GRUPO POSADAS, S.A.B. de C.V.

Prol. Paseo de la Reforma 1015, Torre A, Piso 9
Col. Santa Fe Del. Alvaro Obregon
Mexico, D.F. 01210

Series "A" shares representing the corporate capital of Grupo Posadas, S.A.B. de C.V. quoted on the Mexican Stock Exchange Market, S.A.B. de C.V.

Ticker Code: Posadas A

The shares are registered in the National Securities Registry and quoted on the Mexican Stock Exchange Market, S.A.B. de C.V.

Registration in the National Securities Registry does not imply certification of the merit of the securities, or of the issuer's solvency, of the accuracy or truthfulness of the information contained, nor does it validate the acts which, if applicable, were made in violation of the law

ANNUAL REPORT PRESENTED IN KEEPING WITH THE GENERALLY APPLICABLE PROVISIONS TO SECURITIES ISSUERS AND OTHER MARKET PARTICIPANTS FOR THE CORPORATE YEAR ENDING DECEMBER 31, 2014

INFORMATION RELATED TO DEBT SECURITIES IN EFFECT ISSUED BY GRUPO POSADAS S.A.B. DE C.V.

Debt Instruments	Euro Commercial Paper (ECP)	Senior Notes
Ticker symbol	POSADA	POSADA
Amount	US47,236,656	US310,000,000
Issue Date	December 2, 2014	November 30, 2012
Maturity Date	November 18, 2015	November 30, 2017
Issue term	351 days	5 years
Interest and calculation procedure	Annual fixed interest rate at 6.0% calculated on the basis of 360 days *per annum*	Annual fixed interest rate at 7.875% calculated on the basis of 360 days *per annum*
Interest payment periods	Due on November 18, 2015	Every 6 months beginning May 30, 2013
Place and method for paying interest and principal	Accrued principal and ordinary interest payable at maturity, by wire transfer, through Bank of New York	Accrued principal and ordinary interest payable at maturity, by wire transfer, through Bank of New York
Negotiable Instrument subordination	Priority of Payment (*Pari Passu*)	Priority of Payment (*Pari Passu*)
Amortization and early amortization	Single payment at maturity.	Single payment beginning November 30, 2015 at 103.938% and after November 30, 2016 at 100% until maturity date. Issuer entitled to amortize early, fully or partially, as described in the "Make-Whole" clause.
Guarantee	The "ECP" is unsecured	"Senior Notes" are unsecured and 28 subsidiaries act as surety thereof
Trustee	The Bank of New York Mellon, as "Trustee"	The Bank of New York Mellon, as "Trustee"
Rating by rating institution and its meaning	Corporate rating of the issuer: Standard & Poor's, S.A de C.V. "B" Fitch Mexico, S.A. de C.V. "B" Moody´s de Mexico, S.A. de C.V. "B2"	Standard & Poor's, S.A. de C.V. "B" Fitch Mexico, S.A. de C.V. "B+" Moody´s de Mexico, S.A. de C.V. "B2"
Common representative	The Bank of New York Mellon, as trustee	The Bank of New York Mellon, as trustee
Depository	The Bank of New York Mellon, as trustee	The Bank of New York Mellon, as trustee
Tax rules	Applicable withholding rate on date of this report, regarding interest paid on Euro Commercial Paper is subject (i) for Foreign resident individuals and legal entities, for tax purposes, to a 4.9% withholding rate provided that a series of conditions are met, (ii) if any of these conditions, such as in article 7, second paragraph of the LMV is not met, residents abroad may be subject to a 10% withholding rate. In both cases, advisors should be consulted regarding the tax consequences of investing in Euro Commercial Paper,	Applicable withholding rate on date of this report, regarding interest paid on Senior Notes is subject (i) for Foreign resident individuals and legal entities, for tax purposes, to a 4.9% withholding rate provided that a series of conditions are met, (ii) if any of these conditions, such as in article 7, second paragraph of the LMV is not met, residents abroad may be subject to a 10% withholding rate. In both cases, advisors should be consulted regarding the tax consequences of investing in Senior

	including the enforcement of specific rules relating to their particular situations. It is possible that the tax rules in force may be modified during the Program period and during the Issue term.	**Notes, including the enforcement of specific rules relating to their particular situations. It is possible that the tax rules in force may be modified during the Program period and during the Issue term.**
Yield and calculation procedure	**Annual 6.0% fixed rate**	**Annual 7.875% fixed rate**
Calculation Agent	**The Bank of New York Mellon, as trustee**	**The Bank of New York Mellon, as trustee**

The Issuer shall operate in accordance to its applicable corporate by-laws, legal and contractual provisions when deciding in relation to the reserves established due to a change of control, corporate restructuring, including acquisitions, mergers, split offs, sale or encumbrance of key assets, taking into consideration the participation of the holders of the previously specified securities issues to the extent that the aforecited provisions so establish.

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Opinion of the independent auditors 2014 and 2013, Audit Committee and Corporate Practices Committee's reports.

1) GENERAL INFORMATION

a) Glossary of Terms and Definitions

TERM	DEFINITION
"BMV" or "Stock Exchange"	Shall mean Mexican Stock Exchange Market, S.A.B. de C.V.
"CNBV"	Shall mean National Banking and Securities Commission.
"Company" or "Posadas"	Shall mean Grupo Posadas, S.A.B. de C.V. and its subsidiaries.
"Issuer"	Grupo Posadas, S.A.B. de C.V.
"Audited Financial Statements"	The financial statements audited by Galaz, Yamazaki, Ruiz Urquiza, S.C. for the corporate years ending December 31, 2014 and 2013 included in the present Annual Report.
"Fibra"	Mexican trusts principally established to develop, acquire, own and operate hotels.
"Report"	The present Annual Report.
"RNV"	National Securities Registry under the National Banking and Securities Commission.
"$" or "Pesos" or "M.N."	Currency of legal tender in the United Mexican States.
"US" or "Dollars"	Currency of legal tender in the United States of America.
"M"	Millions.
"NIIF" or "IFRS", due to its initials in English	International Financial Reporting Standards

b) Executive Summary

This summary is not intended to contain all of the information, which may be relevant to making investment decisions regarding the securities that are herein mentioned. Therefore, the investing public should read all of the Annual Report, including the audited financial statements and, in the respective case, the corresponding notes before making an investment decision.

Grupo Posadas, S.A.B. de C.V. and Subsidiaries is the biggest operator of hotels in Mexico based on the number of hotels, rooms, geographic coverage, sales and market penetration (Source: "Posadas Market Research Department").

As of December 31, 2014, the Company operated 127 hotels and resorts, representing a total of 21,094 rooms, thus having the greatest concentration in Mexico with 20,891 rooms distributed in 59 Mexican Cities, including the most important urban and coastal or beach destinations and 203 rooms in the state of Texas in the United States of America. Consequently it serves a broad base of tourist and business travelers.

As of December 31, 2014, of the 127 operated hotels, the Company was the majority owner of 17 hotels, operated 96 and leased 14.

The Company has expanded through strong brand positioning and development, which ensure service consistency and client recognition. The Company operates its hotels in Mexico principally through the brands Live Aqua, Fiesta Americana, Fiesta Americana Grand, Fiesta Americana Vacation Club, Fiesta Inn and One Hotels, and, since May 2014, Gamma.

The Fiesta Americana hotels offer a wide variety of services and luxury rooms attracting high economic level tourism to coastal destinations and executive business travelers to city destinations. On the other hand, the Fiesta Inn hotels are smaller, with more moderate prices, comfortable rooms, a variety of services, and located in small to medium-sized cities, as well as in the suburbs of large urban areas. One Hotels attract business travelers looking for the best price at an excellent location since these hotels have standardized services and are located in urban areas. In 2012, the Company decided to allocate the Fiesta Americana hotel located in Cozumel, Quintana Roo to be operated by the Vacation Club business, and during 2013 the company started converting this hotel into a Vacation Club product.

During 2013, the Company launched into the market a new hotel Brand: "Gamma". Based on this brand, the group intends to organize a marketing system for its services through franchising, by recognizing the existence of business opportunities for good quality hotels located in the territory of the United Mexican States. These good quality hotels already exist in the market but with certain deficiencies in light of the new systems and distribution channels that do not allow them to competitively participate with the main corporate accounts, and which need better marketing tools to increase their market participation. The latter would allow, most of the time, that the owners of said hotels or whoever has the legal title to freely dispose of them to keep operating them, increasing their quality standards and, at the same time, take advantage of the Franchiser's infrastructure and marketing strengths and still preserve the distinctive local details.

"Gamma" is addressed to independent hotels' owners and operates under a franchise arrangement through two options: i) an operation and license arrangement in which Posadas absorbs the hotels' operation, or ii) under a pure franchise arrangement in which Posadas offers the distribution and marketing systems of its Fiesta Americana and Fiesta Inn brands.

During the 2014 corporate year, the company has opened 18 new hotels, including 4 conversions to the Gamma brand, representing a net total of 2,296 additional rooms: Fiesta Inn Merida, One Ciudad de Mexico Alameda, One Silao, One Guadalajara Periferico Vallarta, One La Paz, One Villahermosa Center, One Vallarta Airport, Gamma Fiesta Inn Morelia Belo, One Queretaro Centro Sur, One Cancun Centro, Gamma Fiesta Inn Ciudad Obregon, Gamma Fiesta Inn Leon, Gamma Fiesta Inn Tijuana, Fiesta Inn Queretaro, Centro Sur, The Explorean Cozumel, One Monclova, One Leon Poliforum and FI Plaza Central.

The Company has achieved a leadership position by maintaining strategies and opportunities that have allowed it to constantly grow, with a diversified and balanced portfolio: owned, leased and managed hotels, a mix of both urban and coastal hotels. Our hotels serve both tourist as well as business travelers with a broad geographic coverage that extends across Mexico. The "all inclusive" lodging format has consolidated nicely and in 2013 the Company decided to convert the Fiesta Americana Grand Los Cabos hotel and the hotel in Cozumel to this format.

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On July 16, 2012, the Company announced that it had reached an agreement with Accor, S.A. (Accor), one of the world's leading hotel management companies, to sell its South American operations. On October 10, 2012, the aforementioned sale was officially completed and, in order to guarantee price adjustments and other indemnifications obligations inherent in this type of operations, an escrow account on which Accor is the primary beneficiary was established. To date this account has a balance of US$32.0 million. These funds will be released to the Company on various dates from October 2014 through 2019, only if certain conditions precedents, established in the sale contract, have been met. As of the issue date of the audited financial statements for the 2013 corporate year (February 24, 2014), the Company estimated that of the guaranteed amount it could recover an approximate amount of US23.6 million, equivalent to $294.7 million. These are registered in the line item "Long-term Accounts Receivables for discontinued operations" in the consolidated financial situation statement, notwithstanding the claims that Accor has presented to Posadas based on the purchase agreement. In September 2014, we signed an agreement to fully terminate the escrow guarantee account related to the sale of the South American hotel operation business and US$16.6 million dollars were received.

In 2013, the Company's subsidiaries sold 14 hotels principally located in central and northern Mexico to FibraHotel which were managed under the Fiesta Inn and One hotels brand. The Company still operates the real properties sold.

In this 2014, a company in which Posadas has a minority participation (25%) sold two hotels to FibraHotel on conditions similar to those of the hotels sold in 2013.

Additionally, the Company operates a business denominated Fiesta Americana Vacation Club ("FAVC"), through which members purchase a "40 year right to use" (timeshare right) represented by annual FAVC points. The FAVC points may be exchanged for lodging at any of the four FAVC complexes located in Los Cabos, Baja California Sur (Villas and Resort); Acapulco, Guerrero, Cancun, Cozumel and Kohunlich (Chetumal); Quintana Roo, as well as at any hotel operated by the Company. Additionally, FAVC members may use their points at Resorts Condominium International ("RCI") complexes and Hilton Grand Vacation Clubs. or at any complex affiliated thereto in different parts of the world. During the 2014 corporate year, the company allocated its Cozumel hotel to the timeshare business. Within the same vacation property business, the Company launched a new project "The Front Door" that in principle is similar to that of Fiesta Americana Vacation Club (FAVC) but focused to a more exclusive market and more luxurious. For this project, in April 2013, the Company acquired sixteen apartments located in Puerto Vallarta, Mexico, and allocated part of its Cozumel inventory to this product. The Company intends to acquire or develop more real properties for this purpose. As part of this growth strategy, the Company acquired two plots of land in Acapulco and Nuevo Vallarta to develop for the Vacation Club business.

In 2010, the Company began marketing a new product denominated "KIVAC" consisting of the sale of points with an up to 5 year validity, which may be traded for accommodations in any of the Company's hotels. As of December 31, 2014, approximately 18,000 members were affiliated.

Derived from the hotel administration and now with a varying degree of independence from the same, the Company has the following service businesses: (i) Conectum, the administrative service center, responsible for the administrative control of the owned, leased, and of third-party hotels, as well as of the corporate offices; (ii) Ampersand, which manages loyalty programs, amongst them, the Company's loyalty program: Fiesta Rewards; (iii) Konexo, the contact center ("Call Center"), amongst whose relevant clients are the Company's subsidiaries, and (iv) Summas Central, which offers management and administration of centralized purchasing services to our different owned, leased and third-party hotels.

Furthermore, in December 2013, Posadas agreed to and executed sales to third parties of determined real properties catalogued as non-strategic assets for a total amount of $680 million; amongst these was the land denominated "Chemuyil" in Quintana Roo. Likewise, in the 2013 corporate year, the Company sold to FibraUno its corporate offices located in Lomas de Chapultepec for US$15 million dollars by signing a 10-year lease contract. In 2014, the Company terminated the lease contract for the Lomas de Chapultepec corporate offices in order to sign a 10 year term lease contract with FibraUno regarding the issuer's current corporate offices located in Santa Fe.

As owner and lessee of several properties, Posadas decided to invest and refurbish the following hotels: Fiesta Inn Monterrey Valle, FA Merida, FA Guadalajara, FI Aeropuerto Ciudad de Mexico, FI Centro Historico (Mexico City) and FI Cuautitlan, which is currently being remodeled.

From a corporate and financial viewpoint, between 2013, 2014 and to date in 2015, several noteworthy transactions were carried out such as: advance payment of the debentures convertible into shares of the Issuer and of the Banorte, Scotiabank Inverlat and Bancomext bank loans. The partial exchange of Senior Notes due in 2015, and the reopening of the Senior Notes program due in 2017, to reach a total amount in 2014 of US310 million. The Company took advantage of the tax forgiveness program to terminate various tax litigation proceedings regarding certain tax liabilities, and in 2013 it unified the Issuer's share Series into one common shares series, freely negotiable.

In 2014, Posadas made public its intention to carry out an internal corporate restructuring in order to reorganize the number of its subsidiaries and the duties performed by some of them in its structure. This corporate restructuring was timely announced and is of principal importance in the issuer's intercompany operations.

On November 28, 2014, Posadas obtained US$47.2 million by way of a program known as "Euro Commercial paper" which generates interest at a 6% annual rate with a November 18, 2015 due date. The interest is recognized in the integrated operating results financial statement as they are accrued and will be paid on the due date of the principal amount.

The funds obtained from the Euro Commercial paper were used to pay the 2015 Senior Notes for a principal amount of US$51.7 million, which had a due date of January 15, 2015.

Based on the applicable law, the Notes and documents related to the same were not submitted for review or approval of any federal or state securities commission, or the regulatory entity of any country.

After hurricane "Odile" passed through the peninsula of Baja California in September 2014, the hotels facilities there suffered significant damages. Said hotels have insurance policies with coverage for real property actual and consequential damages. The Entity presented claims to the insurance company for the aforementioned concepts, same that are being negotiated to the issue date of the financial statements and amount to US$14.6 million dollars. Of the preceding, US$4.1 million dollars have been received as an advance payment under the concept of damages.

Selected Financial Information

From January 1, 2012, the Company adopted the International Financial Reporting Standards ("IFRS", due to its initials in English, hereinafter IFRS or IAS), and its adjustments and interpretations issued by the International Standards Accounting Board. ("IASB" due to its initials in English), in force. These consolidated financial statements have been prepared pursuant to the norms and interpretations issued and in force to this date.

This consolidated financial information summary is presented for the years 2014, 2013, and 2012, based on the Company's consolidated financial statements which have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., the Company's external auditors.

The financial information presented should be reviewed jointly with the financial statements indicated in the previous paragraph and, if applicable, their respective notes. Likewise, the financial information summary should be reviewed with all the explanations provided by the Posadas management in the "Financial Information" Chapter, specifically in the section "Comments and Analysis of the Management on the Operating Results and Financial Situation of the Company". Some figures may vary due to rounding off.

		Cifras Dictaminadas (en millones de pesos) Por los años que terminaron el 31 de Diciembre de:				
Resumen de Resultados		**2014 - IFRS**		**2013 - IFRS**		**2012 - IFRS**
Ingresos Totales	**Ps.**	5,848.3	**Ps.**	8,550.4	**Ps.**	6,139.9
Gastos Corporatívos		256		247		212.1
Depreciación, amortización y arrendamiento de inmuebles		739.0		746.6		762.7
Deterioro de activos		0.0		894.8		0.0
Utilidad de operación		544.7		(41.6)		622.3
Resultado integral de financiamiento		883.9		368.3		524.1
Impuestos		(1,061.3)		1,161.9		616.6
(Pérdida) utilidad neta consolidada del año		718.2		(1,757.8)		1,355.6
(Pérdida) utilidad neta de los accionistas mayoritarios		716.8		(1,753.3)		1,342.9
Resumen de Balance General						
Total del activo circulante	**Ps.**	4,676.9	**Ps.**	3,782.0	**Ps.**	4,762.5
Inmuebles y equipo, neto		6,267.3		6,337.6		7,367.6
Total del Activo		13,318.0		12,519.4		14,248.4
Total del pasivo circulante		3,141.8		1,880.1		3,063.1
Deuda a Largo Plazo		4,432.3		4,555.1		4,059.5
Total del Pasivo		9,208.7		9,131.2		9,025.5
Total del Capital Contable		4,109.2		3,388.2		5,222.9
Principales Razones Financieras						
Utilidad de Operación / Ingresos		9.3%		-0.5%		10.1%
Utilidad Neta / Ingresos		12.3%		-20.6%		22.1%
EBITDA		$954.0		$1,273.3		$1,053.8
EBITDA / Ingresos		16.3%		14.9%		17.2%
Deuda con Costo / EBITDA		6.2 X		3.6 X		5.1 X
Activo Circulante / Pasivo Circulante		1.49 X		2.01 X		1.55 X
Pasivo Total / Capital Contable		2.24 X		2.69 X		1.73 X

The shares representing the Company's corporate capital are listed on the Mexican Stock Exchange Market, S.A.B. de C.V., where they have traded since 1992. The number of shares in circulation (weighted average) to December 31, 2014, amounts to approximately 496 M. As of February 27, 2013 and in accordance with the shareholders meeting of November 11, 2011, the series "L" shares were exchanged for series "A" shares, so as of that date only one share series, Series "A", trades on the Mexican Stock Exchange.

Additionally, approximately 68,000 series "A" shares are traded on the PORTAL system (Private Offerings, Resale and Trading through Automated Linkages) of the NASD (National Association of Securities Dealers) in the form of ADS (American Depositary Shares). Series "A" shares have shown low trading according to the BMV's rating while the Series "L" shares showed, while it was listed, low trading pursuant to the BMV's rating; therefore, both series operated according to a BMV bidding process. Trading in series "A" shares (and while was in effect, series "L" shares) has never been suspended by the regulatory authorities.

The following table shows the annual performance of the series "A" and series "L" shares during the last five years on the Stock Market:

POSADAS A	2010	2011	2012	2013	2014
Precio Máximo	18.26	16.62	20.75	24.70	25.50
Precio Mínimo	16.50	13.80	15.80	20.50	22.50
Precio de Cierre	18.25	15.90	20.75	24.70	25.50
Volumen diario promedio (miles de acciones)	21.0	8.7	9.9	205.6	804.33

Source: Bloomberg (The daily average volume is based on trading days).

For additional information regarding share performance see section 5 b) “Capital Market - Share Performance on the Stock Exchange”

c) Risk Factors

The investing public should consider carefully all the information contained in the Annual Report, and specifically the following risk factors which are detailed below. These risks factors are not the only ones that the Company faces. Additional risks and uncertainty of which the Company is not aware, as well as those currently thought immaterial, may have a material adverse effect on the Company’s operations, financial situation and operating results.

Risks Relating to the Company

The global economic situation and its effects on financing markets, the economy of the countries in which we operate, as well as the economy of the countries of our clients may adversely affect our businesses.

