
(IN THOUSANDS OF MEXICAN PESOS)

	2014	2013
Cash flows from operating activities:		
Consolidated income (loss) for the year	$ 718,241	$ (1,757,814)
Adjustments for:		
(Benefit) income tax expense	(1,061,257)	1,161,883
Asset impairment, depreciation and amortization	409,265	1,314,888
Equity in results of associated entities	12,595	4,863
Income on sale of fixed assets	-	(565,170)
Interest income	(22,509)	(110,875)
Unrealized foreign exchange loss	586,751	23,789
Discontinued operations	-	181,206
Interest expense	417,669	393,659
	1,060,755	646,429
Movements in working capital:		
Accounts and notes receivable - Net	(192,610)	(326,828)
Inventories	1,735	8,572
Prepaid expenses	(11,445)	(44,496)
Vacation Club inventory	(180,972)	(35,601)
Other assets	(81,940)	(98,034)
Trade accounts payable	51,774	(33,028)
Other liabilities and accrued expenses	160,918	(203,615)
Deferred income of Vacation Club	134,935	154,001
Income taxes paid	(595,188)	(268,946)
Net cash generated by (used in) operating activities	347,962	(201,546)
Cash flows from investing activities:		
Purchases of property and equipment	(437,373)	(1,154,237)
Investments in securities	6,278	(477,241)
Interests collected	22,509	76,672
Cash flow from sales of non-strategic properties	26,197	2,326,298
Net cash (used in) generated by investing activities	(382,389)	771,492

	2014	2013
Cash flows from financing activities:		
Proceeds from borrowings	740,159	88,134
Interest paid	(427,114)	(375,654)
Repayment of convertible debts	-	(900,000)
Partial payment of convertible debt	-	(7,177)
Derivative financial instruments	-	(22,007)
Capital increase by issuing shares in trust	10,991	138,488
Non-controlling interest dividends paid	(8,000)	(43,608)
Dividends paid	-	(73,520)
Acquisition of non-controlling interest	(1,501)	(101,893)
Net cash generated by (used in) financing activities	314,535	(1,297,237)
Net increase (decrease) in cash and cash equivalents	280,108	(727,291)
Cash and cash equivalents at the beginning of the year	706,365	1,431,867
Effects of exchange rate changes on the balance of cash held in foreign currencies	11,319	1,789
Cash and cash equivalents at the end of the year	$ 997,792	$ 706,365

See accompanying notes to consolidated financial statements.

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, 2014 and 2013, the Entity operated a total of 127 hotels with 21,094 rooms and 110 hotels with 18,795 rooms, respectively. The Entity mainly operates hotels under its Fiesta Americana, Fiesta Inn and One Hotels, and from May 2014, Gamma.

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, 2014 and 2013, 17 in both years are owned hotels and 14 and 15, respectively, were operated under leasing contracts. The remaining 96 and 79 hotels, respectively, are owned by third parties and operated by the Entity at December 31, 2014 and 2013. 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), as well as its new product "Front Door" focused in a high economic solvency sector, 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.

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 2d and 2g), and the date of the consolidated financial statements the Entity has initiated to organizational restructuring 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 corporate offices of the Entity are located in Prolongación Paseo de la Reforma 1015 Piso 9 Torre A, Col. Santa Fe, México, Distrito Federal.

2. SIGNIFICANT EVENTS

a. *Issuance of Euro-Commercial paper and payment of 2015 Senior Notes*

On November 28, 2014, the Entity obtained US$47.2 million through a program known as "Euro-Commercial Paper", which bear interest at a rate of 6% annually and maturing on November 18, 2015. Interest are recognized in the consolidated statement of comprehensive income as earned, and will be paid at maturity.

The resources obtained of the Euro-Commercial paper were destined for payment of the "2015 Senior Notes" in the principal amount of US$51.7 million, which matured on January 15, 2015.

b. *"Gamma" brand*

As of May 2014, the Entity launched its new "Gamma" brand, geared to owners of independent hotels with less than 100 rooms, operating under the franchise model through two options: i) an operating and licensing scheme, in which Posadas absorbs the operation of the hotels, or ii) the pure franchise scheme, in which Posadas offers the know-how of its Fiesta Americana and Fiesta Inn brands.

c. *Contingencies for Hurricane Odile*

Due to the passage of hurricane "Odile" on the Baja California peninsula during September 2014, the installations of the hotels owned by the Entity suffered significant damage. These hotels have insurance policies which cover damages to real estate and consequential damages. The Entity filed claims with the insurance company for the above-mentioned items, which are in negotiation at the date of issuance of the financial statements, in the amount of US$14.6 million, of which an advance of US$4.1 million has been received in this regard.

d. *Assets available for sale*

On December 9, 2014, the Entity signed an agreement with I Ram Moneytree, Ltd., to sell the hotel "Holiday Inn Laredo" located in Laredo, Texas, U.S.A., for a maximum amount of US$8.6 million. The sale transaction is subject to certain conditions established in this agreement, which are currently being executed.