The global economic crisis and its effects may adversely affect Posadas’ businesses, financial situation and operating results. Economic deterioration may decrease demand for our services and products; cause our clients to breach the commitments undertaken: It may limit the building capacity of the owners of the hotels that we have agreed to operate, put at risk maintaining ownership of said real property, decrease the investments required or timely investments, and, therefore impact on our results and profitability. Likewise, substantial increases in air and ground travel costs, and decreases in airline capacity arising primarily from reduced or consolidated flights have also reduced demand for our hotel rooms and vacation club villas.

The economic situation may also negatively affect financial markets, thereby causing high volatility and increase the cost of available financing resources. Due to the above, and for other reasons, Posadas may face higher financing costs or difficulties in raising financing so as to fund its operations, investments, acquisitions or debt refinancing.

Accordingly, our financial results were impacted by the 2010, 2011, and 2012 economic slowdown, and although we have recently witnessed a recovery, it has not reached 2008 levels. Both our financial results, as well our growth, may be further harmed if this global economic situation occurs again, affecting our businesses’ general and liquidity conditions. The effects of the current economic situation are difficult to forecast and mitigate.

A high percentage of the hotels we manage are luxury hotels or they are in locations which have been particularly impacted by the current economic slowdown or by the perception of violence or the guests come from places affected by said contingencies. The preceding has had and continues to have a significant adverse effect on the operating and financial results of our business.

Approximately 25% of the rooms that we manage are in Hotels classified as luxury hotels. Luxury hotels generally command higher room rates. In an economic downturn, these hotels are susceptible to a decreased revenues, as compared to hotels in more economical categories, since hotels in this segment generally target the business and high-end vacation market.

Likewise, the national and international perception of violence may have adversely affected travelers’ decision to travel to certain Mexican locations or to keep lodging plans at our hotels.

Concentration in one industry

The Company's operation is principally concentrated in one industry –hotel and services industry- and the current strategy consists of staying focused on this industry and other related business, such as the vacation club, management of loyalty programs, contact centers and centralized management. The company has also undergone an ownership consolidation process of the hotels under its operation. Currently, three investors own 15 hotels, and to March 31, 2015, an additional owner holds 48 hotels with approximately 6,000 rooms that represent 29% of the total room inventory managed by Posadas. This concentration and dependency risk may affect, amongst others, the Company's negotiation and operating capabilities pursuant to policies freely established by the Company and sacrifice its operating margins. It's worth mentioning that the Company waived its preemptive rights to acquire certain hotels. These hotels are at present operated by the Company and were sold by their owners to FibraHotel.

Competition

Competition for guests

The hotel business is highly competitive. Foreign investors, using Mexican corporations, may directly or indirectly purchase a 100% holding in tourism-related businesses, including construction, sale, lease, or operation of non-residential realty in Mexico.

Competition in the hotel sector is represented by a variety of national and international hotel operators, some of these, especially international operators, are substantially bigger than the Company and may have greater marketing and financial resources, as well as a better distribution capacity, than the Company. Said operators may operate under recognized international and Mexican brands. In addition to competing for guests with other Mexican resorts, the Company also competes for guests with resorts in other countries.

Competition for operating agreements

When the Company seeks to grow through increasing new hotel properties to be operated by the selfsame Company, it faces competes against other entities seeking the same opportunities. The Company competes with other entities that have greater financial resources or that have better-recognized international brands so as to enter into operating contracts with hotel owners. In addition competing for new opportunities, the Company also competes against other hotel chains when the Company's existing operating contracts expire. Therefore, the Company cannot ensure that it will continue entering into or renewing successfully its operating contracts or that it will do so under similar or more satisfactory economic terms or characteristics. Competition may generally reduce the number of growth opportunities in the future, increase the bargaining power of hotel owners and reduce the Company's operating margins. Likewise, said competition has forced the issuer to negotiate operation and licensing contracts whereby it undertakes contingent obligations to guarantee specific operating results which, should the hotel obtain negative operating results, would make the issuer sacrifice income and even disburse the deficit amounts in order to comply with such guarantee.

Competition for franchise agreements

The Company has resolved to also grow by franchising, based on novelty brands supported by traditional brands. This means a foray into a new market that until now was unknown to Posadas and in which Posadas is not a leader. Therefore, the Company cannot guarantee its success in the execution and operation of franchise contracts and, in general, the competition may decrease the number of future growth opportunities by increasing the hotel owners' negotiating power and decreasing the Company's operating margins.

Geographic Dependence

At present, the Company operates in the United States of America and Mexico. However, the Company's operations are principally concentrated in Mexico since 126 of the 127 hotels operated, that is 99% of the rooms operated, are located in Mexico and these represent 99% of its income. In spite of the fact that the Mexican inventory is diversified to serve the city and beach segments as well as vacation and business travelers, the Company is significantly dependent on its Mexican operations; a market in which the Company already has high penetration. If these Mexican operations do not continue according to the Company's designed plan and strategies, it could have a material adverse effect on the Company's operations, financial situation or its overall operating results.

Posadas' ability to operate and grow in other countries may also be affected by present or future commercial barriers, currency fluctuations, currency exchange controls, political situations, inflation, taxes and legislative amendments in the countries where the Company operates or intends to operate, or in which it has investors.

Growth Strategy

The Company has designed a growth strategy for its hotel, vacation club and other service businesses in Mexico, which is primarily based on the execution of hotel operating agreements regarding third party realty, the execution of franchise contracts regarding third-party operated hotels, and the construction of new buildings allocated to timeshare arrangements. The Company's ability to expand will depend on a number of global economic factors including, but not limited to, the condition of the United States, Mexican and other Latin American countries' economies, the ability of investors to construct new properties for the Company to operate and/or lease, or to enter into franchise contracts concerning such properties, and the selection and availability of new hotels locations, and the availability of financing. There can be no assurance that the Company's expansion plans will be achieved, or that the new hotels or vacation club developments will meet with consumer acceptance or be operated profitably. In this same manner, the Company continues to offer services to third-parties, such as loyalty program management, and contact center services.

As part of its growth strategy, the Company is carrying out and investing in various building and refurbishing of it's and leased properties. Multiple factors including financing, regulatory, or climatological events, may impede the latter's timely completion, which may adversely affect the Company's financial condition. Furthermore, the Company's growth plans in the new hotel and vacation club areas may be affected.

The Company may expand its operations to the United States of America and other Latin American countries. The company has entered into a franchise contract with a United States investor by means of which the company granted a Live Aqua franchise in order to exclusively develop said hotel brand in the United States of America territory for a 20 year term. The risks confronting our ability to successfully operate in the current markets also equally apply to our ability to operate in new markets. Additionally, the Company would not have the same knowledge or familiarity levels regarding the new markets' dynamics and conditions and their regulations, which may affect its growth or operating ability in said markets, thereby affecting its profitability.

Operation Contracts and Brand Licensing

Of the hotels operated by the Company to December 31, 2014, 96 operated under an operating arrangement that the Company carries out by executing hotel operating and brand licensing contracts. The Company's operating and financial conditions may be adversely affected to the extent that hotel operating and brand licensing contracts which are about to expire are not renewed or are renewed on less favorable terms, or otherwise, if new hotel operating and brand licensing contracts are not executed. Furthermore, under determined operating contracts, the Company guarantees a minimum revenue to the owner of the hotel otherwise the owner may discontinue contracting the Company's services if certain hotel performance standards are not met. However, this does not mean that the Company breached the operating contract. To date, no hotel operating contract has been anticipatorily terminated due to the previous circumstance.

Furthermore, although under our operating and lease contracts the owner cannot transfer or convey the hotels or assign the rights over said hotels to a third party, we cannot assure that said transfer or conveyance is not carried out, nor that the third party to whom the property or the rights are conveyed will continue to be bound by said contracts. To date, no conveyance of rights has adversely affected the Company's contractual relationship with the owners, but we cannot ensure that this situation will continue to be in our favor in the future.

Finally, the economic and financial capacity of the hotel owners may affect preservation of the brand standards under which the hotels operate and, in those cases in which the owners have taken control over the hotels' cash balance, the fees of Posadas and of its strategic partners may be affected. The Company may need to notify termination of brand licensing contracts for breach of said standards or of the owners' payment obligations, and this situation may adversely affect income from the hotels and from fees which are received based on said income.

Leasing contracts

Of the hotels operated by the Company to December 31, 2014, 14 operated under a leasing arrangement, and it is foreseen that part of the Company's growth will come from said arrangement. The Company's operating and financial conditions may be adversely affected to the extent that income and operating profits are not sufficient to make the lease payments stipulated in the lease agreements. In accounting terms, leases are not capitalized and are registered as expense as they accrue. As of December 31, 2014, some of the leased hotels did not generate sufficient revenue to cover the totality of the payment obligations. To this date, we are fulfilling the lease payments of all our leased hotels. In like manner, the lessors' failure to perform under said lease agreements may adversely affect operations and ultimately affect the Company's profitability.

Franchise contracts

The Company has also resolved to grow by franchising, based on novelty brands supported by its traditional brands. This means a foray into a new market that until now was unknown to Posadas and in which Posadas is not a leader. Therefore, the Company cannot guarantee its success in the execution and operation of franchise contracts. Furthermore, this new operating method implies that the owner or a third party other than the Company will manage the hotel's operation, and in this operating format we have not previously engaged or we have not done so with our brands. This new product means that Posadas must invest in the creation of a franchise system supporting the services intended to be rendered to this system's users. Moreover, it implies that third parties' hotels outside of Posadas' control will operate under its brands and distribution platforms. We cannot guarantee that Posadas will succeed in its franchising business, or that it will be successful soon, nor can it guarantee that its clients under this new segment will succeed.

Finally, the economic and financial capacity of the hotel owners may affect preservation of the brand standards under which the hotels operate. The Company may need to notify termination of franchise contracts for breach of said standards or of the franchisees' payment obligations, and this situation may adversely affect the fees that Posadas would receive based on said income

Our service businesses may not be successful and may affect our hotel business

The operation of certain services businesses, such as Ampersand, Konexo and Conectum, which on a consolidated basis, represented less than 10% of the Company's total revenues to December 31, 2014, and 2013. These businesses have developed from our hotel business, and have been gaining a varying degree of independence from the hotel business, but there can be no assurance that said businesses will perform in accordance with their established expectations. Furthermore, the implementation and development of these businesses may imply the distraction of our executive officer team and the detouring of funds, or the anticipated benefits may be less or none. However, we depend on these businesses to operate various services, such as the Fiesta Rewards loyalty program, the contact center (call center), accounting processing, payroll payments, and technology services, amongst others. If any of these companies cease to provide their respective services to us, or if they provide them less effectively, the Company's operations and financial condition may be adversely affected.

Holding Company Structure

The Issuer is a holding company which principal assets consist of the shares of its subsidiaries, the ownership of the Company's main brands in Mexico and the hotel operating, brand licensing and franchise contracts. By virtue of the foregoing, revenues of the holding company primarily depend on the payment of dividends and fees arising from hotel operating, brand licensing, and franchise contracts.

Even though at present almost all the subsidiaries are not contractually limited to pay dividends to the Issuer, any financing or other agreement that may restrict the subsidiaries ability to pay dividends or make other payments to the Company may adversely affect the latter's liquidity, financial situation and operating results. Generally, Mexican corporations may pay dividends to their shareholders if dividend payments and the financial statements reflecting distributable net profits have been approved by the shareholders, after establishing the legal reserves, and only if all losses have been absorbed or paid. Likewise, the holding company is the principal creditor of Posadas' financial liabilities and may act as guarantor for the obligations undertaken by its subsidiaries or its subsidiaries may be the guarantors of the holding's liabilities.

Since the Company is a holding company, the possibility that the Issuer may satisfy the demands of its creditors ultimately depends on its ability to first participate in its subsidiaries' dividends and subsequently on the distribution of the asset of its subsidiaries upon liquidation. The Issuer's right, and, therefore, its creditors' right to participate in said dividend or asset distribution, is effectively subordinated to the subsidiaries' creditors' payment claims (including claims having legal preference and the Company's creditors' claims which are guaranteed by said subsidiaries).

Based on the corporate restructuring informational leaflet disclosed in 2014, the administration plans to transform the holding company into a stock holding company, transmitting, at a possible and viable pace and extent, the hotel operation business' management, brand licensing and franchising to a Posadas subsidiary, which will receive the income derived from the corresponding fees and royalties. This could mean that the holding company may not have its own assets to operate.

Dependence on our key employees.

Several of the Company's executives have vast operating experience, industry knowledge and such qualifications are recognized in the market. The Company depends on its executive staff to define the strategy and manage its business, and it considers that their intervention is relevant to its operations. Consequently, the Company's inability to keep its executive officers or attract new ones may have an adverse effect on its operations and ultimately on its profitability. See "Administrators and Shareholders".

During 2014, the Company initiated a project headed by the Human Capital Department, to attract and retain talent for key positions at the Company's different business units, thereby decreasing the risk of losing business' know-how, productivity, effectiveness and continuity.

The Company may incur additional debt which may affect its financial situation and ability to generate sufficient cash to meet its payment obligations

In the future, the Company may incur additional debt which may have or worsen the following effects: (i) limit its capacity to pay its debts; (ii) increase its vulnerability to economic conditions and to industry conditions in general; (iii) require that the Company allocate a significant amount of its cash flow to debt payment; (iv) limit its flexibility to plan or react to changes in its business; (v) limit its ability to obtain additional financing, and (vi) increase the cost of or make more expensive additional financing conditions.

The Company's ability to generate sufficient cash to pay its debt will depend on its operating performance and refinancing ability, which may be affected by the prevailing economic conditions, its performance, financial, reputation and other factors, many of which are beyond the Company's control. Posadas may be forced to adopt alternative strategies to comply with its obligations, including cancelling, decreasing or delaying investments, selling assets, restructuring or refinancing its debt or requiring additional capital. If applicable, said activities may not be made on favorable terms.

Posadas' financing terms contain determined financial, operating and corporative restrictions, which may negatively affect the Company's ability to react to market changes, take advantage of business opportunities, obtain financing, make investments, improve its operating costs or face business difficulties. It may also affect the ability to pay dividends to its shareholders and to execute certain corporate transactions or could result in the need to make cash investments for specific assets or purposes, such as prepayment of indebtedness.

We have significant amounts of indebtedness which are due in the next several years, and we cannot ensure their refinancing or whether it will be on fully favorable terms

Historically, we have addressed our liquidity needs (including funds required to make scheduled principal and interest payments, refinance indebtedness, and fund working capital and planned capital expenditures) with operating cash flow, borrowings under credit facilities, proceeds from debt offerings and proceeds from asset sales. The prevailing situation may negatively impact our ability to access additional short-term and long-term refinancing or financing, or to do so on favorable terms, which would negatively impact our liquidity and financial condition.

Taxes

I. In relation to the 2006 corporate year, there is a legal proceeding for a tax liability determined by the International Oversight Administration under the Tax Administration Service (SAT due to its initials in Spanish) in the amount of $767.2 M. Regarding the latter it is not possible to foresee the outcome for the Entity to the consolidated financial statements' issuance date. The tax authorities have alleged the omission of income tax payment, for which the Entity filed a revocation remedy before the SAT, whose resolution is pending. In the opinion of the Entity's administration and of its external advisors in such matters, there are sufficient arguments to obtain a favorable result from said proceeding.

II. Regarding the 2007 corporate year, the SAT audited the subsidiary Turistica Hotelera Cabos Siglo XXI, S.A. de C.V. Consequently, said agency requested the execution of a Consent Order before the Attorney General's Office for Taxpayer Protection, thus preventing the imposition of a tax liability approximating $234 M and a series of agreement with the SAT were convened. As a result, it was determined that the company had a debt of $67 M. It is worth mentioning that no agreement was reached with the SAT in relation to the rent income that the company should have collected during 2007, therefore, the SAT may issue a liquidation order only in regard to said point, based on the guidelines set forth by said authority and which will certainly have to be challenged in future litigation.

III. Pursuant to the new Income Tax Law (LISR due to its initials in Spanish) in effect in 2014, the tax consolidation rules were eliminated and, therefore, the Entity and its subsidiaries are obligated to pay the tax which was deferred up to December 31, 2013, during the following five years from 2014. This deconsolidation tax was recognized in the consolidated comprehensive income statement to December 31, 2013, under the concept of profit tax and amounts to $882.3 M; the updated balance to December 31, 2014, amounts to $813.4 M, and the respective short- and long-term liabilities were also recognized.

IV. Similarly, the 2014 LISR eliminates the incentive that allowed for contributing real property to Real Estate Companies (SIBRAS due to its initials in Spanish) and accrue the gain on the sale of these properties up to the time the shares of such companies were sold. Consequently, if the above predicates for accruing 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 entered 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 $1,297.4 M as of December 31, 2013 and of $993.3 M as of December 31, 2014.

Often tax legislation is amended by the competent authorities. These amendments or interpretations by the authority of the applicable provisions may have a significantly adverse effect on the Company's tax burden and on the compliance costs derived therefrom. Likewise, the authority may have application and interpretation criteria regarding the applicable norms that differ from those of the issuer's. We are frequently subject to tax audit proceedings from local and federal authorities and subject to possible tax liabilities determined by said authorities, which may adversely impact the our businesses' financial situation and cash flow.

Proceedings and claims

The Company faces a series of legal proceedings other than tax proceedings, arising from the normal course of its operations. Due to the incipient nature of the proceedings, their lack of relevance, or the improbability of determining a probable contingent amount, there have not been established for all cases the related reserves. However, in the opinion of the Company's management and its legal advisors, the outcome of contingencies arising from claims to December 31, 2014, will not significantly affect its consolidated financial situation nor its operating results in the short term.

Some subsidiaries are facing claims other than tax claims, arising from their normal operation or from the ordinary course of business. Of these claims, only some of their principal amounts have covered by contingency reserves included in the general balance statement under long-term accumulated liabilities. The Company considers that said contingencies uncovered by reserves will not significantly affect the Company's consolidated financial situation.

The Company and its executives may be subject to proceedings of various types which would cause the Company to allocate resources to respond to said proceedings and, if applicable, to comply with the outcome of said proceedings.

On the other hand, the Company has initiated several proceedings related to challenging the applicability or constitutionality of several norms. The Company believes that it has all the elements to obtain a favorable ruling but a contrary interpretation may result in the implementation of determined controls and procedures that may imply considerable costs to the Company or change the Company's current operational structure.

We are exposed to currency and exchange rate risk on our debt, and we have entered into derivatives contracts.

Historically, the majority of our indebtedness had been denominated in U.S. dollars. As of December 31, 2014, 100% of our indebtedness was denominated in U.S. dollars. 100% of our indebtedness bore interest at fixed rates. As a result, we were slightly exposed to risks from fluctuations in interest rates.

To help minimize our exposure to high volatility in peso interest rates, we have sought to maintain a significant percentage of our indebtedness in U.S. dollars. Generally, when non-U.S. dollar markets are available to issue debt, we enter into derivative financial instruments with financial institutions so as to balance and align our debt with our revenues. Currently, we have not contracted financial derivative instruments to cover currency volatility or interest rate risks but this does not mean that we may not contract derivatives in the future for hedging purposes.

Likewise, income from certain hotels in Mexico whose room rates are typically quoted in U.S. dollars, as well as the sale and financing of timeshare club memberships which are also typically quoted in U.S. dollars, nevertheless we tend to set most of these debts at a fixed rate and in pesos. For this reason, our use of interest-rate derivatives is intended to mitigate risks.

We may determine that such risks are acceptable or that the protection available through derivative instruments is insufficient or too costly. These determinations depend on many factors, including market conditions, the specific risks in question and our expectations concerning future market developments. We review our derivative positions regularly, and our hedging policies change from time to time. However, our derivative positions or our decision to not cover with derivatives may be insufficient to cover our exposure.

We do not usually enter into derivative financial instruments for any purpose other than those already stated; however, if so these are limited in amount and frequency, and we may do so in the future. The types of derivative instruments that we have recently executed principally consider cross currency swaps, in which we generally pay United States dollar amounts based on fixed interest rates and we receive Mexican peso amounts at floating interest rates

If financial markets experience periods of heightened volatility, as they have recently, our operating results may be substantially affected by variations in exchange rates and, to a lesser degree, by interest rates. These effects include foreign exchange gain and loss on assets and liabilities denominated in U.S. dollars, market value gain and loss on derivative instruments, and changes in active and passive interest rates.

Although we attempt to match the cash flows on our derivative transactions with the flows on our indebtedness, the net effects on our reported results in any period are difficult to predict and depend on market conditions and our specific derivatives positions. Although we seek to enter into derivatives that are not significantly affected by volatility, in the event of volatile market conditions, our exposure under derivative instruments may increase to a level that impacts our financial condition and operating results. In addition, volatile market conditions may require us to post collateral to counterparties in our derivative instrument transactions, which would affect our cash flow position, the availability of cash for our operations as well as our financial condition and operating results.

Our derivative instruments transactions may also be subject to the risk that our counterparties will seek commercial insolvency protection. Instability and uncertainty in financial markets have made it more difficult to assess the counterparty risk in derivatives contracts. Moreover, in light of the greater volatility in the derivatives and securities exchange markets, there may be fewer financial entities available with which we could continue entering into derivative financial instruments to protect the Company against currency exchange risks and the financial conditions of our counterparties may be adversely affected under stressful conditions.

Costs of compliance with employment laws, agreements, and regulations which could adversely affect operating results.

Collective bargaining agreements for hotel employees and some corporate offices have been signed, and are reviewed and renewed periodically. Although under the terms of the management contracts, the collective bargaining agreements or the individual contracts, as well as the rendering of service contracts executed with third parties that may provide said recurring or temporary services in our facilities, as applicable, the employees at our managed hotels or those of third parties are employed by the hotel owners, or the third parties, nevertheless such employees may file their claims against us. In such circumstances, if we are not successful in defending our position before a labor court, we may be held liable for those employee claims. A similar situation would occur in the case of franchised hotels.

We also have a great number of suppliers of outsourcing, work, security, promotion or intermediation services, among others, whose employees may, despite all precautions, file their lawsuits against us. Under such circumstances, if our defense is not successful, labor responsibilities could be imposed on us.

In addition, we have a significant number of employees working at our own hotels. Although we have not experienced significant labor stoppages or disruptions to this date, the failure to timely renegotiate the expiring contracts may result in labor strikes or disruptions which could adversely affect our revenues and profitability, or harm our client relationships.

Labor costs, generally, including those related to indemnity and payments under labor and tax laws are significant, and may escalate beyond our expectations which could have an adverse effect on our operating margins. However, and notwithstanding the resulting analysis, the application criteria of said amendment by the administrative and judicial authorities are still unknown, and they may have an adverse effect on the Company or its subsidiaries.

Our insurance coverage may be insufficient to cover potential losses.

We carry insurance coverage for general civil liability, damage to property, business interruption and other risks with respect to our owned and leased hotels; likewise, the owners of managed hotels are contractually bound to have the same coverage for similar risks. However, the owners may fail to contract and maintain such insurance.

The policies contracted by the Company offer coverage terms and conditions that we believe are usual and customary for our industry. Generally, our "all-risk" policies provide that coverage is available on a per-occurrence basis and that each occurrence has a limit as well as various sub-limits on the amount of insurance proceeds that we will receive in excess of applicable deductibles. In addition, there may be overall indemnification limits under the terms of the policies. Sub-limits exist for certain types of claims such as service interruption, debris removal, immediate costs or landscaping vegetation replacement, and other landscaping elements; however, the amounts covered under these sub-limits are significantly lower than the amounts covered under the overall coverage limit. Our policies also provide that, for coverage of earthquakes, hurricanes and floods, all claims from any hotel resulting from a covered event must be combined for purposes of the annual aggregate coverage limits and sub-limits. In addition, any such claims will be combined with the claims made by the owners of managed and franchised hotels that participate in our insurance program. Therefore, if covered events occur that affect more than one of our owned hotels and/or managed and/or franchised hotels that participate in our insurance program, the claims from each affected hotel will be added together to determine whether, depending on the type of claim, the per-occurrence limit, annual aggregate limit or sub-limits have been reached. If the limits or sub-limits are exceeded, then each affected hotel would only receive a proportional share of the amount of insurance proceeds provided for under the policy. In addition, under those circumstances, claims by third-party owners would reduce the coverage available for our owned and leased hotels.

There are also other risks including, but not limited to, armed conflicts or guerilla warfare, certain forms of nuclear, biological or chemical terrorism, certain forms of political risks, some environmental hazards and/or certain events or acts of God that may be deemed or considered outside of the general coverage limits of our policies, uninsurable or for which carrying insurance coverage is cost-prohibitive.

Obtaining indemnity payment from insurance providers of a particular claim that we believe to be covered under our policy may also be considered a risk. Should an uninsured loss or a loss in excess of our insured limits occur, we could lose all or a portion of the capital that we have invested in a hotel owned, managed, franchised or leased by us, as well as the anticipated future income from any such hotels. In that event, we might nevertheless remain bound for any lease payments or any other financial obligations related to the hotel.

When we hire third parties for certain services such as construction services, we usually require that they contract determined insurance policies or bonds in benefit of the Company. It may occur that third parties incur situations for which the insurance or bond retained are ineffective or that events arise that may be deemed or considered to fall outside coverage of the insurance or bond policies or that are uninsurable.

Vacation Club sales

We develop and operate vacation club resorts by marketing timeshare memberships in said resorts. Most of the time, we sell the memberships pursuant to interest-accruing monthly installment payments. The applicable provisions in this regard grant the purchaser the right to rescind the purchase contract without justification in a term of five business days counted from the signing of the contract. The sale of timeshare memberships is subject to Mexican legal provisions, with which we believe that we are in compliance or in the process of complying, and changes in these legal requirements or a determination by an authority may adversely affect our business and the manner in which we operate our vacation club.

At present, we bear the risk of defaults under purchase contracts for vacation club (timeshare) memberships. Vacation club members buy a 40 year right to use evidenced by an annual allocation of vacation club points. We typically charge an initial payment of between 10% and 30% of the total price of the membership and offer monthly installment payment plans that comprise both payments of capital and interest which accrues on the unpaid balance of the purchase price. We recognize as income the entire value of a purchase contract at the time 10% of the purchase price is paid. Our policy is to cancel against the corporate year's profits those memberships that passed unsuccessfully through all recovery collection proceedings. For those cases that exhausted the maximum recovery term and there is still a collection possibility, we created a cancellation reserve. If the contracts are not made current, cancellations are taken against said reserve and not against the corporate year's profits. At the time a purchaser enters into a timeshare installment purchase agreement the possible default on said sale is covered by the reserve. It may be the case that our reserve would be insufficient to offset breaches which could negatively affect our financial results.

Also, historically, substantially all of our vacation club sales have been denominated in U.S. dollars. Due to the on-going financial crisis, a significant portion of our vacation club revenues have been recalculated at the request of certain members facing liquidity difficulties, in Mexican pesos, albeit at a higher interest rate. The great majority of Mexican members that wanted to convert their installment payment obligations from U.S. dollars to pesos were able to do so. We expect to continue to offer peso-denominated payment plans to Mexican residents.

Notwithstanding our redenomination of a significant portion of our vacation club receivables portfolio, many installment vacation club sales remain denominated in U.S. dollars. Accordingly, our results will still be affected by U.S. dollar-peso exchange rate fluctuations.

While membership payments are made in U.S. dollars throughout the payment period in force, and sales revenues are registered in U.S. dollars at the time the contract is signed the value of the memberships may ultimately be discounted in the same currency offering natural currency coverage. We do not completely hedge against our exposure to exchange rate fluctuation risk. Traditionally, we have not executed hedging transactions for this exposure.

Nowadays, the vacation club has signed exchange agreements with RCI, Hilton and the selfsame hotels of Posadas. However, said agreement may terminate or not be renewed, which would decrease the marketing qualities of vacation club memberships, thereby affecting sale and consequently affecting profits.

Vacation club members pay annual maintenance fees that are allocated to operate and maintain timeshare resorts. Failure to pay maintenance fees by the members may cause that the Company to allocate funds to cover said expenditures.

Considerable amounts must be invested by the company so as to obtain this inventory and this investment requires lengthy time periods to complete implementation and availability of inventory. Lack of inventory to sell under timeshare arrangements could negatively impact the possibilities of sales of this product.

Any failure to protect our brands could have a negative impact on the value of our brand names and adversely affect our business

We believe our brands and trade names are an important component of our business and of the hotel business in general. We rely on laws that protect intellectual and industrial property rights to protect our registered proprietary rights. The success of our business depends in part upon our continued ability to use our industrial property rights to increase brand awareness and further develop our brands on both the Mexican and international markets. Monitoring the unauthorized use of our intellectual property is difficult and burdensome. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the intellectual proprietary rights of third parties. Litigation of this type could result in substantial costs and diversion of resources to said purpose and which may result in counterclaims or other claims against the Company, diverting management's attention and could significantly harm our operating results.

Frequently, we apply for registration so as to obtain or keep certain trademarks registered. There is no guarantee that such trademark or trade name registrations will be granted. We cannot ensure that all of the steps we have taken to protect our trademarks in Mexico and other countries in which we operate our business will be sufficient and the Company's operation and finances may be adversely affected if the income and the operating profits are insufficient to prevent infringement of our trademarks by third parties. The unauthorized reproduction of our trademark may result in diminishing the value of our brand and its acceptance in the market, loss of competitive advantage or brand goodwill, and could adversely affect our business.

During the course of our business activities, third parties may perceive that Posadas violates or infringes their industrial or intellectual property rights. Although Posadas takes measures to mitigate exposure to these claims, the measures taken could be insufficient or ineffective and, in the future, litigation may be necessary to defend use of industrial or intellectual property rights and so determine the validity and scope of the intellectual property rights of third parties. Litigation of this nature may result in substantial cost and we may be obligated to allocate monetary resources for said purposes, and which may result in counterclaims or other claims against the Company, distract the attention of its officers, and may significantly affect the income of our operations.

Stoppages or failures in informational systems

The Company's operation depends on sophisticated informational systems and infrastructure through which it operates or carries out its processes. Systems are prone to failures arising from fires, floods, power outages, information or infrastructure theft, telecommunication failures, system failures, amongst other reasons. The occurrence of any failure may affect Posadas' operations, which may negatively impact its sales and/or operating costs. Even though there are some plans to reduce the impact of such failures, said plans may not be effective.

Even though, in 2014 in accordance to better industry practices, the Company initiated a project to migrate information to a collaborative cloud, thus mitigating loss of information risk, as well as implementing improved information security and protection controls, these measures may be insufficient.

In this same manner, the Company is exposed to compliance with confidentiality obligations and the provisions under the Law for Protection of Personal Data held by Private Persons. Regardless of whether the company's efforts towards establishing adequate control procedure and measures in order to comply with these provisions, information management systems and the use and safekeeping procedures for said information are vulnerable to failures derived from fires, flood, power outages, theft of information or of infrastructure, telecommunication failures, failures of the selfsame system, amongst other causes, or subject to different interpretative criterion of the authorities than those applied by the Company. The ocurrence of any failure or a difference of interpretative criterion may affect Posadas' operations, thus negatively impacting its sales and/or operating costs, originating adversarial proceedings and the latter's implicit costs. Although plans exist to reduce the impact of said failures, said plans may be inefficient.

Risk of outdated room distribution technology.

Due to changes in the purchasing trends of travelers, there exists a greater demand for high-content information on the hotels in order to make purchasing decisions. Likewise, purchasing preferences may include different services such as airplanes, hotel, car rental and the attractions existing at the destination selected. All of the above, require Online information transfers coming from different sites or databases that demand a high capacity systems infrastructure to consolidate information both from Posadas as well as from those other intermediaries that render those services connecting our products and the final consumer.

This demand may imply important investments in technology and content, as well as high distribution costs that may make less profitable our products. Furthermore, we may become outdated in technological advances in comparison with our competitors and suppliers. This could negatively affect optimal connectivity with principal channels and/or not have the capacity to send the content (images, videos, information) to all websites.

Investments and remodeling

With respect to the acquisition and construction of two Fiesta Americana Grand Villas projects in Acapulco Diamante and Nuevo Vallarta, it is informed that the plot of land in Nuevo Vallarta, Nayarit, was purchased and paid on October 18, 2013, with a total investment of US$12.7 million, and the plot of land of Acapulco Diamante was purchased on November 29, 2013, with a total investment of US$9.9 million. Both projects may represent an increase of more than 50% of the total inventory available for the Vacation Club business. The development of these projects may imply more debt, and they may not be as successful and profitable as expected or their development may be delayed or partially sacrificed, or financing could not be granted.

The Company may not be able to decrease costs and successfully obtain determined operating efficiencies

In the process of operating more efficiently, the Company makes investments intended to enhance its procedures and reduce its operating costs. The Company may be unable to reduce costs or attain efficiencies, or be unable to confront issues arising from operating changes pursuing said end, which could negatively affect its performance and, in the applicable case, its effects and the costs to mitigate these.

Along this same line, the Company has published an informational leaflet based on which it intends to make certain mainly internal corporate movements which entail their own related risks. Said movements are described hereinbelow; however, these are not the only factors that may affect either completion of the corporate restructuring detailed in the informational leaflet or the Company's performance. Any additional risks are currently unknown by the Company or those which at this time may be deemed insignificant may adversely affect the restructuring plan outlined, the price of the shares representing Grupo Posadas' corporate capital or its operations.

(i) Creditors' Opposition

To the extent that the Company's corporate restructuring has been conducted by means of the execution of various mergers and which do not contemplate any agreement to pay all debts of the corporations to be merged, or to establish a deposit of the above amount or to obtain all of their creditors' consent, the General Law of Business Corporations grants to any creditor of the corporations subject to merger the right to oppose any such merger. In this context, the different types of creditors (or those which may be deemed to be creditors) of the company, including its clients, suppliers, financial creditors, employees or tax authorities, may oppose the merger of any of the Subsidiaries with other Subsidiaries of Grupo Posadas. The creditor's opposition may suspend the effects of the various mergers provided that no final judicial decision is issued, payment is made to those creditors which judicially and timely opposed the merger or an agreement is convened with the creditors. Due to the above, Posadas may not guarantee that the Company's various corporate movements may be completed, completed within the deadline foreseen or that they will not result in a disbursement of funds to pay the creditors, all of which may adversely affect Posadas' financial situation or operating results, or the attainment of the efficiencies sought.

(ii) Authorizations from the government

The corporate movements of some of Grupo Posadas' subsidiaries need, at the preliminary stage, the authorization of some governmental agencies, including tax authorities, amongst others. Likewise, and in order to comply with the various applicable norms, such as consumers' rights protection regulations, specific governmental authorization may be required to conduct our usual operations, as adjusted to the new corporate structure resulting from the restructuring. Grupo Posadas may not ensure that, in the process of obtaining such authorizations, there will be no delays nor impediments that make it unable to obtain the relevant authorizations to complete the corporate restructuring or operate under normal circumstances or, if applicable, attain the efficiency expected.

(iii) Changes to the corporate movement plan posed and different effects

Grupo Posadas continues to study and analyze certain aspects of the explained corporate restructuring projects which may affect the restructuring posed, or produce any other effects than those set forth in this informational leaflet. Therefore, Grupo Posadas may not guarantee that such restructuring takes place, takes place in the manner planned, nor can it guarantee that it will not have effects other than those foreseen, of any nature, such as additional costs or expenses, or any other expenditure, that the company would have to disburse or bear.

(iv) Legal provisions under the foreign law

Although Grupo Posadas has sought advice from foreign legal counsel regarding corporate movements in other jurisdictions, the Company cannot ensure that in jurisdictions other than Mexico no obstacles or additional requirements delaying or preventing the completion of the corporate restructuring may occur.

(v) Share price fluctuation

The corporate restructuring detailed in the informational leaflet may generate a price fluctuation of the company's shares. It cannot be guaranteed that such fluctuations will be positive.

(vi) Tax implications

In spite of the fact that efficiency is one of the objectives sought by this restructuring, we cannot guarantee that an unforeseen tax may not be incurred which may cause a material adverse effect or that the tax authorities may apply different criteria for tax purposes regarding such restructuring.

(vii) Opportunity

Due to the complexity and number of corporate operations contemplated by this restructuring, Grupo Posadas cannot guarantee that the Corporation's different corporate movements may be completed, within the deadline foreseen or that they will not result in a disbursement of additional funds, all of which may adversely affect Posadas' financial situation or operating results, or the attainment of the efficiencies sought.

Non-compliance with requirements to keep stock market listing and/or registration in the National Securities Registry.

The applicable norms impose a series of requirements to keep listing on the Bolsa Mexicana de Valores S.A.B. de C.V. and maintain registration of our securities in the National Securities Registry. To this date, the issuer does not necessarily comply in full with the aforementioned requirements. Notwithstanding that it has taken certain actions to promote compliance, such measures may not be successful, and thus cause application of the corresponding penalties.

Impact government regulatory changes

The passing of new laws and legal provisions applicable to our industry and to our general activity, as well as their administrative or judicial interpretation, is implemented at the various government levels, and such laws and legal provisions may be amended from time to time. The effects of these amendments on our activity, in our market and country, in our clients' economy, in their capacity to travel to and stay in our hotels are unpredictable and unquantifiable. Furthermore, such effects may result in the implementation of specific controls and procedures which may represent important costs and risks for the Company, increase compliance costs, and make our activity less profitable. Moreover, such controls and procedures may not be attainable or may modify or restrict the manner in which the company is currently operating.

Likewise, it is possible that in interpreting or changing the interpretation of the applicable norms, the competent authorities differ from the interpretation criteria used by the issuer and, therefore, conclude that the issuer is not complying with the applicable regulations. If said predicates materialize, this may represent important costs and risks to the Company.

<u>Risks Relating to the Hospitality Industry</u>

We are subject to all operating risks common to the hotel and vacation club business industries.

These risks include the following:

- Changes in general economic conditions, including the timing and robustness of a recovery from the current economic downturn;
- Impact of the perception of public insecurity, armed encounters and terrorism on travel desirability;
- Domestic and international political and geopolitical conditions, including civil uprisings and unrest, expropriation, nationalization and repatriation;
- Travelers' fears of exposure to contagious diseases;
- Decrease in demand or increase in inventory for the sale of vacation properties;
- The impact of internet intermediaries on pricing and continuing reliance on technology;
- Restrictive changes or interpretations of laws and regulations, as well as any other governmental actions, related to zoning and land use, health, security, the environment, operations, taxation, and immigration;
- Changes in travel patterns;
- Changes in operating costs including energy, employment, insurance and others related to natural disasters and their consequences;
- Disputes with third parties which may result in litigation;
- Disputes relating to the right to use patents and brands and other industrial or Intellectual property rights;
- The availability of capital to fund construction, renovations and other investments;
- Currency exchange fluctuations;
- Personal injuries that may result in claims brought by our clients;
- The financial condition of owners whose properties we operate.
- The financial condition of the airline industry and its impact on the hotel industry.

The Hotel Industry is Cyclical

The hotel industry is cyclical by nature. Of the 21,094 hotel rooms that the Company operated as of December 31, 2014, 19% are located in beach destinations where the cyclical aspect is more pronounced in contrast to hotels that cater primarily to business travelers. Generally, our Resort hotel revenues are greater in the first and fourth quarters, which reflect winter vacations, than in the second and third quarters. This seasonal cycle may generate quarterly fluctuations in the Company's revenues.

General Real Estate Investment Risks

The Company is subject to the risks inherent in real property ownership and operation. Profitability on the Company's hotels may be affected by changes in local economic conditions, competition from other hotels, interest rate variations and financing availability, legislation impact and compliance with environmental and civil protection laws, issuance and renewal of licenses and permits to operate its businesses, amongst others, continual need for improvements and remodeling, especially of older structures, tax modifications affecting realty, adverse changes in governmental and fiscal policies, as well as disasters, including earthquakes, hurricanes and other natural disasters, adverse changes in federal, state and municipal laws and other factors beyond the Company's control. These may significantly affect operating cost and capacity.

Lack of Real Estate Liquidity

Real estate is relatively liquid. The Company's ability to diversify its hotel properties investment in response to economic or other conditions may be limited. There can be no assurance that the market value of any of the Company's hotels will not decrease in the future. The Company cannot guarantee that it will be able to dispose of a hotel if it deems it advantageous or necessary, nor can the Company assure that the sale price of any of its properties will be sufficient to recoup or exceed its original investment amount.

Natural Disasters (Acts of God)

The properties that the Company operates are subject to Acts of God, such as natural disasters, particularly in locations where we own or operate various hotels. Some of these events may be hurricanes, earthquakes, epidemics, terrorism and environmental hazards, which may be either uninsurable or the insurance costs are too expensive with significant deductibles to the Company. Notwithstanding that said properties are insured against "All Risks", the damage that said events may cause represent a materially adverse risk factor to the properties' operations and to the income derived from these properties, to the Company's financial situation or to its operating results.

The Company operates 18 hotels in coastal locations (8 of them in Cancun, Cozumel and the Riviera Maya) which are subject to hurricanes and which may be affected by loss of business due to business activity reduction caused by a hurricane.

Epidemics

The hotel industry is also susceptible to all sanitary contingencies that may directly affect the national and international tourist flow, as well as business traveler flow which may affect occupancy factors and consumption at the real properties operated by the Company.