As all the accounting criteria required for assets available for sale have been fulfilled as of December 31, 2014, the real estate and equipment of the hotel subject to sale have been presented as "assets available for sale" in the consolidated statements of financial situation as of December 31, 2014, which amount comes to $50,910. Also, the liabilities and the effects of deferred taxes related to these assets have been presented as "liabilities directly associated with assets available for sale", because they are directly related to the assets that will be transferred and come to $6,423.

Furthermore, given that the hotel will be sold it does not represent an important line of business, as established in International Financial Reporting Standards, the transaction has not been considered as a discontinued operation in the consolidated statement of comprehensive income.

e. *Additional issue of "2017 Senior Notes"*

On February 20, 2014, the Entity issued 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 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.

f. *Acquisition of minority interest*

During 2014, based on a share purchase-sale contract, the Entity acquired the non-controlling interest in the equity of Hotelera Inmobiliaria de Monclova, S.A. de C.V. and DA Expansión HLD, S.A. de C.V., for the amounts of $2,023 and $189, respectively. This transaction generated a difference between the book value of the shares and the purchase price of $3,627, which was recorded in the consolidated statement of changes in stockholders' equity, because previously these investments were consolidated.

g. *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, $185,000, on January 10, 2014 and $40,800, on January 15, 2015.

The remaining $61,200 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.

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	**$ (2,551)**

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 of 2013.

h. *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 short and long term liabilities as of December 31, 2014 amounted to $280,272 and $533,148, respectively.

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. Based on a series of additional analyses and the tax attributes of the Entity, during 2014 the amount of $1,043,646 was canceled in the consolidated statement of comprehensive income, leaving a liability for $154,059 as of December 31, 2014.

i. *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 acquired 12 hotels of the Entity of which, 10 were owned by Fondo Inmobiliario Posadas, S. A. de C. V., Sociedad de Inversión de Capitales (SINCA).

The execution of the sale was subject to the fulfillment of certain previous conditions, that 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.

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.

j. *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.

k. *Discontinued operations - South America's segment*

On July 16, 2012, the Entity announced that it had reached an agreement with Accor, S.A. (Accor), to sell its operations in South America.

On October 10, 2012, the sale was officially completed. A portion of the sale price remained 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 remained in an escrow account in which Accor was the primary beneficiary. These funds would 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 estimated that it would recover approximately US$22.6 million, equivalent to $294,679, which was presented under the heading of "long term account receivables" in the consolidated statement of financial situation.

On August 29, 2014, the Entity reached agreement with Accor on the final selling price, which generated additional revenue of $8,718 due to different adjustments to the price and funds released previously. Such revenue was recorded as income from discontinued operations in the consolidated statement of comprehensive income.

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. *Application of new and revised International Financing Reporting Standards (IFRS) and interpretations that are mandatorily effective for the current year*

In the current year, the Entity has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definitions of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities

As the Entity is not an investment entity (assessed based on the criteria set out in IFRS 10 as of January 1, 2014), the application of the amendments has had no impact on the disclosure or the amounts recognized in the Entity consolidated financial statements

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Entity has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognized in the Entity's consolidated financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the Entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Entity's management estimated that the application of these amendments to IAS 19 has had no material impact on the Entity's consolidated financial statements.

IFRIC 21 *Levies*

The Entity has applied IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognized in the Entity's consolidated financial statements.

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]
IFRS 14, *Regulatory Deferral Accounts*[1]
IFRS 15, *Revenue from Contracts with Customers*[1]
Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*[1]

[1] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

d. *Reclassifications*

The consolidated financial statements for the year ended December 31, 2013 have been reclassified in: i) the heading "Corporate expenses" with an increase of $51,388 and a decrease for the same amount in the heading "Administrative costs and expenses, brand and others" in the consolidated statement of comprehensive income, and in ii) the presentation of the change from investments in securities in the consolidated statement of cash flows within investment activities; both reclassifications were made to conform the presentation to that used in 2014.

4. SIGNIFICANT ACCOUNTING POLICIES

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

b. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis except for certain hotel properties that were recognized at fair value at the date of transition to IFRS.

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 the Entity:

- 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.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity 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.

Profit or loss 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 Entity's accounting policies.

The shareholding in the share capital of the subsidiaries is as follows:

Entity	Shareholding (%) 2014
Promotora Inmobiliaria Hotelera, S. A. de C. V. and Subsidiaries	100
Controladora de Acciones Posadas, S. A. de C. V. and Subsidiaries	100
Administración Digital Conectum, S. A. de C. V. and Subsidiaries	100
Posadas USA, Inc. and Subsidiaries	100
Hoteles y Villas Posadas, S. A. de C. V.	100
Inversora Inmobiliaria Club, S. A. de C. V.	100
Gran Inmobiliaria Posadas, S. A. de C. V.	100
Soluciones de Lealtad, S. A. de C. V.	100
Konexo Centro de Soluciones, S. A. de C. V.	100
Inmobiliaria del Sudeste, S. A. de C. V.	51

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

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 IFRS). 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. 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.

e. 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. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. Effective interest method
   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 of FVTPL.

2. Financial assets at FVTPL
   Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of 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 a 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 of 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'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 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other income (expenses) - net" line item in the consolidated statement of comprehensive income.

3. 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.

4. Financial assets classified as available-for-sale (AFS financial assets)
   AFS financial assets are non-derivatives that are either designated as AFS 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 AFS 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 AFS financial assets and stated at fair value at the end of each reporting period (because the Entity's management consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of assets classified as held for sale are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. 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 AFS equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

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

   AFS 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.

5. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts and notes receivables, and cash and cash equivalents) 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.

6. 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 or 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 receivables, assets are assessed for impairment on a collective basis even if they were assessed not 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 of 11 months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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 the 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 AFS 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 AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS 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 the recognition of the impairment loss.

7. Derecognition of financial assets

The Entity derecognizes a financial asset 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 collateralize 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.

f. *Inventories and cost of sales*

Inventories are stated at average cost, which does not exceed their net realizable value.

g. *Inventories of Vacation Club*

Vacation Club inventories are recorded at cost of construction. Cost of sales is recorded at the time of sales.

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, therefore, they are classified as current assets even though their business cycle could be longer.

h. *Property and equipment*

Certain assets (land and buildings) related to hotels were revalued at fair value at January 1, 2011 (date of transition to IFRS). The remaining assets and subsequent acquisitions are carried at acquisition cost.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated 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.

Properties in the course of construction for exploitation, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 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 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.

i. *Other assets*

This item includes all direct costs, primarily commissions on sales Kívac, 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.

1. 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.

2. 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.

j. *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 relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

Non-current assets and disposal groups are classified as held for sale 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 asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. 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 (see the accounting policy regarding investments in associates or joint ventures above).

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

l. *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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial situation at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate. When the Entity's share of losses of an associate exceeds the Entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

When the Entity transacts with an associate of the Entity, profits and losses resulting from the transactions with the associate are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate that are not related to the Entity.

m. *Leasing*

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 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.

n. *Foreign currencies*

In preparing the financial statements of each 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.

- 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 currency units 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 (and attributed to non-controlling interests as appropriate).

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.

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. Exchange differences arising are recognized in other comprehensive income.

o. *Employee benefits*

Employee benefits from termination and retirement

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The retirement benefit obligation recognized in the consolidated statement of financial situation represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the Entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing (PTU)
PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses line item in the consolidated statement of comprehensive income.

PTU is determined based on taxable income, according to Section I of Article 10 of the Income Tax Law.

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

Current tax
Current income tax (ISR) is recognized in the results of the year in which is incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax (IETU).

Deferred income tax
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, as such, those effects were cancelled affecting the 2013 results.

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 recoverable is recorded as a tax credit and is presented in the consolidated statement of financial situation in the deferred taxes line item.

q. *Provisions*

Provisions are recognized when the Entity has a present obligation (legal or constructive) 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.

1. 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.

2. 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.

3. 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 and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 Revenue.

r. *Financial liabilities and equity instruments*

1. 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 arrangements and the definitions of a financial liability and an equity instrument.

2. Equity instruments

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

   Repurchase of the Entity's own equity instruments 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.

3. Compound instruments

   The component parts 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 an equity instrument. 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 from 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 will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital and share premium. 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 are amortized over the lives of the convertible notes using the effective interest method.

4. Financial liabilities
   Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

5. Financial liabilities at FVTPL
   Financial liabilities are classified as of FVTPL when the financial liability is either held for trading or it is designated as of FVTPL.