Environmental Regulations and other Regulations

We are subject to local and federal laws, ordinances and regulations relating to, among other things, taxes, environmental matters, the preparation and sale of food and beverages, handicap accessibility, use and disposal of water and residues, construction, occupational, health, sanitation and safety, and general building, zoning and operating requirements in the various jurisdictions in which our hotels are located and protection of personal information to which we have access. Hotel owners and managers are also subject to compliance with laws governing employment and social security. Compliance with and monitoring these laws may be cumbersome. Failure to comply with the preceding laws may substantially and adversely affect our operating results.

Environmental laws, ordinances and regulations of the various jurisdictions in which we operate may make us liable for the costs of removing, cleaning up or eliminating hazardous or toxic substances on, under, or in the property we currently own, operate or lease or that we previously owned, operated or leased without regard to whether we knew of, or were responsible for, the presence of hazardous or toxic substances. The presence of hazardous or toxic substances or the failure to properly clean up such substances, if present, could jeopardize our ability to develop, use, sell or rent the affected realty or to borrow money using such property as a guarantee. We are also subject to other laws, ordinances and regulations relating to lead, asbestos-containing materials, operation and closure of storage tanks, and preservation of wetlands, coastal zones or endangered species, which could limit our ability to develop, use, sell or rent our real property or use it as collateral. Future changes in environmental laws or the discovery of currently unknown environmental conditions, including archeological zones, may have a substantial adverse effect on our financial condition and operating results. In addition, Mexican environmental regulations have become increasingly stringent. This trend is likely to continue with the passing of time and may be influenced by various international environmental agreements. Accordingly, there can be no assurance that more stringent enforcement of existing laws and regulations or the adoption of additional legislation would not have a material effect on our business and financial (or other) condition or prospects.

Concentration in Internet distribution channels may negatively impact our cost distribution.

A significant number of our hotel rooms are booked through internet travel intermediaries such as Travelocity.com®, Expedia.com®, Priceline.com®, Hotels.com® and Orbitz.com® which have expanded in the recent years. To the extent that bookings through these channels increase, these intermediaries may be able to obtain higher commissions, lower rates, and other contract concessions from the Company. Moreover, some of these Internet travel intermediaries are attempting to convert hotel rooms into commodities, by increasing the use of generic price and quality indicators (such as “three-star downtown hotel”) at the expense of brand identification. These agencies expect that consumers will eventually develop brand loyalties to their reservations systems rather than to the brands of the hotel suppliers.

Although we expect to derive most of our business from our direct distribution channels (call center, our corporate sales booking tools and our websites) and traditional distribution channels, if the amount of sales made through Internet intermediaries increases significantly, the Company’s business and profitability may be adversely impacted.

The hotel industry is significantly dependent on technology

The hotel industry continues to demand the use of technology and sophisticated systems including solutions utilized for property management, income management, quality and brand control, procurement, reservation systems, operation of our customer loyalty program, distribution and guest services. These technologies may be subject to or require enhancements and new interfaces, including those complying with legal requirements such as privacy regulations and specifications established by third parties, such as the electronic card payment industry. Further, the development and upkeep of these technologies may require a significant capital investment. There are no assurances that as various systems and technologies become outdated, or new technology is required, we will be able to replace or introduce new systems in the manner of our competitors, or within budgeted costs and pertinent timeframes for such technology. Furthermore, there can be no assurance that we will achieve the benefits anticipated from any new technology platform or system.

The hotel industry is capital intensive.

For our hotel properties to remain attractive and competitive, the Company or the hotel owner, as applicable, must periodically spend a percentage of their cash flow. This creates an ongoing need for cash, to the extent that if the Company or the hotel owners, as the case may be, cannot fund capital expenditures from the cash flow generated by operations, then the funds must come from additional financing. In addition, the Company, to continue growing its vacation club business, must use cash flow or contract additional indebtedness to develop new units. Accordingly, the Company's financial results may be affected by the cost and availability of such funds.

Public Security

The potential client's perception of insecurity in cities and in the country may influence tourist and business traveler flow to the destinations in which the Company operates a hotel, and would adversely affect our revenues and operating results due to decreased travel and reduced demand for the destinations affected by such events.

<u>Risks Relating to Mexico</u>

Mexican Economic Conditions and Government Policies

The Company and a significant part of its subsidiaries are incorporated under Mexican law, and its corporate offices, as well as an important part of its assets, are located in Mexico. Thus, the Company's operating results have been and in the future will be significantly affected by political, social and economic conditions in Mexico.

The Mexican government has exercised significant influence over the Mexican economy. Therefore, the Government's economic policies may have a significant impact on the private sector in general, and on the Company in particular, as well as on market conditions, on prices and payment of the securities issued by Mexican legal entities, including those issued by the Company.

In the past, Mexico has experienced periods of slow, and even negative economic growth; the peso suffered drastic devaluations and currency exchange controls were implemented. Beginning in 1994, and during 1995, Mexico underwent an economic crisis characterized by devaluation of the peso in regard to other currencies, increased inflation, high interest rates, capital flight, negative economic growth, reduction in consumer purchasing power, and a high unemployment rate.

For 2011 and 2012 a 3.7% and 3.9% GDP growth rate, respectively, was noted taking into consideration a depreciation of the peso against the U.S. dollar of 13.3% for 2011 with greater volatility suffered in the currency exchange market as a result of the complex economic situation which worsened in Europe and particularly in Greece during the second half of 2011. However, there was an appreciation of the Mexican peso versus the United States Dollar of 6.9% in 2012 in comparison with 2011. The Mexican economic crisis and slowdown may generate a material adverse effect on the Company's operations and financial conditions, as well as a stronger currency exchange rate could reduce the flow of tourists to our country. In 2013 and 2014 the GDP was only 1.3% and 2.1% respectively, due to the federal government's efforts to implement government structural reforms, such as the energy and tax legislative reforms.

The exchange rate fluctuated laterally during 2013 resulting in marginal depreciation against the United States dollar. However, during the last trimester of 2014, the peso depreciated significantly against the United States dollar, representing a 12.6% depreciation. This affected the Company's debt leverage index since its total debt is denominated in United States dollars.

Currency exchange fluctuations

As of December 31, 2014, 100% of our total indebtedness was denominated in U.S. dollars. While the majority of the Company's sales (approximately 83%) are Peso denominated, an important portion of its debt, as well as accounts payable are denominated in Dollars, see Notes 11 and 16 in the Company's audited consolidated financial statements included in this Annual Report (Annex 7). The peso has been subjected to significant past depreciations and may be depreciated in the future. Peso depreciation would negatively impact the Company's results and financial condition due to implicit increased financing costs. This would be because the cost in pesos of the Company's dollar indebtedness would increase and would affect the Company's ability to pay its dollar denominated debt. The currency exchange rate for the period ending in December, 2014, was 14.7180 pesos per United States Dollar that represented a 12.6% depreciation during the corporate year and experienced a similar volatility to that of 2012. Regarding the use of derivatives, we have used mainly cross currency swaps (CCS) where we pay a fixed United States Dollar rate and received a floating rate in pesos. During higher volatility periods such as those experienced in the 2008-2010 markets, these may represent significant variations as currency losses and gains, and to a lesser extent variations in interest rates that may considerably affect operating results. As of December 31, 2014, the Company had no derivative contract positions.

Inflation

Given that a significant portion of the Company's operating costs are peso-denominated, a considerable inflation increase may in turn increase the Company's operating costs. Inflation may affect our client's purchasing power and, in this manner, it may adversely affect the demand for hotel rooms and vacation club memberships. Inflation fluctuations may importantly affect the Company's financial situation and operating results. The annual inflation rates, in accordance with the National Consumer Price Index ("INPC", due to its initials in Spanish) measurements published by Banco de Mexico have been 3.6%, 4.0% and 4.1% for 2012, 2013 and 2014, respectively.

Interest Rates

As in the case of the value of the peso against the dollar and inflation levels, historically interest rates in Mexico have undergone volatility periods. These adverse situations have affected the Mexican economy, including inflation increases, and thus have resulted in substantial interest rate increases in the Mexican market during such periods. Interest rate movements directly affect the Company's integrated financing result, thereby increasing its financing costs, inasmuch as a portion of its bank debt is contracted at a floating rate. However, the recently experienced fall of interest rates on international markets has reduced the Company's financial risk. Interest rates on 28-day CETES (Mexican Treasury Bills) for 2012, 2013 and 2014 averaged: 4.2%, 3.7% and 2.7%, respectively.

To this report's date, the Company has timely complied with all its interest and capital payments due dates pursuant to all its bank, stock exchange and operating commitments.

Fibra

As of March 31, 2015, 29% of the total rooms that the Company manages are owned by a Fibra that trades on the Mexican Stock Exchange market, and which, at a certain point in time, may confront liquidity problems to preserve its hotels in optimum conditions which may affect the brands operated by Posadas and its results. To this date, 37% of our hotels are owned by Fibras.

Risks related to Economic Downturn in United States of America and other countries

The risk of an economic downturn in the United States of America, Europe or other countries may imply changes to the inhabitants' spending patterns, such as postponing or cancelling travel decisions, which may be reflected in lower occupancy in the Company's hotels, specifically those coastal destinations with greater influx of tourists from the United States, such as Cancun and Los Cabos. As of December 31, 2014, approximately 20% of the Company's rooms are located in beach destinations, and the remaining 80% in urban hotels. The GDP reported in 2013 and 2014 was 2.2% and 2.4% respectively and inflation was 1.0% and 0.8% respectively. As of December 31, 2014, Posadas owns one hotel in the southern part of the state of Texas in the United States.

External Information Sources and Expert Statements

All of the information contained in the present Annual Report is the responsibility of Grupo Posadas, S.A.B. de C.V. and has been prepared by this Company.

This Annual Report contains, amongst others, information related to the hotel industry. This information has been collected from a series of sources, including the Ministry of Tourism, and the National Institute for Statistics, Geography, and Computing, amongst others. Likewise, the Company has utilized information from a series of public sources, including among others, the Banco de Mexico. That information which is not based on a source has been prepared in good faith by the Company, based on its knowledge of the industry and the market in which it participates. The terms and methodology used by the different sources are not always congruent among themselves, and for these reasons, comparisons are difficult.

The present Annual Report includes certain statements concerning the future of Posadas. These statements appear in different parts of the Report and make reference to the intention, the opinion, or the present expectations of the Company or its officers regarding future plans and economic and market tendencies that affect the Company's financial situation and its operating results. These statements should not be interpreted as a future yield guarantee and imply risks and uncertainty; real results may vary from those expressed herein due to different factors. The information contained in this Report including, amongst others, the sections "Risk Factors", "Management Comments and Analysis of Company's Operating Results and Financial Situation" and "Company" identify some important circumstances that may cause said variations. Possible investors are advised to take said expectation statements with the appropriate reservations. The Company is not obligated to publicly reveal results of the review of the expectations statements so as to reflect events or circumstances subsequent to the date of this Report, including possible business strategy changes, or the application of capital investments in expansion plans, or to reflect the occurrence of unexpected events.

d) Other Securities

In March 1992, the Issuer registered the shares representing its corporate capital in the National Securities and Intermediaries Registry, today the National Securities Registry ("RNV") under the CNBV so as to trade on the BMV. In our opinion, the Issuer has fully and timely delivered, since its registration and trading, its quarterly, annual and occasional reports, as well as of material events both to the BMV, as well as to the CNBV, in compliance with the Stock Market Law or any other applicable provisions. The corporation is obligated to file similar reports before other authorities that regulate the markets in which the corporation's debt securities are issued or registered, such as the Luxembourg Stock Exchange, as well as to the common legal representative of said securities holders.

On March 27, 2012, the Issuer made a private placement amongst its shareholders of subordinated debentures mandatorily convertible into the Issuer's Series A shares, in a total amount of $900M (nine hundred million pesos 00/100 Mexican Currency). These debentures were not registered in the National Securities Registry nor were they traded on the Mexican Stock Market, S.A.B. de C.V. nor deposited in S.D. Indeval S.A. de C.V. On this date, these totality of these debentures have been paid in full.

On November 30, 2012, the Issuer made a placement abroad of Debt Securities denominated "Senior Notes 2017" for a total authorized amount of up to US225 M (Two hundred and twenty-five million U.S. Dollars 00/100). By means of official letter number 201200386843, the National Banking and Securities Commission noted in the National Securities Registry the aforestated placement. Furthermore, on January 30, 2013, US50 million additional Notes were placed by the Company at a price of 106.642% of the principal amount, therefore being integrated into one and thus a new issue of US275 million with identical terms and conditions. The securities were issued under Rule 144A and Regulation S of the Securities Act, and were registered with the Luxemburg Stock Exchange and the Euro MTF Market.

On February 20, 2014, the issuance of US35 million additional Senior Notes due 2017 was announced by the Entity at an annual rate of 7.875% and due in 2013. The 2017 Senior Notes were issued based on a private exchange for US$31.6 M of the principal amount of the Senior Notes 2015. The 2017 Senior Notes constitute an add-on issue of 2017 Senior Notes with identical terms and reached a total of US310 million issued. As a result of the cancellation of the 2015 Senior Notes which were exchanged, the outstanding total principal amount of 2015 Senior Notes is US51.7 million to this date.

On December 2, 2014, the Company successfully completed the Euro Commercial Paper ("ECP") issue in the amount of USD$50.0 million due on November 18, 2015, at a 6.0% rate, notified as a material event on November 27, 2014. The Company received the funds derived from the issue, which were mainly allocated to paying the balance of the 2015 Senior Notes issue, and other corporate purposes, as well as to maintain a robust cash balance to meet any operating needs and capital expenses.

Based on the applicable regulations, neither the Senior Notes nor the Euro Commercial Paper and related documents were submitted for review or approval before any federal or state securities commission or regulatory entity of any country.

Maintenance Requirements

The Company is obligated to provide the CNBV and the BMV, among other information, with the financial, economic, accounting, administrative and legal information that is described hereinbelow, based on the text of the "Generally Applicable Provisions to Securities Issuers and other Securities Market Participants". During the last three corporate years, the Company considers that, on general terms, it has fully and timely delivered this information or any other information requested by the authorities.

I. Annual Information:

(a) The third business day immediately following the date on which the ordinary general shareholders meeting is held which issues a resolution on the results of the corporate year, and which should be held within the 4 months following the close of said corporate year:

1. Reports and opinion mentioned in article 28, section IV, of the Stock Exchange Law.

2. Annual financial statements, accompanied by an external auditor's opinion, as well as of the Issuer's associated entities which contribute more than 10 percent to its profits or total consolidated assets.

3. Communication signed by the secretary of the board of directors reporting the status update of the books containing the records of the minutes of the shareholders' meetings, sessions of the board of directors, share record book and, if a variable capital corporation, the registry book containing increases and decreases in corporate capital.

4. Document referred to by article 84 of the general provisions, signed by the External Auditor.

(b) Beginning in 2012, no later than April 30 of each year:

1. Annual Report corresponding to the immediately preceding corporate year.

No later than June 30 of each year:

2. Report corresponding to the immediately preceding corporate year related to compliance with the Code of Better Corporate Practices.

II. Quarterly Information:

Within the twenty business days following the end of each one of the first quarters of the corporate year, and within forty business days following the conclusion of the fourth quarter, the financial statements, as well as the economic, accounting and administrative information detailed in the corresponding electronic formats, at least comparing the numbers of the quarter in question with the numbers for the same period of the previous corporate year.

III. Legal Information:

(a) On the day of its publication, the call to the shareholders meeting, debenture holders or other securities holders.

(b) The business day immediately following the meeting in question:

1. Summary of the resolutions adopted in the shareholders meeting held in compliance with the provisions of article 181 of the General Law of Business Corporations, which expressly includes the application of profits and, in the respective case, the dividend determined, the number of the coupon or coupons to be paid, as well as the payment location and date.

2. Summary of the resolutions adopted by the meetings of shareholders, debenture holders or other securities holders.

(c) Within the five business days following the shareholders meeting:

1. Copy authenticated by the Company's secretary of the board of directors or by the person empowered to authenticate, of the records of the minutes of the shareholders meetings, accompanied by the attendance list signed by the ballot inspectors designated for said purpose, indicating the number of shares corresponding to each shareholder and, if applicable, by the shareholder's representative, as well as the number of shares represented.

2. Copy authenticated by the chairman of the meeting, of the records of the debenture holders or other securities holders meetings, accompanied by the attendance list signed by the ballot inspectors designated for this purpose, indicating the number of securities corresponding to each debenture holder and, if applicable, by whom they are represented, as well as the total number of securities represented.

(d) At least six business days before the act referred to in each one of the following notifications:

1. Notification to the shareholders for exercising the corresponding preemptive right due to a corporate capital increase and the subsequent issue of shares, which payment should be presented in cash.

2. Notification of delivery or exchange of shares, debentures or other securities.

3. Notification of dividend payments, which should state the amount and proportion of the dividends, and if applicable, interest payment.

4. Any other notification addressed to the shareholders, debenture holders, and other securities holders or the investing public.

(e) On June 30 every three years, the formalization of the general shareholders meeting which approved the verification of the Company's corporate by-laws with the Company's registration information in the Public Registry of Commerce.

IV. Purchase of own shares:

The Company is obligated to inform the BMV, no later than the business day immediately following the agreement date of any transaction to purchase its own shares.

V. Material Events:

The Company is obligated to inform the BMV of its material events, in the manner and on the terms stipulated by the Stock Market Law and the General Provisions.

The company considers that, in general, it has fully and timely delivered for the last three corporate years the required reports on material events and periodic information.

e) Significant Changes to Securities Rights Registered in the RNV.

Through an extraordinary shareholders meeting of series A shareholders, the Company's shareholders determined that once the corresponding conditions and authorizations were attained, the Corporation's corporate by-laws would be amended so that the Issuer would only have ordinary, common, registered and without par value Series A shares and, consequently, the Series L shares (shares with limited voting rights and corporate rights) would be converted to Series A shares, at the rate of one Series L share to a share of Series A. To this date, the conditions and authorizations necessary to update the registration of its shares in the RNV have been fulfilled, as such on February 28, 2013 the corresponding exchange was made. On the terms and with the limitations of the company's by-laws and the law, Series A shares are freely negotiable and may be purchased by foreigners.

During the 2014 corporate year, the issuer's extraordinary general shareholders' meeting resolved to decrease the corporation's corporate capital by cancelling 64,151,031 common, registered Series A shares, without par value, which directly or indirectly belonged to the corporation. In this context, during 2014, the corporation proceeded to make the cancellation, decrease its capital and update its registration in the National Securities Registry, which to this date amounts to $512,737,588.00 (five hundred twelve million, seven hundred thirty-seven thousand, five hundred eighty-eight pesos 00/100 Mexican Currency), represented by 512,737,588 (five hundred twelve million, seven hundred thirty-seven thousand, five hundred eighty-eight) common, registered Series A shares, without par value.

f) Public Documents

The information contained in this Annual Report may be consulted or further developed with the Company's investor relations area at telephone (52 55) 5326-6757, or directly at the domicile of the Company located at Prolongacion Paseo de la Reforma Number 1015, Piso 9 Torre A, Col. Santa Fe in Mexico, Federal District., as well as on the Internet page of the Stock Exchange at www.bmv.com.mx, where the Better Corporate Practices Code may also be consulted.

For more information please consult the Company's Internet page at: www.posadas.com

2) THE COMPANY

a) History and Development of the Company

Grupo Posadas, S.A.B. de C.V., was incorporated on April 18, 1967, under the original corporate name of Promotora Mexicana de Hotels, S.A. in Mexico, Federal District, with a corporate life of 99 years. The Company is domiciled at Prolongacion Paseo de la Reforma Number 1015 Piso 9 Torre A, Col. Santa Fe, Mexico, Federal District, and its telephone is 53-26-67-00.

The Company has its roots in 1967, when Gaston Azcarraga Tamayo established Promotora Mexicana de Hotels, S.A. for the purpose of participating in the tourism sector by building and operating a hotel in the Federal District, the Fiesta Palace, now known as Fiesta Americana Reforma. In 1969, Promotora Mexicana de Hoteles associated itself with American Hotels, a subsidiary of American Airlines so as to establish Operadora Mexicana de Hotels, S.A. de C.V., a Mexican company created to manage hotel properties. The first Fiesta Americana hotel opened in 1979 in Puerto Vallarta; at present it is operated by the Company.

The Company's new facet dates back to 1982, when Promotora Mexicana de Hoteles*, S.A.* and Gaston Azcarraga Tamayo bought 50% of the corporate capital of Posadas de Mexico *S.A. de C.V*. Initially, *Posadas de Mexico* was established in 1969 by Pratt Hotel Corporation, a United States corporation, to operate Holiday Inn franchises in Mexico. In 1990, Promotora Mexicana de Hoteles bought the remaining 50% of shares representing the corporate capital of Posadas de Mexico S.A. de C.V. The latter purchase brought about the largest hotel company in Mexico, operating 13 hotels at that time. Its principal corporate purpose was the management of the Holiday Inns and the management of the Fiesta Americana hotels ("FA").

At the end of the 80's, the Mexican hotel industry was going through a period of saturation and the Company realized that management of third party hotels reported more reservations than those it obtained. Consequently, the Company decided to focus on developing its own brands (Fiesta Americana ("FA") and Fiesta Inn ("FI")), while it continued operating the Holiday Inn franchises in some viable destinations.

In 1992, the Company changed its name from Promotora Mexicana de Hoteles, S.A. de C.V. to Grupo Posadas, S.A. de C.V. In March of this same year, the Company was listed on the Mexican Stock Exchange. In 1993, it began to attack the business traveler segment by opening the first Fiesta Inn in a city destination. In 1998, the Company began to expand to South America by acquiring the Caesar Park chain, along with brand rights in Latin America. Likewise in 2001, the Company opened its first Caesar Business hotel in Sao Paulo, Brazil. In 2012, the Company sold the hotel operation business in South America.

The Company entered the Vacation Club business in 1999 opening the first resort under the brand Fiesta Americana Vacation Club in Los Cabos, Mexico. Since then Posadas has added three resorts under this concept in Cancun, in Acapulco, in the archeological zone of Kohunlich, Cozumel and recently in Puerto Vallarta.

In 2003, the Company established the management services center Conectum which is responsible for management control of owned, leased and third party hotels.

In December 2005, the Company made a strategic investment in Grupo Mexicana de Aviacion, S.A. de C.V.*,* which was sold at a symbolic value on August 13, 2010.

In the General Extraordinary Shareholders Meeting held in November of 2006, the Company adopted the form of "Sociedad Anonima Bursatil", which is translated as "Stock Market Corporation", and changed its corporate name to Grupo Posadas, S.A.B. de C.V., in order to comply with the provisions of the Stock Market Law.

In December 2006, the first hotel under the brand "One Hotels" opened in the city of Monterrey, Mexico.

In 2008, development of non-hotel businesses continued with the consolidation of Ampersand which engages in the management of loyalty programs, and the Konexo call center.

In 2010, the Company acquired ownership of real property located on the Riviera Maya, with plans to develop a tourism complex including resorts destined to hotel services, vacation club and other types of vacation properties, which was sold on December 31st, 2013. Likewise, the product "Kívac" was launched which consists in the sale of points enforceable for 5 years exchangeable for lodging at any of the Company's hotels, the company initiated conversion of three of its beach hotels to the "all inclusive" category. This situation consolidated in 2011. It also purchased ownership of the shares of one of its subsidiaries (Sudamerica en Fiesta S.A.) which was owned by the IFC, thereby acquiring full control over the South America business.

In 2011, the Company entered into an alliance with Santander Bank to issue a credit card under the shared brand Santander-Fiesta Rewards, brand name under which the Company's client loyalty program operates. In 2013, the Company signed a commercial alliance with Accor to exchange points from either hotel chains' loyalty programs that allows the exchange of either program.

In 2011, the Fiesta Inn concept was re-launched. The Company exercised the shares purchase option right from third parties regarding one of its subsidiaries, indirect owners of one of its coastal hotels, the Fiesta Americana Condesa Cancun.

From the corporate point of view, in 2011, Jose Carlos Azcarraga Andrade is appointed General Manager of the Company, and the shareholders meeting agrees to unify Series L shares (shares with limited vote) into Series A. This was executed on February of 2013.

On July 16, 2012, Posadas announced that it had reached an agreement with Accor, S.A. (Accor), one of the world's leading hotel management companies, to sell its operations in South America for a total enterprise value of $278 million United States dollars, including the assumption of debt. Accor acquired all of Posadas assets in the region which include 15 owned, leased and managed hotels (four of which were owned), as well as the Caesar Park and Caesar Business brands and a hotel network under management in Brazil, Argentina and Chile. On October 10, 2012, the sale was officially completed. In November 2013, the Company agreed with Accor to pay US$5.8 million so as to release any possibility of a claim for up to US$17.5 million for the alleged failure to renew the concession contract for the Caesar Park Guarulhos hotel. In 2013 and 2014, Accor presented claims to Posadas for a total of US$14.7 million. In the 2014 corporate year, Posadas and Accor agreed to terminate the corresponding claims and escrow account. As a result, Posadas received USD$16.6 M from said escrow account's balance.

In 2012, the Company acquired, through a shares purchase-sale agreement, subject to condition subsequent, 47.8% of the corporate capital of SINCA, which is the holding of a group of companies that owns 10 hotels that were sold in a FibraHotel transaction, which is subsequently explained. This transaction generated a difference between de accounting value of the shares and the purchase price of $131.1 M, same which was registered in the consolidated statement of changes in stockholders' equity, since said investment had been previously consolidated. Half of the purchase price was paid on December 19, 2012, and the remaining half, that is, $214.1 M, was paid on January 2, 2013, which generated interest at an annual rate of 5%. The purchase price also contains contingent consideration, based on the operating and financial performance of certain hotels sold in the subsequent 12 to 18 months. The amount of the contingent consideration, at fair value at December

31, 2012, amounts to practically to zero pesos. Both the half owed and the amount of the contingent consideration were registered under the heading of “Other payable accounts and cumulative liabilities”. The condition subsequent precisely consisted of receiving payment on January 2, 2013 and other conditions, which were met. See 2. c) (i) Available assets for FibraHotel sale in the notes to said corporate year’s Audited Financial Statements.

During the third quarter of 2012, a recently created Mexican trust, FibraHotel, was created primarily to acquire, own and develop hotels of several classes in Mexico. In late November 2012, FibraHotel conducted an initial public offering in Mexico, which was a condition precedent to the closing of the sale of 12 hotels of the Company to FibraHotel, including the 10 owned by SINCA. On October 9, 2012, the Company entered into a sale and purchase agreement subject to condition with FibraHotel to sell the trust, real properties and equipment of 12 hotels located in central and northern Mexico, operating under the brands Fiesta Inn and One Hotels. In mid-2013, the Company sold two additional hotels “Fiesta Inn” to FibraHotel. Posadas was the majority owner of all these hotels.

The sale was subject to satisfaction of certain conditions precedent, primarily the consummation of the offering and obtaining the approval of the Federal Competition Commission and the approval of certain creditors. All these conditions were subsequently satisfied at the beginning of 2013, and between January 21, 2013 and January 28, 2013, the sale of 12 of the Company’s hotels was carried out for a sale price of $1,486.6 million, resulting in a profit on the sale of these assets in the amount of approximately $330.6 million. In addition, upon receipt of proceeds, the Company settled outstanding debt amounting to $270.2 M, which was secured to a great extent by the properties sold to FibraHotel. The Company sold the properties free of any related labor liabilities and provided an indemnity to cover any hidden defects. Additionally, the purchase price includes contingent consideration which will allow the Company to obtain additional proceeds based on operational and financial performance of certain of the hotels over the following 12 to 18 months.

During January 2013, the price of the third party ownership in Fondo Inmobiliario Posadas S.A. de C.V. (SINCA) and Gran Inmobiliaria de Coahuila S.A. de C.V. was paid. These acquisitions were agreed and signed in 2012 and as a result of these, Posadas acquired, directly or indirectly, 100% of the corporate capital of said companies. Along these lines, between January and April of 2013, there were purchased the shares owned by third parties of Inmobiliaria Hotelera de Toluca S.A. de C.V. and Proyectos y Construcciones OB S.A. de C.V. As a consequence, Grupo Posadas acquired, directly or indirectly, 100% of the corporate capital of said companies.

On October 30, 2013 and June 24, 2013, the sale of the hotels Fiesta Inn Toluca and Fiesta Inn Tlalnepantla, was executed. Said sale was agreed upon with FibraHotel by means of a contract dated March 13, 2013. These hotels belonged to subsidiaries of the Company were minority shareholders had a stake. The terms and conditions of the agreement are very similar to the previous 12 hotels sold. In like manner, on March 27, 2014, the sale of the Fiesta Inn Xalapa and One Xalapa hotels was also accomplished with similar terms and conditions as those agreed upon for the hotels sold by the Company’s subsidiaries to Fibrahotel. Said hotels were owned by an enterprise in which Posadas owns 25% of its capital. Regarding all the hotels sold to Fibrahotel, the Company has entered into contracts to maintain their operation.

In 2013, the Company obtained from the authorities the resolution so that Fondo Inmobiliario Posadas S.A. de C.V. (SINCA), Operadora Financiera de Inversiones S.A. de C.V. and Fiesta Americana Vacation Credit S.A. de C.V. (SOFOM) concluded their functionality as investment corporations, investment corporation operator and multi-purpose financial corporation, respectively.

Regarding the vacation club business, in April 2013, Posadas acquired 16 luxury apartments located in Puerto Vallarta (Marina Vallarta) for a total price of US5.6 million. These units have been allocated to the timeshare business under the brand “The Front Door”, our new luxury timeshare brand aiming to offer a select portfolio of residential and hotel properties at exclusive destinations.

In connection with our traditional Fiesta Americana Vacation Club business, in 2013 we allocated the Fiesta Americana Cozumel hotel to the timeshare system and its remodeling and refurbishment are in progress. The real property will operate under the all-inclusive format. Finally, in 2013 and 2014, Phase III of our timeshare facility in Los Cabos, Baja California Sur, was finalized. Both projects are estimated to amount to an approximate investment of $300 million.

Finally, in 2013 Posadas acquired two plots of land that intends to use for the timeshare business, one of them is located in Bucerias, Nayarit (Nuevo Vallarta), and the other one in Acapulco, Guerrero.

In reference to the hotel business, in 2013 and 2014, Posadas invested \$240 M and \$598 M in certain owned and leased hotels respectively and in 2015, it will continue making this same type of investments in up to \$480 million that will be allocated to owned and leased hotels. With such an investment, Posadas intends to update its product up to the new brand standards making them more attractive to the consumer, anticipating a repositioning of each hotel in each location and category.

As part of the product renovation strategy, during 2013 and 2014, Posadas developed and launched the new concept of “Fiesta Americana” and “Fiesta Americana Grand” brand, as well as its new Gamma brand that. This brand will be principally focused to making distinctive its hotel franchising business, a new area of opportunity to be explored by Posadas.

In 2013, we contributed to a trust (as a sale vehicle) the last lot of lands to which Posadas is entitled in Porto Ixtapa. We expect that the economic development in such location results in a successfully closed sale.

In 2013, Posadas has executed a strategy to sell non-priority assets or non-strategic assets. In this context, in June it agreed with FibraUno to sell of the real properties containing its Corporate Offices located at Reforma 155 and enter into a lease agreement for a mandatory ten year term. Ten percent of the sale price was paid, the balance of said price being payable once the sale was formalized before a notary public. This situation took place on November 2014 when Posadas received the balance of the sale price. Additionally, Posadas terminated the lease contract of the corporate offices located at Reforma 155 and entered into a mandatory 10-year term lease contract with the same party in relation to offices located at Av. Prolongacion Paseo de la Reforma 1015, Torre A.

On August 30, 2013, the sale of the property located in Costa Maya, Quintana Roo, was agreed upon, and, for various situations, the purchase price was pending payment. In 2013, Posadas paid to the local government (IPAE) the price, and in 2014 Posadas closed the final sale of such property to a third party for a total consideration of \$26.2 million.

On December 20, 2013, Posadas sold, by means of the sale of shares in certain subsidiaries, the lot of land that it had at Chemuyil, and a house in Cancun, Quintana Roo. The transaction was for a total consideration of \$680 million, of which \$578 million have been liquidated to this date. The balance will be paid in quarterly installments as of January 2015. Jointly, an option contract to sell a property in Ixtapa, Zihuatanejo and Bacalar, Quintana Roo, whose term expired on March 31, 2014, was executed. Furthermore, to that date, the option buyer had not exercised its right to purchase the aforementioned realty.

It should be mentioned that the Chemuyil land was sold free of all charges or encumbrances with the IPAE (Real Property Patrimony Institute of the Public Administration) of Quintana Roo, since in 2013 this institute exercised a liquidated damages clause of US\$10,000,000.00, to be borne by Promotora Ecotur S.A de C.V. for allegedly breaching agreements to build on the land within the indicated period; said clause was exercised by the attachment of the Issuer’s shares contributed to a trust guarantee.

In May 2013, we took advantage of the federal government’s tax forgiveness program regarding 7 tax liabilities attributed to Grupo Posadas S.A.B. de C.V. and some of its subsidiaries. Thus, we withdrew the corresponding defense proceedings and made a payment of \$143 million.

In the financial and corporate areas, the following activities outstood out in 2014:

- In connection with the issue of Senior Notes due in 2017, issued in November 2012, in January 2013, the Senior Notes issue due in 2017 was modified to reach an issue of US\$275.0 million. In February 2014, US\$31.6 million Senior Notes due in 2015 were exchanged for Senior Notes due in 2017 and an additional issue was made in such a manner that the issue due in 2017 totaled a principal amount of US\$310.0 million. Likewise, Impulsora de Vacaciones Fiesta S.A. de C.V. and Controladora de Acciones Posadas S.A. de C.V. have been included as payment guarantors of such notes.
- In 2013, Posadas began its corporate restructuring project, which was intensified in 2014 in accordance with the plan publicized in the Corporate Restructuring information leaflet dated April 10, 2014. In this context, in 2013, the corporation Inmobiliaria Hotelera Posadas S.A. de C.V. was spun off so as to survive and create two new corporations to which certain assets and the liabilities derived from securing the Senior Notes due in 2017 were transferred. During that year, a proceeding was filed to consolidate in the corporation Hoteles y Villas Posadas S.A. de C.V. (formerly AltiusPar S.A. de C.V.) the operation and payroll of owned and leased hotels. To this end, various inter-company operations were executed to transfer lease contracts, operation and license

contracts and labor liabilities, among others. Furthermore, during 2014 and 2015, the company entered into various corporate acts, among others, various mergers, pursuant to the plan described in the aforementioned informational leaflet. The company expects to conclude this project's corporate movements during the 2015 corporate year.

- In September 2014, Grupo Posadas S.A.B. de C.V. executed with Santander a $200.0 million loan opening contract, in which the hotel Fiesta Inn Aeropuerto was granted as guarantee.
- In December 2014, a Euro Commercial Paper issue was contracted for USD$50 M.
- In January 2015, the issuer paid the balance of the 2015 Senior Notes.

Regarding regulation issues, (See Annex 7), Audited Financial Statements, in 2014, several rule amendments or additions were enacted which have made the corporation adjust its procedures or invest funds to comply with them, such as the provisions related to the norms governing personal information held by private persons, or the applicable anti-money laundering norms.

Principal Investments 2012-2014

During the past years, the Company's strategy has been to continually grow through hotel management contracts, and now hotel franchise contracts, which implies allocating limited capital expenses to determined expansion projects so as to focus on investment in maintenance of already existing properties.

The following explains the principal investments that the Company has made between 2012 and 2014:

In 2012 capital expenses totaled US$12.7 M (converted to the yearly average exchange rate of $12.38). Hotel maintenance comprised 48% and 52% to projects and corporate, principally to the technology area. In addition to these, US$1.9 million was used for the Vacation Club.

In 2013, capital expenses amounted to $1,037.9 M, US$78 M (converted to the yearly average exchange rate). Of these, 34% was for hotels –mainly the refurbishment to the new concept of the Fiesta Inn hotel in Monterrey- and 7% to projects and corporate. The 58% for the Vacation Club, mainly the additional 148 rooms in Los Cabos and the refurbishment of the Fiesta Americana Cozumel hotel.

Total capital expenses for 2014 amounted to $752.2 million, which were mainly used in the following projects:

- Capital expenses totaled $597.5 million, of which 63% was used for maintenance and remodeling hotels, principally the Mexico City Fiesta Inn Aeropuerto, Fiesta Americana Merida, Fiesta Americana Guadalajara hotels and for repairs to the Fiesta Americana hotel in Los Cabos, caused by the Odile hurricane.
- The 17% balance for Corporate use is mainly related to the change of corporate offices.

Regarding the Vacation Club, capital expenses totaled $154.6 million, principally for repairs to the vacation club villas in Los Cabos and the final remodeling stage in Cozumel (Cozumel Dive Resort and The Explorean Cozumel).

b) Business Description

i) Principal Activity

The principal activities of Grupo Posadas, S.A.B. de C.V. and its Subsidiaries are the construction, purchase, leasing, promotion, franchising, operation and management of hotels that mainly operate under the commercial brands of: Live Aqua, Fiesta Americana Grand, Fiesta Americana, Fiesta Americana Villas, Fiesta Inn and One Hotels.

Since 1999, it operates a timeshare sale and administration business under the trade name of Fiesta Americana Vacation Club, for resorts located in Los Cabos, Baja California Sur, Cancun, Cozumel and Kohunlich, Quintana Roo and in Acapulco, Guerrero, and now under the "The Front Door" brand in Puerto Vallarta. During the course of its operations, it has formed alliances with Hilton Grand Vacation Club and Resort Condominiums International (RCI), which has allowed it to penetrate the foreign market with greater force.

Beginning in 2010, Posadas started commercializing the product Kivac, consisting of the sale of points exchangeable for stays in the group's hotels. This is an advance sale of accommodation services and the points serve as account units.

In 2014, Posadas made an incursion into the hotel franchising market under the brand Gamma. This brand is supported by its already recognized market brands.

Posadas' income evidences seasonal behavior throughout the year. For beach hotels, occupancy tends to be higher during the winter and vacation periods (Easter Week, summer), while city hotels have very stable occupancies throughout the year.

The Company plans to operate and franchise in Mexico 42 additional hotels with 6,252 rooms that should open during the following 24 months. This will represent a 30% room offer increase and, of this, 67% corresponds to the economy and business formats, including the Gamma brand under Fiesta Inn. Of these hotels, one will operate as a Live Aqua, 2 as Fiesta Americana Grand, 5 under the brand Fiesta Americana, 2 as Fiesta Americana Vacation Club, 10 will operate under the brand Fiesta Inn, 2 under the new Gamma brand by Fiesta Inn and 20 under the three star hotel chain "One Hotels". Of the projected hotels, 13 of the aforementioned hotels are under construction by their different owners. In line with the Company's strategy of operating a greater number of hotels with minimal investment, the Company plans to be the operator or franchiser of said rooms through franchising, management and leasing contracts with third parties investors. The Company estimates total investment for the aforecited Mexican development plan at approximately US515.1 M.

Since 2013, and in 2014, the Company has been significantly developing and investing in development projects for the new standards of Fiesta America and Fiesta Americana Grand brands, which are in the development stage. The long accommodation stays products under the Fiesta Inn brand (Fiesta Inn Loft), and the design of a Fiesta Inn product where the variety of services and infrastructure offered specifically by the hotel is limited but maintains the same room and other common area quality standards (Fiesta Inn Express). The design and implementation of the necessary infrastructure to provide hotel franchise services under its brands, including the Gamma brand is ongoing.

Some of the Company's principal suppliers are: Accenture, Axxa Seguros, Bachoco, Bonafont, Comercial Norteamericana, Blancos Sampedro de Acapulco, Oneida, Oracle, Sigma, Ivonne, Tensa, Fetech, Johnson Controls, Otis, York, Goirand, and Dell Mexico. It should be mentioned that the Issuer is not dependent on any supplier. Due to the fact that the Company sustains its development on hotel management, the price volatility of the principal raw materials related to hotel construction and equipment would indirectly affect it through a developer. The volatility of raw material prices for hotel operation would directly affect operating expenses. Year after year, the Company has attempted to carry out corporate negotiations with its suppliers so as to obtain better prices and standardized modalities and qualities.

The product or similar services categories, or those individual products that represent 10% or more of total consolidated income for each one of the last 3 corporate years, indicating the amount and percentage are found in section: iii) Patents, Licenses, Brands and Other Contracts of this Annual Report and in Section 3, Financial Information, subsection b) Financial Information by Business Line, Geographic Zone and Export Sales, Risk Factors/Concentration in only one Industry, of this Annual Report.

For the Company's financial information according to business line and geographic zone, see section 3 b) "Financial Information by Business Line, Geographic Zone and Export Sales".

For information on risk and the effects of climate change on the Issuer's business see risk section 3 b) "Natural disasters and Environmental regulations".

ii) Distribution Channels

The Company considers that investment in new systems and technology is critical to its growth. During the course of its history, the Company has developed new systems and technology which have permitted it to optimize product distribution and manage its operations.

The technological platform which the Company uses to market and sell hotel rooms is a system that incorporates third party technology and services and that the selfsame Company developed and denominated Inventario Central, or Central Inventory. Central Inventory consolidates into one room availability database the entire hotel portfolio, updated in real time in line with room availability changes. This database may be simultaneously consulted by all the distribution channels which the Company uses to sell its rooms. Said distribution channels include the Company's own reservation central located in Morelia, Michoacan, global distribution systems (GDS due to its initials in English), travel agencies, Internet intermediaries, and the Company's own web site.