   A financial liability is classified as held for trading if:

   - It has been incurred principally for the purpose of repurchasing it 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 profit-taking; or
   - It is a derivative that is not designated and effective as a hedging instrument.

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

   - Such designation eliminates or significantly reduces a measurement or 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 permits the entire combined contract to be designated as of FVTPL.

   Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized 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.

6. Other financial liabilities
   Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the 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 future cash payments (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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

7. Financial guarantee contracts
   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 values and, if not designated as of FVTPL, are subsequently measured at the higher of:

   - The amount of the obligation under the contract, as determined in accordance with IAS 37; and
   - The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

8. 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.

s. *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. Revenue from management and brands fees are recognized as earned as set forth in the respective agreements;

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

iv. Revenue 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 Kívac 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 consolidated statement of financial situation.

t. *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.

u. *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.

v. *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.

w. *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, 2014 and 2013, 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 is required to make judgments, estimates and assumptions about the 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. Revenue recognition of Vacation Club and Kívac
iii. Financial projections for asset impairment
iv. The use of tax losses
v. The effects of the contingencies faced by the Entity
vi. Labor obligations
vii. Redemption of loyalty program points
viii. The residual value of properties
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.

	2014	2013
Cash	$ 85,792	$ 137,917
Cash equivalents:		
Overnight investment	912,000	150,000
Dual structure notes investment	-	418,448
Total	**$ 997,792**	**$ 706,365**

7. INVESTMENTS IN SECURITIES

	2014	2013
Trading:		
Overnight investment	$ 487,294	$ 479,060
Others	31,779	46,291
	$ 519,073	$ 525,351

8. ACCOUNTS AND NOTES RECEIVABLE - NET

	2014	2013
Receivables from Vacation Club	$ 1,272,777	$ 911,264
Clients and agencies	531,821	659,397
Other taxes recoverable, net	805,284	629,092
Account receivable from sale of non- strategic assets	102,000	185,000
Others	156,795	108,738
	2,868,677	2,493,491
Less - Allowance for doubtful accounts	(241,597)	(242,287)
	$ 2,627,080	$ 2,251,204

a. Notes receivable from Vacation Club

The sale of memberships of Vacation Club is normally recognized when the 10% deposit is covered and financing is granted for five years to cover the difference, with interest charged 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.

Composition of the trading portfolio

	2014		2013	
Notes receivable from Vacation Club-				
Less than 90 days	$	562,078	$	417,904
More than 90 and less than 330 days		334,537		290,211
More than 330 days		376,162		203,149
	$	1,272,777	$	911,264
Clients and agencies-				
Less than 90 days	$	410,312	$	400,525
Over 90 days		121,509		258,872
	$	531,821	$	659,397
Allowance for doubtful accounts-				
Clients and agencies	$	(198,474)	$	(207,838)
Notes receivable from Vacation Club		(43,123)		(34,449)
	$	(241,597)	$	(242,287)

b. Accounts receivable from clients and agencies

The average credit term related to amounts owed for hotel services is 22 days. The Entity does not charge interest on outstanding amounts. Normally, amounts owed within this portfolio are not aged significantly. During 2014 and 2013 the Entity identified and wrote-off an amount of $9,364 and $67,710, respectively, of the reserve for doubtful accounts since it was determined that such amounts would not have possibility of recovered.

9. VACATION CLUB INVENTORY

	2014		2013	
Vacation Club inventory	$	268,552	$	89,342
Villas and residential lots		18,416		16,654
	$	286,968	$	105,996

Inventories recognized in the costs and expenses of Vacation Club for sale memberships during the period in respect of continuing operations was $83,453 and $75,893 at December 31, 2014 and 2013, respectively.

10. ASSETS CLASSIFIED AS HELD FOR SALE

	2014	
Assets classified as held for sale in Holiday Inn Laredo transaction:		
Cash and cash equivalents	$	5,595
Accounts and notes receivable		1,193
Inventories		154
Prepaid expenses		288
Property and equipment - Net		43,680
Total assets classified as held for sale	$	50,910
Liabilities directly associated with assets held for sale:		
Other liabilities and accrued expenses	$	(6,423)

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:

	2014		2013	
Long-term notes receivable	$	1,803,210	$	1,568,095
Less:				
Allowance for doubtful accounts		(76,488)		(54,786)
Total	**$**	**1,726,722**	**$**	**1,513,309**

The maturities of the long-term notes receivable at December 31, 2014 are as follows:

	Import	
2016	$	652,844
2017		390,233
2018		282,772
2019 and thereafter		477,361
Total long-term notes receivable	**$**	**1,803,210**

12. LONG-TERM ACCOUNTS RECEIVABLE

	2014	2013
Escrow account for sale of South America's segment	$ -	$ 294,679
Receivable account for sale of Chemuyil	-	102,000
Total	**$ -**	**$ 396,679**

13. PROPERTY AND EQUIPMENT - NET

	2014	2013
Buildings	$ 6,673,141	$ 6,762,539
Furniture and equipment	1,442,291	1,383,106
Computers	432,678	434,720
Vehicles	35,231	37,328
	8,583,341	8,617,693
Less - Accumulated depreciation	(4,565,545)	(4,339,551)
	4,017,796	4,278,142
Land	1,832,630	1,848,825
Construction in progress	416,867	210,658
	$ 6,267,293	$ 6,337,625

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost							
Balance as of January 1, 2013	$ 2,778,264	$ 6,790,823	$ 1,427,211	$ 384,686	$ 24,888	$ 113,674	$ 11,519,546
Additions	374,450	369,308	235,403	60,999	17,093	96,984	1,154,237
Disposals	(1,303,889)	(397,592)	(279,508)	(10,965)	(4,653)	-	(1,996,607)
Balance as of December 31, 2013	1,848,825	6,762,539	1,383,106	434,720	37,328	210,658	10,677,176
Additions	1,249	18,156	136,457	5,602	6,494	206,209	374,167
Disposals	(11,228)	-	-	(7,644)	(7,325)	-	(26,197)
Reclassified as held for sale	(6,216)	(107,554)	(77,272)	-	(1,266)	-	(192,308)
Balance as of December 31, 2014	$ 1,832,630	$ 6,673,141	$ 1,442,291	$ 432,678	$ 35,231	$ 416,867	$ 10,832,838
Accumulated depreciation and impairment							
Balance as of January 1, 2013	$ -	$ (2,967,194)	$ (868,059)	$ (346,019)	$ (20,131)	$ -	$ (4,201,403)
Eliminated on disposals of assets	763,869	141,678	207,376	10,535	4,010	-	1,127,468
Impairment losses recognized in profit or loss	(763,869)	(130,962)	-	-	-	-	(894,831)
Depreciation expense	-	(162,691)	(161,522)	(39,996)	(6,576)	-	(370,785)
Balance as of December 31, 2013	-	(3,119,169)	(822,205)	(375,480)	(22,697)	-	(4,339,551)
Depreciation expense	-	(208,270)	(134,751)	(27,163)	(4,438)	-	(374,622)
Eliminated on reclassification as held for sale	-	106,793	41,648	-	187	-	148,628
Balance as of December 31, 2014	$ -	$ (3,220,646)	$ (915,308)	$ (402,643)	$ (26,948)	$ -	$ (4,565,545)
Total property and equipment - net	**$ 1,832,630**	**$ 3,452,495**	**$ 526,983**	**$ 30,035**	**$ 8,283**	**$ 416,867**	**$ 6,267,293**

14. INVESTMENT IN ASSOCIATES

	Principal activity	% interest at 2014 and 2013	2014	2013
Investment in associates-				
Inmobiliaria Hotelera Las Animas, S. A. de C. V.	Hotels in Xalapa	25.0	$ -	$ 27,571
Inmobiliaria Hotelera de Yucatán, S. A. de C. V.	Hotels in Merida	9.2	1,129	6,450
Others		Miscellaneous	750	1,416
			$ 1,879	$ 35,437

15. OTHER ASSETS

	2014	2013
Sales commissions of Kívac	$ 215,970	$ 144,407
Guarantee deposits	39,719	56,110
Development expenses	13,673	13,898
	$ 269,362	$ 214,415

16. LONG-TERM DEBT

a. Long-term debt is as follows:

	2014	2013
U.S. dollar-denominated:		
Senior Notes 2017, fixed rate of 7.875%	$ 4,432,316	$ 3,474,406
Senior Notes 2015, fixed rate of 9.25%	756,517	1,080,674
Euro-Commercial Paper, fixed rate of 6%	691,179	-
Other loans, at rates between 3.16% and 3.21%	2,261	2,498
	5,882,273	4,557,578
Less - Current portion	(1,449,957)	(2,498)
Long-term debt	$ 4,432,316	$ 4,555,080

The maturities of long-term debt at December 31, 2014, are as follows:

	Thousands of U.S. dollars
2017	310,000
Equivalent in thousands of pesos	$ 4,562,580
Less - debt issuance costs	(130,264)
	$ 4,432,316

b. On November 28, 2014, the Entity obtained US$47.2 million through a program known as "Euro-Commercial Paper", which bear interest at a rate of 6% annually and maturing on November 18, 2015. Interest are recognized in the consolidated statement of comprehensive income as earned, and will be paid at maturity.

c. 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. On November 30, 2013, the Entity issued a supplement for US$50 million of "2017 Senior Notes", with the same characteristics mentioned above, resulting in a total debt of US$275 million.