On the other hand, one of the Company's most important distribution channels is its loyalty program. The Fiesta Rewards program has contributed significantly to the Company's retention of valuable clients and to keeping income stable during various business cycles. Members affiliated to Fiesta Rewards receive various benefits such as preferential rates and may redeem the points obtained at participating hotels for, amongst other things, hotel stays, airplane tickets and car rentals. The Fiesta Rewards program is the loyalty program amongst Mexican hotel chains with the largest number of members. "Fiesta Rewards" signed a 3 year alliance with "Le Club Accorhotels", Accor's loyalty program, the leading European hotel operator and one of the largest hotel chains in the world and leader in the European market. This alliance means that the members of both programs, Fiesta Rewards and Le Club Accorhotels, may transfer their points between the programs to redeem their points for lodging in more than 2,700 hotels in 92 countries throughout world.

In 2010, the Company launched the Kivac product, for the purpose of marketing hotel inventory, through the sale of points exchangeable for accommodations. The points are valid for 5 years. As of December 31, 2014, the Kivac program members total almost 18,339.

The national, U.S, and Canadian markets are the principal targets of our marketing efforts abroad, which market is mainly resort-oriented.

The time-sharing marketing system differs from hotel room distribution channels. It is mainly based in the implementation of a promotional system by launching campaigns to attract potential clients to the vacation club experience by providing them with complementary passes, and through a local sale program and showroom network. Vacation club sales costs hover around 35% of the product and are normally executed by means of third parties contracted for such purpose.

With respect to time-share sales and Kivac, the Company usually offers its clients a five-year deferred payment plan for both programs. Most sales for both programs are made in installments. Regarding Kivac, clients may only use their effectively paid points. In connection with time-sharing, payment is not related to membership rights, which are sold for 40 years. Under the vacation club modality, clients pay a financing cost.

iii) Patents, Licenses, Brands and Other Contracts

The Company operates its hotel business under three principal models, owned hotels; third party hotels managed by Posadas and hotels leased to third parties and managed by Posadas. In 2014, the Company began to operate a franchise business, and in this 2015 corporate year, the first hotels operating under this collaboration system began operating.

The Company considers that its experience as a hotel operator, that it has its very own reservations system, technological investments as well as a loyalty reward system are the principal attributes with which it can add value for independent hotel owners. For the purpose of increasing yield on invested capital, in recent years the Company's strategy has concentrated on selling hotel management and operating services by signing management contracts with local partners to develop new properties and by converting already existing properties to the Company's brands. In 2014, the company put on the market a new system to provide determined hotel brand franchising services, beginning with Gamma. In other words, until now, the hotels operated under Posadas' brands were managed by Posadas itself. However, with the introduction of the franchise system, the hotels using Posadas' brands may be operated by third parties. Similarly, Posadas intends to operate hotels which are not identified by Posadas' brands.

In order to continue with its growth strategy, the Company is continually looking for opportunities to operate hotels in new locations. The Development division is responsible for identifying new project locations. The Company does not apply strict statistical or numerical parameters when deciding to expand its operations to a particular location, instead it takes into consideration the city's population, the level of economic activity and local investors' willingness to invest their capital in said location. Once the Development area determines the location's expansion potential, the Company's Market area evaluates the proposal's feasibility by analyzing offer and demand in the locality, competition and rate ranges.

The Company has signed management contracts to operate hotels that do not belong to it but that give it varying degrees of control over the properties' operation. In addition, the Company has executed contracts for the use of its brands from which it receives royalty income. In some cases, the Company also signs lease agreements for the properties that it operates. As consideration for the Company's technical and operational assistance and the use of industrial property rights and copyrights in Mexico, the managed hotels pay royalties to Posadas. These royalties are calculated as a percentage of each hotel's total sales or are from other services marketed under Company brands. Likewise, the Company is the holder of diverse industrial and intellectual property rights which it has created and developed throughout the years, such as: Live Aqua, Fiesta Americana Grand, Fiesta Americana, The Explorean, Fiesta Inn, One Hotels, Fiesta Americana Vacation Club, Fiesta Rewards, Ampersand, Conectum, and Konexo, amongst others. These brands are protected in different jurisdictions, subject to the terms and conditions each jurisdiction stipulates. On March 12, 2014, Posadas launched a new hotel brand "Gamma", backed by Fiesta inn and Fiesta Americana, to initially operate hotels with less than 100 rooms that are currently operated as independent hotels. The first modality intends to offer to independent hotel owners advanced information systems that will better manage hotel reservations, stays and invoicing by means of franchise contracts. To this date, there are 3 hotels operating under such modality.

To December 31, 2014, the average life of the Company's hotel management contracts (except its owned and leased hotels) was 10.0 years. Per brand, it was: 3.2 years for Fiesta Americana (including "Live Aqua" and "Grand"), 10.8 years for Fiesta Inn, 15.5 for Gamma and 12.3 for One Hotels. Generally, once the contract terminates, the owner may choose to renew the management contract, normally for periods shorter than the initial period. See chapter "Risk Factors" for more information related to contract renewal. The Company basically provides hotel services under 8 brands:

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Mezcla de Marcas de Posadas

Marca	Categoría (1)	Hoteles Cuartos	Cuartos por rango	Ubicación	Segmento
Live Aqua Hotels & Resorts	Lifestyle	2 506	130-400	Resorts de lujo y ciudades grandes	Turistas internacionales y domésticos de altos ingresos
Grand Fiesta Americana Hotels & Resorts	Gran Turismo	4 1,261	200-600	Grandes ciudades y Resorts de lujo	Turistas internacionales y domésticos de altos ingresos
Fiesta Americana Hotels & Resorts	5-Estrellas	13 3,628	80-650	Grandes ciudades y Resorts de lujo	Turistas domésticos e internacionales y viajeros de negocios
Fiesta Inn Hoteles Business Class	4-Estrellas	62 9,091	90-220	Ciudades pequeñas-medianas y suburbios de grandes ciudades	Viajeros de negocios domésticos e internacionales
Gamma Hoteles & Resorts	4-Estrellas	4 518	80-200	Ciudades pequeñas-medianas y suburbios de grandes ciudades	Viajeros de negocios domésticos e internacionales
One hotels	3 Estrellas	33 4,061	100-140	Ciudades medianas y grandes en zonas industriales	Viajeros domesticos de negocios
Fiesta Americana Vacation Club	5-Estrellas	5 1,517	100-300	Resorts dirigidos al negocio de club vacacional	Turistas domésticos e internacionales
The Explorean by Fiesta Americana	5-Estrellas	2 96	40-100	Resorts dirigidos al negocio de club vacacional	Ecoturismo Turistas domésticos e internacionales
Otros	4-5 Estrellas	2 416	100-220	Ciudades grandes y medianas	Turistas domésticos e internacionales y viajeros de negocios
Total		**127** **21,094**			

Source:: Posadas

((1) According to the Mexican classification system

The Company has entered into strategic alliances regarding certain products and services offered to third parties or offered jointly by Posadas and the third parties, such as the shared-brand Santander-Fiesta Rewards credit card.

The Company moves its Vacation Club inventory by marketing time-share contracts pursuant to Mexican law terms. These are usually installment sales and the purchasers are able to purchase more points to improve the conditions of the product purchased. For operation of the vacation club, it has alliances with Company's own hotels, Hilton Grand Vacation Club and with Resort Condominiums International (RCI); these last alliances have allowed us to better penetrate foreign markets.

To finance its operations and growth, to December 31, 2013, the Company had placed two bond issues abroad. *See "Financial information – Relevant Loan Information"*.

At the beginning of 2015, Posadas entered into an exclusive 20-year brand licensing contract so that our counterparty could invest and operate, by itself, Live Aqua hotels in the United States of America. Pursuant to our counterparty's statements, it expects to open at least 5 hotels under this brand in the following 6 years in that country's principal cities.

Vacation Club created the new product "The Front Door" aimed at a higher purchasing-power segment; members purchase a "40-year right to use" represented by annual FAVC points. FAVC points may then be exchanged for lodging at any of the seven FAVC complexes located in Los Cabos, (Villas and Resort), Acapulco, Cancun, Cozumel, Chetumal and Puerto Vallarta, as well as at any of the hotels operated by the Entity. Additionally, FAVC members may use their points at Resorts Condominium International ("RCI") complexes and Hilton Grand Vacation Club or at any complexes affiliated thereto in different parts of the world.

In the case of "The Front Door", the Company allied itself with "The Registry Collection" so as to exchange points.

Other relevant contracts

In addition to the hotel management, license and franchise contracts, the time-share sale and related strategic alliances, the hotel business has become highly dependent on information and connectivity systems, and on providers of hotel inventory distribution channels, as previously described in "Distribution Channels" subsection ii.

Furthermore, Posadas executed with Accenture (expiring in 2015), and other technological service and license suppliers (Oracle, expiring in 2016), important contracts supporting the company's operations. The failure to renew these contracts could cause Posadas to retain similar third-party services, which could imply costs due to changes in supplier.

Derivative Financial Instruments

The Company uses derivative financial instruments by relating hedges to debt incurred. The derivative financial instruments which have been used are those involving the exchange of principal and interest from one currency to another ("CCS", due to its initials in English) and instruments to fix variable debt interest rates ("IRS", due to its initials in English). The preceding is for economic hedging purposes.

During the first quarter of 2012, after taking advantage of the recent peso appreciation against the United States dollar (approximately 9%), the Company liquidated foreign currency swaps in the amount of US$114 million United States dollars notional value. This represented 79% of the derivative contracts outstanding to December 31, 2011. After these operations, the derivatives' notional amount fell from US$144.8 million United States dollars to US$30.8 million United States dollars, and the Company recovered approximately US$9 million United States dollars that were kept as a guarantee. Since derivatives are registered at a reasonable value, the impact was fully recognized in the Company's statement of comprehensive income. Thus, (peso/dollar) exchange rate volatility exposure was significantly reduced. During the third quarter of 2012, a US$1.9 million United States notional amount was liquidated. In the last quarter of 2012, the derivative-related balance decreased to US$9,464 equal to $97.5 M. As of September 30, 2012, the Company has no cash guarantees.

Foreign currency swap liabilities were $61.1 million, $19.8 million, and $86.3 M to December 31, 2012, December 31, 2011, and January 1, 2011, respectively, of net margin calls.

The reference or underlying variables of the derivative financial instruments applicable to *Cross Currency Swaps* (“CCS”) held by the Issuer may be subject to market, loan and operation risks that may result in unexpected and material losses. A fall asset valuation, an unanticipated financing event or unforeseen circumstances causing a correlation of factors that were previously uncorrelated, may cause losses resulting from risks which were not accounted for when a derivative financial instruments was structured and traded. Some of these factors are the exchange rate *(“FX”),* Libor rate changes represented in basis points (“pbs”), changes in *Spread* or *Basis* pbs and changes in the TIIE rate represented in pbs. Currently, the notional value of these instruments has been considerably reduced and the hedge by these instruments is maintained, and the depreciation corresponding to monthly markets valuations are recorded in the net profit and loss statement of savings corresponding to monthly flow exchanges for each coupon in pesos and dollars as part of the Comprehensive Financial Result (“RIF”, due to its initials in Spanish). For greater detail please see section: 3) Financial Information, ii) Financial Situation, Liquidity and Capital Resources, Derivative Financial Instruments.

iv) Principal Clients

Given the nature of the hotel industry, the Company considers that it is not significantly dependent on any or several clients as users of hotel services which if lost would adversely affect the Company’s operating results or financial situation. The Company has a commercial strategy based on targeting the Mexican business and vacation market segments through the Fiesta Americana, Fiesta Inn, Gamma and One Hotels brands; the wholesale segment in the North American market principally for the resorts line; and the Mexican group and conventions market segment for Fiesta Americana and Fiesta Inn. However, it is worth mentioning that the Company’s marketing efforts are focused on the Mexican, United States and Canadian markets, therefore, a slowdown or downturn of said markets may significantly and adversely affect the Company’s operating results.

Furthermore, there is a trend to consolidate and/or concentrate hotel ownership in groups such as FibraHotel and other institutional real estate investor. At present, we operate 48 hotels owned by FibraHotel and three other owners concentrate 85% of the third party room inventory operated or 58% of the total room inventory operated by the company. We expect this trend to continue in the near future. Should we lose FibraHotel as a client, it would seriously and adversely affect the Company’s operating results and financial situation.

v) Applicable Legislation and Tax Situation

In general, hotel and timeshare activity is subject to diverse local (municipal, state) and national (federal) regulations, in the diverse operating jurisdictions. In this manner, modification of said provisions may mean an increase in the costs that the Company must incur to comply with the same, in addition to the limitations which they may impose on its activity.

In this same line of reasoning, the authorizations most relevant to hotel service operations are related to licenses or authorizations concerning operations, food and beverage supply, including alcoholic beverages, swimming pools, civil defense, health, wastewater use and disposal, consumer protection, amongst others. Thus, we depend on administrative authorities so that said authorizations are issued and in a timely manner, and that the application guidelines of said authorities are congruent and pursuant to applicable normativity.

We have no knowledge of contingencies that may have as a consequence the assumption of, or cause a material adverse damage to the hotels’ operation related to the obtainment or compliance with said authorizations. However, we are continuously correcting any deviations from the applicable rules that may arise.

Finally, various subsidiaries of the Company hold concessions for different purposes, which are governed by the applicable laws and specifically by the terms of the concession. This is the case of the Federal Maritime and Territorial Land Zones.

Stock Market Law

On December 28, 2005, the Stock Market Law was published in the Federal Official Bulletin, and entered into force on June 28, 2006. In the extraordinary general shareholders’ meeting held on November 30, 2006, the Company modified its bylaws to incorporate the newly established requirements. The Stock Market Law, amongst other things (i) clarifies public tender offer rules classifying them as mandatory or voluntary, (ii) issues information disclosure criteria for the shareholders of issuers, (iii) augments and strengthens the duties of the board of directors, (iv) precisely determines the board of directors’ duties as well as those of its members, the secretary and the director general, introducing new concepts such as duties of due diligence and loyalty, (v) substitutes the concept of statutory auditor and their obligations with an audit committee, the corporate practices committee and external auditors, (vi) defines the director general's obligations and those of upper-level officers, (vii) broadens minority shareholders' rights, and (viii) broadens the penalty definition for violations of the new Stock Market Law, and in general terms regulates the relationship and informational obligations of the issuer to shareholders, related parties, authorities, among others.

The Company deems that it has complied with all material aspects of the applicable laws and regulations and has obtained all licenses and permits allowing it to run its business in compliance with the law.

Tax Regulations in Mexico

Mexican enterprises are subject to Income Tax ("ISR", due to its initials in Spanish) and to the Single Rate Business Tax ("IETU", due to its initials in Spanish) until 2013. The ISR is calculated by considering certain inflationary effects as taxable or deductible, such as depreciation calculated on constant price values.

ISR -The rate was 30% in 2013 and 2012 and will be 30% in 2014 and years thereafter. The Company incurred ISR on a consolidated basis with its Mexican subsidiaries up to 2013. Due to the repeal of the Income Tax Law in effect until December 31, 2013, the tax consolidation rules were eliminated. Therefore the Entity and its subsidiaries are obligated to pay the deferred income tax determined as of that date in the subsequent five corporate years beginning in 2014.

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

IETU – The IETU was repealed in 2014. Therefore, to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax liabilities based on each corporate year's cash flow. The rate was 17.5%.

Until to 2013, the tax imposed on earning is whichever is the greater of ISR or IETU.

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

Additionally, the Company's activities may be burdened with local taxes, such as the Tax on Accommodation, and other taxes levied on other events which we occasionally carry out, such as contests, gambling and lottery activities, amongst others.

In December 2013, the 0% tax rate for hotel services rendered to groups of foreigner was repealed, and became a tax credit effective from January 1, 2014. A 16% tax is imposed on the services provided to such groups and, if specific requirements are met, the 16% VAT may be credited.

Pursuant to the new Income Tax Law (LISR, due to its initials in Spanish) in effect in 2014, the tax consolidation rules were eliminated and, therefore, the Entity and its subsidiaries are obligated to pay the tax that was monetarily deferred up to December 31, 2013, in the following five corporate years from 2014 on. The tax resulting from deconsolidation was recognized in the consolidated comprehensive income statement to December 31, 2013, under the concept of profit tax and amounts to $882.3 M. Likewise, the short- and long-term liabilities to December 31, 2014, amount to $280 M and $533, respectively.

While the aforementioned Law repealed the tax consolidation rules in 2014, an option was given to jointly calculate Income Tax by corporate groups (tax integration rules). The new rules allow integrated corporations directly or indirectly owned by an integrating corporation in more than 80%, to obtain certain tax payment benefits (if in the corporate group there exist entities with profits or loss in the same corporate year), which may be deferred for three years and pay over, as updated, on the date on which the tax return corresponding to the corporate year following the corporate year in which the aforementioned return must be filed.

The Entity and its subsidiaries opted to take advantage of these new rules. Thus, they have calculated the 2014 Income Tax as described above (for greater details, see annex 7 of the annual report).

Tax regulations in the US

According to current United States law, the subsidiaries operating in that country are subject to Income Tax computed at a 35% rate.

vi) Human Resources

To December 31, 2014, the Company had approximately 14,000 employees. In Mexico, around 55% of the employees are unionized. Generally, a union represents the unionized employees for each hotel. The collective bargaining agreements are generally reviewed yearly for salary adjustments and every two years for other clauses contained therein. Each of the individual hotel unions is affiliated to one of the larger national labor organization: either the "CTM" (due to its initials in Spanish, Confederacion de Trabajadores de Mexico) or the "CROC" (due to its initials in Spanish, Confederacion Revolucionaria de Obreros y Campesinos).

During the past 10 years, the Company has not had any relevant labor disputes with any union that represents our employees. The Company believes that we have good employee relations at all of our properties, as well as with the unions to which our employees belong.

The Company has operative staff training programs and has training schools specifically designed for operating the Fiesta Americana, Fiesta Inn and One Hotels brands. The training programs include kitchen and reception employees up to hotel managers. Posadas also supports rotation of hotel executive officers at its different properties for the purpose of enhancing their management skills. Occasionally, Posadas hires temporary employees.

Likewise, the Company has a pension plan, seniority premiums and severance pay for non-unionized personnel thus complementing the legal seniority premium and pensions granted by law. In order to have access to the pension plan, employees must be older than sixty. The annual cost of legal seniority premiums, retirement and pension plans for personnel meeting certain requirements is calculated by an independent actuary based on the projected unit credit method. To respond for these liabilities, the Company keeps investments in pension and retirements reserve funds that to December 31, 2014, amounted approximately to $68.3 M.

A group of executives and employees has the right to receive an annual bonus based on the Company's global performance, as well as on individual performance.

vii) Environmental Performance

The construction and hotel industries in Mexico are subject to federal, state and municipal laws, as well as to strict regulations in preservation, conservation and environmental protection matters; hotel operations and safety aspects, amongst others. The Company is implementing the actions within its reach so as to reasonably comply with the laws governing hotel and environmental matters. These efforts resulted in the required authorizations, licenses, permits and concessions that it has obtained or is in the process of obtaining for the operation of its hotels.

The Company has an internal environmental and safety compliance program aimed at ensuring that all its operating and under construction properties and businesses actually comply with applicable environmental laws and regulations. In Mexico, most hotels have entered into agreements with the Federal Environmental Protection Agency (*Procuraduria Federal de Proteccion al Ambiente*) submitting themselves to exhaustive policy and procedure reviews to deserve the Environmental Tourism Quality Certificate conferred by *Profepa* upon those proving that all environmental rules have been complied. The degree of progress made in said procedures is satisfactory and varies from hotel to hotel.

Since 2000, the Company has a department denominated the Risk Unit, exclusively engaged in dealing with environmental and civil defense issues that may take place both at the Company's hotels and corporate offices. The Risk Unit reports to the General Hotel Operations Division through the Engineering and Maintenance Division. In turn, the person responsible for said division is supported by the hotels' maintenance managers to comply with the laws established by the competent authorities, as well as with the Company's environmental and civil defense policies

The director of this area is in the process of being certified by the National Fire Protection Association ("NFPA", due to its initials in English) as a fire protection specialist, this contemplates fire prevention at all Posadas' properties, including the use of fire hydrants, sprinklers, fire extinguishers, fire detectors and alarms.

All the properties managed by Posadas comply with NFPA policies. As soon as the Risk Unit detects any discrepancy, it formulates a Corrective Action Plan determining the actions that will be taken so that a hotel complies with the aforementioned norm. Moreover, the hotels meet 100% of the requirements prescribed by the three governmental levels in Civil Defense matters. Consequently, we obtained Civil Defense accreditation which is a requirement indispensable to being authorized to operate a hotel. In the drafting of new and existing hotel projects, Corrective Plans and maintenance tasks, the Unit works jointly with NFPA-certified and specialized consultants, as well as with insurance companies to monitor compliance with the required certification standards.

According to publicly accessible information, climate changes could be a factor, among many others, that may result in a catastrophic unpredictable event such as a hurricane or flooding that could affect mainly our coastal hotels. Climate change is also considered to be a cause of high tide movements, which are a reference mark to determine the federal sea and land zones of the country's coasts. Our properties located near such federal zones may be affected by such movements and, in this context, it may be necessary to request special permits and make substantial investments to recover and maintain the beach zones adjacent to the Company's properties.

viii) Market information

Industry's Global Context

The tourism industry is susceptible to an ample variety of factors, from changes in consumer habits and preferences to international security and terrorism fears. In 2013, global tourism surpassed all forecasts by growing 5% to reach 1,087 million tourists. The regions with the greatest growth were Asia Pacific, Africa, and Europe with 6%, 6% and 5%, respectively. The sub-regions that grew most were Southeast Asia with 10%, Central Europe and Eastern Europe with 7%, Southern and Mediterranean Europe with 6% and North Africa with 6%.

The volume of international tourists (overnight visitors) was 1,138 million in 2014, 51 million more than in 2013. With a 4.7% increase, 2014 is the fifth consecutive year in which growth exceeds the arithmetic mean since the economic crisis of 2009.

By regions, the Americas' 7%, and Asia and the Pacific 5%, had considerable increases, while Europe 4%, the Middle East 4% and Africa 2% experienced a more moderate growth. By sub-region, North America grew 8% obtaining the best results, followed by Northeast Asia, Southern Asia, Southern and Mediterranean Europe, Northern Europe and the Caribbean, which grew 7%.

The following chart shows how Mexico ranked amongst the countries with the 2012 highest international tourist arrivals (more recent numbers estimated by the World Tourism Organization ("OMT", due to its initials in Spanish):

Posición	País	Millones de llegadas de turistas internacionales
	Mundial	1,138.0
1	Francia	84.7
2	Estados Unidos	74.7
3	España	65.1
4	China	55.0
5	Italia	48.2
6	Turquia	39.4
7	Reino Unido	32.9
8	Alemania	32.9
9	Rusia	29.6
10	México	28.8

Fuente: Organización Mundial de Turismo

For 2015, the World Tourism Organization foresees that international tourist arrivals will grow between 3% and 4%.

Tourism in Mexico

International. Mexico is the Latin American country which attracts most international tourism, and is one of the most important worldwide tourist destinations.

Unless otherwise stated, the source of the tourism information in this section is the Ministry of Tourism ("SECTUR", due to its initials in Spanish), and we have not independently verified the information contained in this section. The terms "tourism" and "tourist" refer to business and group leisure trips.

According to the OMT's estimated numbers, Mexico received 28.8 M international tourists in 2014, which is a number greater than that of the previous year. This was primarily caused by the arrival of a greater number of tourists to the interior (tourists that visited destinations other than those on the border with the United States of America). The greatest number of foreign visitors were from the United States and Canada with 7.2 and 1.7 million tourists, respectively. The latter expresses an increase of 10.6% and 4.8% in comparison to the preceding year.

It is estimated that the economic disbursement by international visitor to Mexico was US16.2 thousand million in 2014, which represented an increase of approximately 16.6% as compared with 2013.

Tourism is the third income source of the country, after the remittances sent by Mexicans living abroad and petroleum exports.

Domestic. According to the total traveler number, the domestic tourism industry is the largest tourism sector in Mexico. Approximately, the size of domestic tourism is almost three times greater than international tourism. Most of Mexican domestic tourists stay in four-star category and lower accommodations, since they are price-sensitive travelers. For 2014, domestic tourist arrivals at the hotels were estimated at 80.1 million which represents a 3.6% increase compared to 2013.

Hotel occupancy levels. In general, based on the 70 principal destinations in the country, hotel occupancy levels in Mexico averaged 58.0% in 2014 and 55.6% in 2013, an increase of 3.5pp in comparison with 2013. Beach destinations showed an occupancy of 68.8%, 2.9pp above the preceding year. The average length of stay was 2.3 nights per tourist, a level similar to that of 2013.
SOURCE: DATATUR

Competition

The hotel industry is highly competitive. The Company's beach hotels compete against other beach hotels in Mexico and other countries. In general, the Company's hotels compete against diverse Mexican and International hotel operators, some of which are substantially larger than the Company and operate under well-known international brands. In mid-size cities and large city suburbs, the Company's hotels primarily compete against Mexican and international chains as well as different independent hotel operators.

Depending on the hotel's category, competition is based mainly on price, quality of the installations and services offered, as well as physical location in a particular market. Hotel operators must make continuing capital expenditures for modernization, refurbishment and maintenance to prevent competitive obsolescence of the properties and thereby lose competitiveness. The competitiveness of the Company's hotels has been enhanced by our frequent guest program (Fiesta Rewards) and the Fiesta Americana Vacation Club.

The principal competitors of Fiesta Americana hotels are other international and Mexican chains such as Camino Real, Intercontinental, Crowne Plaza, Marriott, Sheraton, Westin, Hilton and Hyatt, Principal competitors of Fiesta Inn hotels are both independent local hotel operators and international and Mexican chains such as Holiday Inn, City Express, Holiday Inn Express, Best Western, Mision, Hampton Inn and NH hotels.

The vacation club industry is also highly competitive. Fiesta Americana Vacation Club competes primarily against Palace Resorts, Mayan Palace and Royal Holiday Club in Mexico, and generally with other vacation club Caribbean destinations and other coastal resort areas operating this concept.

Although the Company considers itself a leader in Mexico as to the number of operated hotels and rooms and geographical coverage, there is no official publication proving the market participation of its hotels in relation to existing competitors or its competitive position.

In reference to total rooms (including own, leased and operated rooms) of the Top Ten in Mexico, the Posadas brands jointly have an approximate market participation of 28%. Including the competitive set brands, in the five star category, the hotels operating under the Fiesta Americana brand have a 28% market share. In the four star category, Fiesta Inn holds a 30% market share within its competitive set and in the “economy” three star segment, One Hotels hold 58% of market share. The three brands described above are the leaders in their three categories.

ix) Corporate Structure

The Company was organized as a holding corporation and conducts a very important number of its operations by itself and through its mainly Mexican subsidiaries. After the corporate restructuring, the Company will operate with approximately 30 Mexican subsidiaries.

The following organizational chart illustrate how the Company’s principal subsidiaries are organized, as well as the principal activities of each entity.

The principal Company’s subsidiaries are grouped in the following manner (taking into consideration some still existing subsidiaries since the mergers have not yet become fully effective, likewise there are included 2 Guarantors which were incorporated in this 2015):

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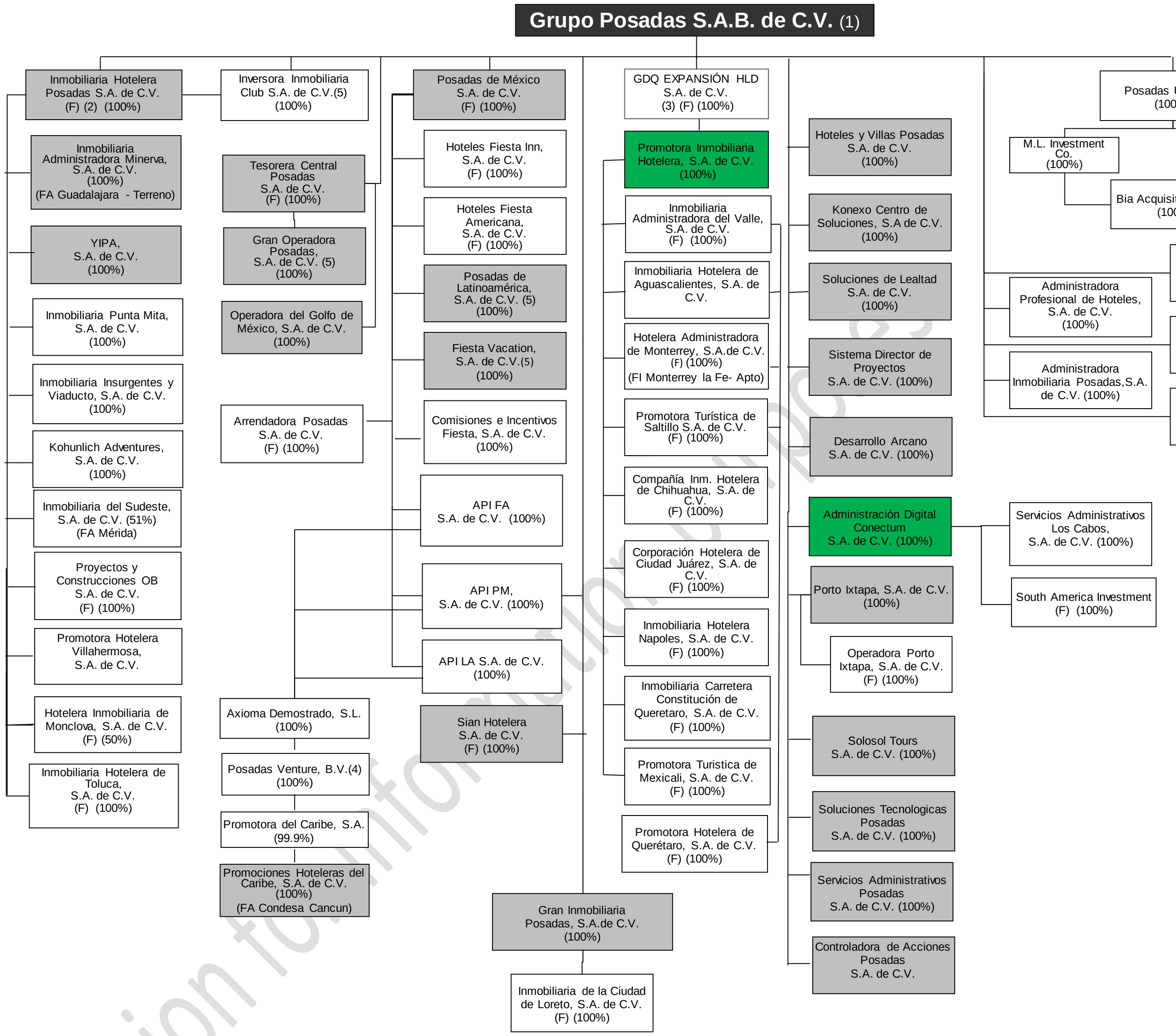

Fuente: Posadas

Garantes de los Senior Notes 2017
Garantes 2015
(1) Titular de los derechos sobre contratos de operación hotelera
(2), (3), (4) Tenedora de Acciones
(5) Sociedades relacionadas con el Club Vacacional
(6) Dueña de Hotel en E.U.A.
(F) Sociedades con acuerdos de fusión en espera de surtimiento de efectos plenos

Grupo Posadas' board of directors has decided to carry out an ambitious internal restructuring plan that began by consolidating hotel operation in its subsidiary Hoteles y Villas Posadas S.A. de C.V. and which it intends to complete in 2015. The plan will reduce its number of subsidiaries to about 30 entities. The restructuring plan, which was the subject of an informational leaflet published on April 10, 2014 and to which the reader is remitted for greater detail, consists of an internal corporate structure reorganization of certain businesses of Grupo Posadas. It is underlined that no corporation which is not currently a direct or indirect subsidiary of Posadas participates in the corporate restructuring, and as to those corporations in which third party minority participation exists, it is foreseen that said third parties will not acquire interest in corporations or assets in which at present they do not have an interest or a holding. For this reason, the consolidated assets and operations of Grupo Posadas as a corporate group will not undergo substantial changes after the Company's corporate restructuring. Along these lines, Grupo Posadas has implemented a series of corporate movements that solely involve subsidiaries controlled (that is to say, corporations where Grupo Posadas owns 51% or more of the corporate capital), directly or indirectly by the Company. The corporate restructuring does not imply the Company's incursion into a new business line, and in no way affects the existence or legal capacity of Grupo Posadas as a Publicly-Traded Corporation, nor will it affect in any manner the products and services that the Company offers to its clients. Neither will the corporate restructuring affect the Company's work force. The corporate restructuring of Grupo Posadas' subsidiaries is intended to reduce and make more efficient the holding Company's corporate structure.

x) Description of the Company's Principal Assets

Herein below is a list of the Company's hotels to December 31, 2014, including number of rooms, age, location and type (franchised, owned, operated or leased):

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Hotel	Apertura	Pais	Tipo de contrato	Numero de cuartos
Live Aqua Bosques (Ciudad de México)	2012	México	Administrado	135
Live Aqua (Cancún)	2004	México	Arrendado	371
FA Aguascalientes	1993	México	Administrado	192
FA Centro Monterrey	1994	México	Administrado	207
FA Condesa Cancún	1989	México	Propio	502
FA Cuernavaca, Hacienda San Antonio El Puente	2011	México	Administrado	112
FA Grand Coral Beach	1990	México	Administrado	602
FA Grand Chapultepec	2001	México	Administrado	203
FA Grand Guadalajara Country Club	2007	México	Administrado	207
FA Los Cabos Golf & Spa Resort	2000	México	Propio	249
FA Guadalajara	1982	México	Propio	391
FA Hacienda Galindo	1977	México	Propio	168
FA Hermosillo	1982	México	Propio	221
FA Mérida	1995	México	Propio	350
FA Puerto Vallarta	1979	México	Administrado	291
FA Queretaro	2003	México	Administrado	173
FA Reforma	1970	México	Propio	616
FA Santa Fé	2006	México	Arrendado	172
FA Veracruz	1995	México	Administrado	233
FAVC Cancún	1981	México	Propio	310
FAVC Condesa Acapulco	1971	México	Propio	560
FAVC Cozumel Dive Resort	1991	México	Propio	174
FAVC Explorean Cozumel	2014	México	Propio	56
FAVC Explorean Kohunlich	1999	México	Propio	40
FAVC Los Cabos Villas	2000	México	Propio	457
FAVC Puerto Vallarta - Nima Bay	2013	México	Propio	16
FI Aeropuerto Ciudad de México	1970	México	Propio	327
FI Aguascalientes	1993	México	Administrado	125
FI Cancun Las Americas	2012	México	Arrendado	152
FI Celaya	2003	México	Administrado	124
FI Centro Histórico	2003	México	Arrendado	140
FI Ciudad del Carmen	2003	México	Administrado	131
FI Ciudad Obregón	2007	México	Administrado	123
FI Ciudad Juárez	1999	México	Administrado	166
FI Colima	2004	México	Administrado	104
FI Cuautitlán	2004	México	Arrendado	128
FI Cuernavaca	2008	México	Administrado	155
FI Culiacán	2003	México	Arrendado	146
FI Chetumal	2013	México	Administrado	131
FI Chihuahua	1993	México	Administrado	152
FI Coatzacoalcos	2008	México	Administrado	122
FI Durango	2008	México	Administrado	138
FI Ecatepec	2005	México	Arrendado	143
FI Guadalajara	1995	México	Administrado	158
FI Hermosillo	2002	México	Administrado	155
FI Insurgentes Sur	2011	México	Arrendado	162
FI Insurgentes Viaducto	2003	México	Arrendado	210
FI León	1995	México	Administrado	160
FI Mérida	2014	México	Administrado	166
FI Mexicali	2004	México	Administrado	150
FI Monclova	1996	México	Administrado	158
FI Monterrey Centro	2000	México	Administrado	231
FI Monterrey Fundidora	2007	México	Administrado	155

Hotel	Apertura	Pais	Tipo de contrato	Numero de cuartos
FI Monterrey La Fe - Aeropuerto	1998	México	Administrado	161
FI Monterrey Tecnologico	2010	México	Administrado	201
FI Monterrey Valle	1994	México	Propio	177
FI Naucalpan	1997	México	Administrado	119
FI Nogales	2004	México	Administrado	107
FI Nuevo Laredo	2011	México	Administrado	120
FI Oaxaca	1993	México	Administrado	145
FI Pachuca	1998	México	Arrendado	114
FI Perinorte	1996	México	Administrado	123
FI Perisur	2001	México	Arrendado	212
FI Plaza Central	2014	México	Administrado	169
FI Poza Rica	2005	México	Administrado	107
FI Puebla las Animas	2012	México	Arrendado	140
FI Puebla FINSA	2006	México	Administrado	123
FI Querétaro	2000	México	Administrado	225
FI Querétaro Centro Sur	2014	México	Administrado	134
FI Reynosa	2006	México	Administrado	127
FI Saltillo	1997	México	Administrado	149
FI Santa Fé	2006	México	Arrendado	189
FI San Cristobal de las Casas	2011	México	Administrado	80
FI San Luis Potosí	1996	México	Administrado	135
FI San Luis Potosí Oriente	2004	México	Arrendado	140
FI Tampico	2002	México	Administrado	124
FI Tepic	2008	México	Administrado	139
FI Tijuana Otay	2005	México	Arrendado	142
FI Tlalnepantla	1994	México	Administrado	131
FI Toluca	1998	México	Administrado	144
FI Toluca Aeropuerto	2013	México	Administrado	150
FI Toluca Centro	2009	México	Administrado	85
FI Torreón Galerías	2005	México	Administrado	146
FI Tuxtla Gutiérrez	2007	México	Administrado	120
FI Veracruz	1999	México	Administrado	144
FI Veracruz Malecón	2001	México	Administrado	92
FI Xalapa	1993	México	Administrado	119
FI Zacatecas	2011	México	Administrado	146
One Acapulco Costera	2008	México	Administrado	126
One Aguascalientes Ciudad Industrial	2008	México	Administrado	126
One Aguascalientes San Marcos	2009	México	Administrado	126
One Cancún Centro	2014	México	Administrado	126
One Ciudad del Carmen Concordia	2012	México	Administrado	126
One Ciudad de México Patriotismo	2007	México	Administrado	132
One Ciudad de México Alameda	2014	México	Administrado	117
One Culiacan Forum	2012	México	Administrado	119
One Coatzacoalcos Forum	2007	México	Administrado	126
One Guadalaja Centro Historico	2012	México	Administrado	146
One Guadalajara Periferico Norte	2011	México	Administrado	126
One Guadalajara Periferico Vallarta	2014	México	Administrado	121
One Guadalajara Tapatío	2013	México	Administrado	126
One Irapuato	2013	México	Administrado	126
One La Paz	2014	México	Administrado	126
One León Poliforum	2014	México	Administrado	126
One Monclova	2014	México	Administrado	66
One Monterrey Aeropuerto	2006	México	Administrado	126
One Playa del Carmen Centro	2010	México	Administrado	108
One Puebla FINSA	2010	México	Administrado	126
One Queretaro Aeropuerto	2013	México	Administrado	126
One Queretaro Centro Sur	2014	México	Administrado	126
One Queretaro Plaza Galerias	2008	México	Administrado	126
One Oaxaca Centro	2013	México	Administrado	109

Hotel	Apertura	Pais	Tipo de contrato	Numero de cuartos
One Reynosa Valle Alto	2010	México	Administrado	135
One Salina Cruz	2011	México	Administrado	126
One Saltillo Derramadero	2009	México	Administrado	126
One San Luis Potosí Glorieta Juárez	2008	México	Administrado	126
One Silao	2014	México	Administrado	126
One Toluca Aeropuerto	2007	México	Administrado	126
One Vallarta Aeropuerto	2014	México	Administrado	126
One Villahermosa Centro	2014	México	Administrado	110
One Xalapa Las Animas	2012	México	Administrado	126
Gamma de Fiesta Inn Ciudad Obregon	2014	México	Administrado	135
Gamma de Fiesta Inn León	2014	México	Administrado	159
Gamma de Fiesta Inn Morelia Beló	2014	México	Administrado	84
Gamma de Fiesta Inn Tijuana	2014	México	Administrado	140
Holiday Inn Laredo Civic Center	1988	USA	Propio	203
Holiday Inn Mérida	1980	México	Administrado	213

Source: Posadas

All these properties have insurance covering property damage, which is common for this industry (such as fires, explosions, earthquakes and hurricanes). These insurance policies also include coverage for consequential losses. All these policies are contracted with prestigious insurance companies. Some of the assets are encumbered as guarantee for the Company's and its subsidiaries' liabilities, which are generally undertaken for financing reasons; therefore, generally, the attachment procedure is typical mortgage or fiduciary proceeding. (see section: ii) Financial Situation, Liquidity and Capital Resources)

Moreover, the Company is the holder of certain real property destined for use as offices in Morelia and at present is the owner of two lots of land located in the states of Nayarit and Guerrero for the construction of hotel projects. These projects are conditioned to obtainment of financing.