   On February 20, 2014, the Entity made an additional issued of "2017 Senior Notes" for US$35 million, which mature on November 30, 2017 and bear interest at a 7.875% fixed rate. The "2017 Senior Notes" were issued based on a private exchange of US$31.6 million of the "2015 Senior Notes". The additional issued was performed with the same terms as the first, resulting in a total debt of US$310 million.

d. 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 remaining balance of the program was reduced by the additional issued of "2017 Senior Notes", resulting in a total debt of US$51.7 million and US$83.3 million at December 31, 2014 and 2013, respectively.

e. The most significant restrictions and obligations contained in debt agreements at December 31, 2014, 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, 2014 and the date of the consolidated financial statements, restrictions and obligations have been satisfied.

f. 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 subsidiaries		Non-guarantor subsidiaries		Total consolidated	
	2014	2013	2014	2013	2014	2013
Total revenues	$ 5,553,097	$ 5,589,003	$ 295,181	$ 2,961,355	$ 5,848,278	$ 8,550,358
Impairment, depreciation and amortization	370,047	1,217,558	39,218	97,330	409,265	1,314,888
Lease expense	329,761	326,513	-	-	329,761	326,513
Operating income (loss)	466,512	(618,718)	78,206	577,138	544,718	(41,580)
Consolidated income (loss)	926,686	(1,162,965)	(208,445)	(594,849)	718,241	(1,757,814)
Total assets	**12,829,671**	**12,023,808**	**488,280**	**495,569**	**13,317,951**	**12,519,377**
Total liabilities	**$ 8,409,564**	**$ 7,965,883**	**$ 799,177**	**$ 1,165,277**	**$ 9,208,741**	**$ 9,131,160**

17. INCOME TAXES

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU. Therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR - The rate was 30% in 2014 and 2013 and as a result of the new 2014 ISR law ("2014 Tax Law"), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a five-year period beginning in 2014, as illustrated below.

While the 2014 Tax Law repealed the tax consolidation regime, an option was established, which allows groups of companies to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated companies that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when the group of companies include both profit and loss entities in the same period), which can be deferred over three years and reported, as updated, at the filing date of the tax declaration corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for the year 2014 together.

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Tax 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%. Due to the abolishment of the IETU law, the Entity cancelled in 2013 deferred IETU previously recorded.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions.

Additionally, to difference the ISR, the IETU until 2013 was caused individually by the parent and its subsidiaries.

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. (Benefit) income tax recognized in profit or loss:

	2014	2013
Current tax		
Current ISR	$ 169,835	$ 416,308
Long-term ISR tax deconsolidation	-	882,262
Expense tax amnesty	-	125,585
	169,835	1,424,155
Deferred tax		
Deferred ISR	(1,231,092)	(262,167)
Deferred IETU	-	(105)
Total (benefit) income tax	$ (1,061,257)	$ 1,161,883

b. Income taxes and the reconciliation of the statutory and effective ISR rates, expressed as a percentage of income before equity in results of associated entities and income taxes, is:

	2014
Statutory rate	30%
Less:	
Effect of activation of tax loss	304%
Effects of permanent differences and effects of inflation	(21)%
Effective rate	313%

c. The main items originating the balance of the deferred ISR asset (liability) at December 31, are:

	2014	2013
Notes receivable	$ (266,234)	$ (397,128)
Allowance for doubtful accounts	95,425	92,475
Vacation Club inventory	(73,097)	(16,594)
Property and equipment	(230,681)	(265,057)
Other assets	(127,735)	(157,832)
Reserves and deferred income	341,961	327,708
Benefit of tax loss carryforwards	2,363,880	1,883,246
Reserve of tax loss carryforwards	(1,030,229)	(1,309,717)
Recoverable IMPAC	3,528	3,528
Tax benefits (Conacyt)	(10,876)	(21,689)
Tax effect of SIBRAS	(993,332)	(1,297,422)
	$ 72,610	$ (1,158,482)

d. The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and tax credit, respectively, have been partially recognized, can be recovered subject to certain conditions. At December 31, 2014 and 2013, the tax loss carryforwards amounted to $7,879,600 and $6,277,487, respectively.

e. Tax loss carryforwards

The amount of restated tax loss at December 31, 2014, which has been partially recognized an asset for deferred tax amounted to $7,879,600. Expiration dates and restated amounts as of December 31, 2014, are:

Year	Amount
2015	$ 51,804
2016	47,446
2017	63,905
2018	2,489,549
2019	501,653
2020	429,432
2021	1,779,641
2022	239,305
2023	687,150
2024	1,589,715
	$ 7,879,600

f. Tax consolidation

ISR liability as of December 31, 2014 related to the effects for benefits and tax desconsolidation will be paid in the following years:

Year	
2015	$ 280,272
2016	221,736
2017	162,125
2018	149,287
	813,420
Less - current portion	(280,272)
	$ 533,148

18. LONG-TERM ACCRUED LIABILITIES

	2014	2013
Return reserve from Vacation Club and others	$ 144,307	$ 132,464
Employee benefits	58,840	16,290
Other accrued liabilities	140,751	127,296
	$ 343,898	$ 276,050

A reserve of Vacation Club returns exists within current liabilities amounting as of December 31, 2014 and 2013, to $69,780 and $81,623, respectively.

19. EMPLOYEE BENEFITS

The net period cost for obligations under the pension plan and seniority premiums relating amounted to $17,131 and $16,089 as of December 31, 2014 and 2013, 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 2013.

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 the risks associated with each class of capital. 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, on a monthly basis, reviews the net debt and accrued interest and its relation to the EBITDA (earnings before taxes, interest, 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.

Debt index

The debt index at end of the reporting period was as follows:

	2014	2013
Debt (i)	$ 5,882,273	$ 4,557,578
Cash and banks	1,516,865	1,231,716
Net debt	4,365,408	3,325,862
Stockholders' equity (ii)	$ 4,109,210	$ 3,388,217
Index of net debt to equity	106%	98%

(i) Debt is defined as long- and short-term borrowings (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 low market risks related to fluctuations in interest rates, because their bank loans at December 31, 2014 bear interest at a fixed rates, therefore, the increase in interest rates not could cause to a higher risk to the provided maturity date. At December 31, 2014, the 2017 and 2015 Senior Notes, and Euro-Commercial paper issued in U.S. dollars represent practically 100% of the debt of the Entity, and bears interest at fixed rate.

Foreign currency risk management - In relation the exchange rate risk, the Entity considers that the risk is material because to the December 31, 2014, 100% of the 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 $366,636.
The exchanges in current pesos to date are:

	December 31,		February , 24
	2014	2013	2015
Pesos per U.S. dollar	$ 14.7180	$ 13.0765	$ 15.0832

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, 2014. The Entity liquidated debt maturing shorter-term with the resources obtained through of program known as Euro-Commercial paper.

The principal sources of liquidity of the Entity 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, 2014, a portion of the revenues of the Entity, usually around 17%, 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.

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.

Fair value of the financial assets and liabilities - The Entity's management consider that the carrying amounts of the financial assets (including investments in securities) and financial liabilities recognized at amortized cost in the consolidated statement of financial situation, approximate their fair value to be short-term.

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

	2014	2013
Thousands of US dollars:		
2017 Senior Notes	US 272,164	US 243,637
2015 Senior Notes	51,668	80,360
Euro-Commercial paper	42,335	-
	US 366,167	US 323,997

21. STOCKHOLDERS' EQUITY

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

	Number of shares	
	2014	2013
	Serie "A"	Serie "A"
Authorized capital	512,737,588	576,888,619
Less -		
Repurchase of shares	(16,799,600)	(18,899,099)
Shares in trust assigned to executives	-	(25,166,702)
Treasury stock	-	(33,890,206)
Chemuyil trust shares	-	(2,995,024)
	(16,799,600)	(80,951,031)
	495,937,988	495,937,588

b. At December 31, 2014, the share capital is composed solely of Series "A" free subscription.

c. During a Stockholders' Extraordinary General Meeting held on March 19, 2014 approved the cancellation of 2,099,099 ordinary nominative shares, representing the Series "A" shares of the Entity, because the Entity's management has no plan established to re-place such shares.

d. During a Stockholders' Extraordinary General Meeting held on March 19, 2014 approved the cancellation of the Trusts containing the treasury stock, the shares in the Chemuyil trust and the shares held in trust assigned to executives, because as of that date there were no longer any obligations guaranteed with shares of the Entity, which form part of the assets of the aforementioned Trusts. As a result of the cancellation of the Trusts, a remnant was generated for the Entity in the amount of $10,991, which is presented as earned capital.

e. As discussed in Note 2g, 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.

f. 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.

g. During a Stockholders' Ordinary General Meeting held on March 25, 2014, an associate entity declared dividends of $16,000, in which non-controlling equity of 50%. Such dividend was paid in the same year and is recognized in the consolidated statement of changes in stockholders' equity under "declaration of dividends to non-controlling equity".

h. 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.

i. At December 31, 2014, the legal reserve, presented within retained earnings, amounts to $99,187 (nominal value) and represents 20% of the nominal capital. This reserve may not be distributed to shareholders except in the form of dividends.

j. 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.

22. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCY

Significant monetary position in foreign currencies at December 31, is:

	2014	2013
Thousands of US dollars:		
Current:		
Monetary assets	80,238	57,470
Monetary liabilities	(107,107)	(10,087)
	(26,869)	47,383
Long-term:		
Monetary assets	87,762	86,657
Monetary liabilities	(310,000)	(358,271)
	(222,238)	(271,614)
Net liability position	(249,107)	(224,231)
Equivalent in thousands of pesos	$ (3,666,359)	$ (2,932,161)

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.

23. RELATED PARTY TRANSACTIONS

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

	2014	2013
Short and long-term benefits	$ 91,643	$ 102,911
Termination benefits	$ 5,574	$ -

24. INFORMATION BY BUSINESS SEGMENTS

The operating segment information is presented according to the discretion of the Entity's management.

Information by reportable segment for the year ended December 31, 2014 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	$ 2,746,820	$ 1,822,798	$ 25,827	$ 1,970,489	$ 26,197	$ 6,592,131	$ (743,853)	$ 5,848,278
Cost and general expenses	2,350,664	1,394,370	-	1,565,046	26,197	5,336,277	(743,853)	4,592,424
Corporate expenses	-	-	256,202	-	-	256,202	-	256,202
Depreciation, impairment and amortization	-	-	409,265	-	-	409,265	-	409,265
Other expenses, net	-	-	45,669	-	-	45,669	-	45,669
Operating income (loss)	$ 396,156	$ 428,428	$ (685,309)	$ 405,443	$ -	$ 544,718	$ -	$ 544,718

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	1,597,414	-	1,440,589	2,216,417	7,606,098	(759,418)	6,846,680
Corporate expenses	-	-	247,157	-	-	247,157	-	247,157
Depreciation, impairment and amortization	-	-	1,314,888	-	-	1,314,888	-	1,314,888
Other expenses, net	-	-	183,213	-	-	183,213	-	183,213
Operating income (loss)	$ 357,028	$ 446,025	$ (1,745,258)	$ 335,454	$ 565,171	$ (41,580)	$ -	$ (41,580)

25. COMMITMENTS

a. At December 31, 2014 and 2013, 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, 2014 and 2013, lease expense was $329,761 and $326,513, respectively. The minimum rent estimated for the following years is shown below:

Years	Amount
2015	$ 326,593
2016	318,035
2017	322,342
2018	326,756

b. At December 31, 2014 and 2013, 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, 2014 and 2013, rental expense amounted to $54,767 and $45,937, respectively. The estimated rental payments for the following years is shown below:

Years	Amount
2015	$ 34,845
2016	23,633
2017	6,250
2018	1,810

26. SUBSEQUENT EVENTS

On January 15, 2015, the Entity made the payment of the "2015 Senior Notes" amounting to US$51.7 million, with the proceeds of Euro-Commercial paper.

27. CONTINGENCIES

a. There is a tax lawsuit under way for the year 2006, for an unpaid liability assessed by the International Tax Inspection Office of the Tax Administration Service (SAT) in the amount of $767,248, for which it is not possible to determine a result for the Entity at the date of issuance of the consolidated financial statements. The tax authorities have alleged nonpayment of income tax, for which reason the Entity filed a motion for reconsideration with the SAT, which has yet to be resolved. According to the Entity's management and its external advisors in this matter, there are sufficient legal arguments to obtain a favorable result from such lawsuit.

b. 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.

28. AUTHORIZATION TO ISSUE THE FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue on February 24, 2015, by the Ing. Arturo Martínez del Campo Saucedo, Corporate Chief Financial Officer, consequently they do not reflect events after this date, and subject to the approval of the Ordinary Shareholders Meeting of the Entity, who may be modified in accordance with the provisions of the General Law of Commercial Companies.

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