As of the date of this report, the following hotels: Fiesta Inn Ciudad Juarez, Fiesta Inn Monclova, Fiesta Inn Leon, Fiesta Inn Aguascalientes, Fiesta Inn Guadalajara, Fiesta Inn Queretaro, Fiesta Inn Monterrey La Fe, Fiesta Inn Saltillo, Fiesta Inn Chihuahua, Fiesta Inn Mexicali, Fiesta Inn Toluca, Fiesta Inn Tlalnepantla, One Patriotismo, One Queretaro, Fiesta Inn Xalapa and One Xalapa, which had been indirectly owned by the company, became hotels operated by the Company.

With respect to investment plans for the remodeling of own and leased hotels and the Fiesta Americana Cozumel facility allocated to timeshares, please see section 2), The Company, History and Development in this Annual Report.

xi) Judicial, Administrative or Arbitral proceedings

As of December 31, 2014, the Company was a party in several judicial and administrative proceedings derived from the ordinary course of business, both as plaintiff and defendant. However, as of December 31, 2013, with numbers to the latter date, none of the judicial or administrative proceedings of which Posadas has knowledge may be considered "material" in terms of the Generally Applicable Provisions to Securities Issuers and other Securities Market Participants.

In November and June of 2004, certain companies proceeded against a Posadas subsidiary for the improper constitution of a trust which was constituted as a guaranty holding the of the subsidiary owning the real property denominated Fiesta Inn Aeropuerto hotel, which at the same time was securing a bank loan. This same loan was later acquired by Posadas from the lending bank. The original creditor of the loan also sued to invalidate the loan. A ruling in this proceeding is not expected before 2016, and based on the nature of the claims, should they be ruled against our interest, we foresee that we will be judicially ordered to pay the value of the shares.

As for tax proceedings, which according to the 2012 corporate year annual report were tagged as "material" all were withdrawn by the Company pursuant to the 2013 tax liability forgiveness program (see 2013 Tax Effects, note 2 b I of the consolidated financial statements found in Attachment 7 to this report).

On the other hand, regarding the loans recognized by the Company and its subsidiaries in Mexicana's bankruptcy proceeding for an approximate amount of $171.2 M, the Company reserved the total amount in 2010.

Of said loans, $115 M correspond to operating transactions registered in the consolidated profit and loss statement, line items “sale, publicity and promotion” and “direct costs and expenses”. In this framework, Posadas may be subject to collateral legal proceedings or other proceedings with respect to this issue.

Since judicial and administrative proceedings do not depend on the Company, the latter cannot with certainty assure or affirm regarding the outcome of said proceedings, the period in which they will be resolved and, in the applicable case, the eventual loss that an adverse resolution would bring to the Company and its operations.

xii) Representative Shares of Corporate Capital

As of December 31, 2014, the Company’s corporate capital is made up of 512,737,588 no par value shares , subscribed and paid. 512,454,496 shares out of the total were deposited with the *S.D. Indeval, Institucion para el Deposito de Valores, S.A. de C.V.* in a sole certificate. Therefore 313,092 shares representing the corporate capital of Grupo Posadas are not deposited with said institution.

The Company holds directly or indirectly certain shares as hereunder follow:

Número de acciones	**2014**	**2013**
	Serie "A"	**Serie "A"**
Capital Social	512,737,588	576,888,619
Menos-		
Recompra de acciones	(16,799,600)	(18,899,099)
Acciones en fideicomiso asignadas a ejecutivos	-	(25,166,702)
Acciones en tesorería	-	(33,890,206)
Acciones en fideicomiso Chemuyil	-	(2,995,024)
	(16,799,600)	(80,951,031)
	495,937,988	**495,937,588**

The Extraordinary General Shareholders Meeting of Grupo Posadas held on March 19, 2014 resolved, among other items, to cancel 64,151,031 series A no par value, registered shares and thus reduce Grupo Posadas’ stated corporate capital by the amount of $64,151,031.00 (sixty-four million, one hundred fifty-one thousand, and thirty-one 00/100 Mexican pesos). As a consequence of the above, the make-up of the Corporation’s corporate capital, after the cancellation of the previously mentioned trusts and some shares repurchased by a charge to the repurchase fund, the corporation’s corporate capital will be composed as follows:

- Corporate capital: $512,737,588.00
- Number of shares representing corporate capital: 512,737,588 series A shares, common and freely negotiable.
- Number of shares acquired by charge to the repurchase fund: 16,799,600
- Number of outstanding shares: 495,937,988 series A shares, common.

To the date of this report, the corporate capital is composed of series “A” shares, common, registered, no par value and freely subscribed.

The distribution of shareholder’s equity, excepting updated amounts of corporate capital contributed and tax retained earnings, will incur ISR on account of the Company at the rate in effect on distribution date. The tax paid on such distribution may be set off against ISR for the corporate year in which the tax on the dividends is paid and in the two immediately following corporate years, against that corporate year’s tax and the provisional payments thereof.

As of December 31, 2014, the legal reserve is presented in accumulated earnings and amounts to $99.2 M (face value), and represents 20% of the nominal corporate capital. Said reserve cannot be distributed to shareholders, except as share dividends.

The General Extraordinary and Ordinary Shareholders Meeting held on April 14, 2015 approved that the maximum amount of funds to be allocated to the purchase of the corporation's shares, according to the Stock Market Law's limitations, would be the amount of $535.6 M. This amount does not exceed the balance of earnings withheld to December 31, 2014.

As follows, the events which occurred in the last corporate years are detailed:

(i) Having complied with all of the conditions and updating the RNV registration, the Series L shares were exchanged for Series A shares, at a rate of one for one on February 28, 2013.

(ii) Likewise, by resolution of the Extraordinary Shareholders' Meeting held on March 7, 2012, the Issuer issued debentures mandatorily convertible into shares, and resolved to conditionally increase its corporate capital in the amount of 183,257,227 Series A shares, representing the corporation's stated corporate capital. On January 2, 2013, such debentures were fully liquidated and on March 15, 2013, the corporation's shareholders meeting resolved that it was impossible to fulfil the conditions imposed on the conditional corporate capital increases, thereby cancelling the aforementioned capital increase.

(iii) As stated in Note 2c (iii) of the Independent Auditors Opinion (Attachment 7), as part of the Company's financial strengthening process, during 2011 the Shareholders agreed to contribute $52 M to future capital increases. In 2012, said contribution was applied to the debentures' subscription price by the contributing shareholders. Moreover, in 2012 the Company issued debentures mandatorily convertible into Series A shares in the amount of $900 M allocated to be exclusively purchased by its shareholders. However, the Company decided to pay in cash such debentures in January 2, 2013.

(iv) Grupo Posadas' Extraordinary General Shareholders Meeting, on March 19, 2014, resolved, among other issues, to cancel 64,151,031 Series A registered shares, without par value and, accordingly, decrease Grupo Posadas' stated corporate capital by $64,151,031.00 (sixty-four million, one hundred fifty-one thousand, thirty-one 00/100 pesos Mexican Currency).

xiii) Dividends

The periodicity, amount and form of dividend payments are proposed by the Company's Board of Directors and are put to the consideration of the ordinary annual general shareholders meeting for approval. The dividend amount depends on operating results, financial situation, capital expenses, investment projects and other factors deemed important by the Board of Directors.

The Extraordinary and Ordinary Annual General Shareholders Meeting held on April 14, 2015, declared no dividends for the corporate year ending on December 31, 2014.

The Extraordinary and Ordinary Annual General Shareholders' Meeting held on March 19, 2014, no dividend was approved for the year ending on December 31, 2013, as a net loss of $1,757.8 was recorded.

The Extraordinary and Ordinary Annual General Shareholders' Meeting held on March 15, 2013, approved a cash dividend payment to the shareholders for $0.15 (fifteen cents) per share; therefore, the total dividend paid was $83.7 M. Said dividend was paid on April 18, 2013.

The Ordinary Annual General Shareholders' Meeting held on April 30, 2012, did not approve payment of dividends for the year ending on December 31, 2011. A net loss of $614.2 M was recorded for the corporate year.

The Ordinary Annual General Shareholders' Meeting held on April 14, 2011, did not determine payment of dividends for the corporate year ending on December 31, 2010. Said meeting approved that the net profits obtained in the corporate year of $35.9M would be allocated to the Accumulated Result Account and to the Non-Controlling Participation.

The Issuer´s capacity to approve dividend payments in cash could be conditioned by a limitation imposed due to financing contracted and is, in effect, closely related to the Senior Notes.

3) FINANCIAL INFORMATION

a) Selected Financial Information

The following is a summary of the Company's most relevant financial information in regard to the last three corporate years. For better understanding, this summary should be reviewed along with the Financial Statements and their respective notes, as well as with the explanations provided by the Company's management contained in subsection 3 d) of this annual report.

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	Cifras Dictaminadas (en millones de pesos) **Por los años que terminaron el 31 de Diciembre de:**					
Resumen de Resultados		**2014 - IFRS**		**2013 - IFRS**		**2012 - IFRS**
Ingresos Totales	**Ps.**	5,848.3	**Ps.**	8,550.4	**Ps.**	6,139.9
Gastos Corporatívos		256		247		212.1
Depreciación, amortización y arrendamiento de inmuebles		739.0		746.6		762.7
Deterioro de activos		0.0		894.8		0.0
Utilidad de operación		544.7		(41.6)		622.3
Resultado integral de financiamiento		883.9		368.3		524.1
Impuestos		(1,061.3)		1,161.9		616.6
(Pérdida) utilidad neta consolidada del año		718.2		(1,757.8)		1,355.6
(Pérdida) utilidad neta de los accionistas mayoritarios		716.8		(1,753.3)		1,342.9
Resumen de Balance General						
Total del activo circulante	**Ps.**	4,676.9	**Ps.**	3,782.0	**Ps.**	4,762.5
Inmuebles y equipo, neto		6,267.3		6,337.6		7,367.6
Total del Activo		13,318.0		12,519.4		14,248.4
Total del pasivo circulante		3,141.8		1,880.1		3,063.1
Deuda a Largo Plazo		4,432.3		4,555.1		4,059.5
Total del Pasivo		9,208.7		9,131.2		9,025.5
Total del Capital Contable		4,109.2		3,388.2		5,222.9
Principales Razones Financieras						
Utilidad de Operación / Ingresos		9.3%		-0.5%		10.1%
Utilidad Neta / Ingresos		12.3%		-20.6%		22.1%
EBITDA		$954.0		$1,273.3		$1,053.8
EBITDA / Ingresos		16.3%		14.9%		17.2%
Deuda con Costo / EBITDA		6.2 X		3.6 X		5.1 X
Activo Circulante / Pasivo Circulante		1.49 X		2.01 X		1.55 X
Pasivo Total / Capital Contable		2.24 X		2.69 X		1.73 X

Please refer to the Notes to the audited consolidated Financial Statements that are attached to this annual report, setting out the information which affects the comparison of the data that is presented herein, specifically note 3, without prejudice to the remaining notes and financial statements.

It is important to mention that the Senior Notes maturing in 2017 are guaranteed by a good portion of subsidiaries that represent an important amount of the assets, shareholders' equity, sales and operating profits of the corporation, in accordance to the audited financial statements of the external auditors, and therefore the information has not been broken down. In this regard, please refer to the information detailed in ii) Financial Situation, Liquidity and Capital Markets.

The operational and financial trends discerned from this financial information may not necessarily be indicative of the issuer's future performance, since in these years the company has executed unusual operations and its results have been significantly affected by the changes to the applicable tax provisions, and it cannot be ensured that there may or may not be legal modifications that may affect the company's results. Both the unusual operations and/or the risk factors in the future performance of the issuer may be consulted in the section "The Company" of this report.

b) Financial Information per Business Line, Geographic Zone and Export Sales

Sales behavior during the last three years for each of the Company's business lines is hereinafter explained in detail, since the Company's operations are concentrated in Mexico:

INGRESOS POR UNIDADES DE NEGOCIO (millones de pesos)	2014 - IFRS		2013 - IFRS		2012 - IFRS	
	Ingresos	%	Ingresos	%	Ingresos	%
HOTELES	2,717.8	46.5%	4,778.3	60.7%	2,833.1	52.0%
ADMINISTRACIÓN	1,107.9	18.9%	1,319.0	16.8%	1,402.0	25.7%
CLUB VACACIONAL Y OTROS	1,996.7	34.1%	1,776.0	22.6%	1,211.0	22.2%
OTROS INGRESOS	25.8	0.4%	0.0	0.0%	0.0	0.0%
TOTAL	**5,848.2**	**100.0%**	**7,873.3**	**100.0%**	**5,446.1**	**100.0%**

Source: Posadas

c) Relevant Loan Information

Section B. *Financial Situation, Liquidity and Capital Resources*, found later in this Report, contains a detailed discussion of the Company's total debt structure. As of December 31, 2014, the Company was current with all capital and interest payments on all loans contracted. In like manner, to the date of this report, the Company is current with capital and interest payments on financing contracted.

For more details on loans and unpaid taxes, see section 1. General Information, subsection c) Risk Factors, Tax section.

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d) Comments and Analysis of Management on the Operating Results and Financial Situation of the Company

i) *Operating Results*

Corporate year ending December 31, 2014
Compared with the corporate year ending December 31, 2013
Information according to International Financial Reporting Standards (IFRS)

Consolidated Integrated Operating Results Statement
For the years ending December 31, 2014 and 2013
(In thousands of Mexican pesos)

	Notes	2014	2013
Revenues:			
Hotel operations		$ 2,691,647	$ 2,673,704
Vacation Club		1,996,686	1,894,629
Hotel management, brand and other fees		1,107,921	1,200,437
Sales of non- strategic properties		26,197	2,781,588
Other revenues		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
Costs and expenses of administration, brand and other		1,116,372	1,300,426
Cost of sales of non- strategic properties		26,197	2,216,418
Administration		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	13	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 (loss) income		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 earnings of associated companies		(12,595)	(4,863)
Loss prior to earnings tax		(351,734)	(414,725)
(Benefit) earnings tax	17	(1,061,257)	1,161,883
Consolidated profit (loss), net from continuous operations		709,523	(1,576,608)

	Notas	2014	2013
Earnings (loss) from discontinued operations		8,718	(181,206)
Consolidated earnings (loss) for year		$ 718,241	$ (1,757,814)
	Notas	**2014**	**2013**
Other integrated results			
Foreign currency conversion gain		$ 10,844	$ 2,049
Recalculation of defined benefit obligations		(9,582)	8,795
		1,262	10,844
Annual consolidated integrated results		$ 719,503	$ (1,746,970)
Annual consolidated profit (loss) attributable to:			
Controlling participation		$ 716,817	$ (1,753,264)
Non-controlling participation		1,424	(4,550)
Annual consolidated profit (loss)		$ 718,241	$ (1,757,814)
Annual consolidated integrated result attributable to:			
Controlling participation		$ 718,079	$ (1,742,420)
Non-controlling participation		1,424	(4,550)
Annual consolidated integrated results		$ 719,503	$ (1,746,970)
Profit (loss) per share:			
Continuous operations and discontinued operations - Earnings (loss) basic and diluted per common share (in pesos)		1.45	(3.57)
Continuous operations - Earnings (loss) basic and diluted per common share (in pesos)		1.43	(3.20)
Weighted average of shares in circulation		495,937,601	492,496,017

In this context, at the close of 2014, the following relevant events occurred (Additionally, reference should be made to section 2) The Issuer, subsection a) History and Development of the Issuer.

Resumen de Resultados - IFRS (Expresados en millones de pesos)	2014		2013		Var%
	$	%	$	%	
Ingresos Totales	5,848.2	100.0	8,550.3	100.0	(31.6)
Hoteles Propios y Arrendados					
Ingresos	2,717.8	100.0	4,778.3	100.0	(43.1)
Costo Directo	2,265.1	83.3	3,854.6	80.7	(41.2)
Contribución	452.7	16.7	923.7	19.3	(51.0)
Administración					
Ingresos	1,107.9	100.0	1,319.0	100.0	(16.0)
Costo Directo	806.5	72.8	915.4	69.4	(11.9)
Contribución	301.4	27.2	403.6	30.6	(25.3)
Club Vacacional y Otros Negocios					
Ingresos	1,996.7	100.0	1,776.0	100.0	12.4
Costo Directo	1,520.7	76.2	1,410.0	79.4	7.9
Contribución	476.0	23.8	366.0	20.6	30.1
Otros					
Ingresos	0.0	0.0	677.0	100.0	na
Costo Directo	0.0	0.0	679.0	100.3	na
Contribución	0.0	0.0	(2.0)	(0.3)	na
Gastos Corporativos	256.2	4.4	247.2	2.9	3.7
Depreciación y amortización	409.3	7.0	420.1	4.9	(2.6)
Deterioro de activos	0.0	0.0	894.8	10.5	na
Otros (Ingresos) y Gastos	45.7	0.8	170.9	2.0	(73.3)
Otros Ingresos	(25.8)	(0.4)	0.0	0.0	na
Utilidad de operación	**544.7**	**9.3**	**(41.7)**	**(0.5)**	**na**
EBITDA	**954.0**	**16.3**	**1,273.2**	**14.9**	**(25.1)**

Total Revenue

The Company's total revenue decreased by 31.6% from $8,550.3 M in 2013 to $5,848.2M in 2014. The preceding was principally due to the income which corresponded to the sale of 14 hotels to FibraHotel, which was registered in 2013.

Own Hotels

Hoteles Propios	Total		Ciudad		Playa	
	2014	% Var.	2014	% Var.	2014	% Var.
Acumulado						
Cuartos promedio	5,631	(3.5)	4,356	(9.5)	1,275	24.4
Tarifa Promedio	1,204	11.1	1,099	9.1	1,514	9.6
Ocupación (Var. en pp)	69%	0.9	68%	1.3	74%	(2.8)
Tarifa Efectiva	831	12.6	742	11.3	1,119	5.6

2014 was characterized by a very good operating performance, propelled by relevant 11.1% growth in the available rate.

Own Hotels includes the revenues and costs and expenses derived from operating own and leased hotels by the Company. The decrease in revenues from Own Hotels of 43.1% to $2,717.8 M in 2014 from $4,778.3 M in 2013 is principally attributed to the sale of fourteen hotels considered to be non-strategic for the Company but that it continues to operate. Upon excluding the sale of those hotels, income presents sustained growth. From the operating point of view, it is the following: (i) an increase of 0.9pp in occupancy, (ii) resulting in a better effective rate of 12.6% which was $831 in 2014 and $738 in 2013 and (iii) a 3.5% decrease in the average number of rooms operated. The results of city hotels improved in comparison with those registered in

2013. With a decrease of 9.5% in average rooms operated, an increase of 9.1% in the average rate and an occupancy factor greater by 1.3pp, the effective rate was augmented to 11.3%.

Beach hotels operated 24.4% more rooms on the average, due to the transfer of the hotel “Fiesta Americana Grand Los Cabos Golf & Spa” (FAG), from the Vacation Club business which from July 1, 2012 until December 2013 had been marketed by the Vacation Club. Furthermore, these hotels underwent a 9.6% average rate increase with an occupancy decrease of 2.9pp. All of the preceding resulted in an increased 5.6% effective rate in comparison with the preceding year; which confirms the consolidation of three hotels to the All Inclusive plan (meals and activities included in the cost of the rooms), as well as a tourist flow increase to beach destinations, principally coming from the United States and Brazil.

Departmental costs of own and leased hotels by the Company consist of the salaries related to room housekeeping personnel. In addition, it includes costs for food and beverages, as well as other expenses, such as commissions to agencies, reservation fees and room amenities and laundry services. Departmental costs and expenses equal $1,004.5 million for 2014, presenting a marginal decrease of 0.3% in comparison with the $1,007.5 million for the same period in 2013. Departmental costs and expenses remained constant despite a reduction in the number of rooms of Grupo Posadas’ own hotels in comparison with the preceding year. The Departmental result (revenue minus departmental costs and expenses) was $1,687.1 million for 2014, thus it represented a 1.3% increase in comparison with $1,666.1 million for the comparable 2013 period.

General Expenses related to the Company’s own and leased hotels consist of administrative expenses, as well as sale, promotion and publicity expenses, in addition to maintenance and energy costs. In sum, these expenses increased by 5.6%, to $ 571.7 million during 2014 in comparison with $541.2 million for the 2013 comparable period. By category, these expenses changed as is hereinafter described: (i) administrative expenses increased by 28.5%, representing $177.3 million in 2014 and $138.0 million for the same 2013 period; (ii) the costs for sale, promotion and publicity decreased by 4.4%, representing $105.7 million for 2014 and $110.5 million for the 2013 comparable period; and (iii) maintenance and energy expenses, that in 2014 represented $288.7 million, for 2013 were $292.6 diminishing by 1.4%. General Expenses were reduced, mainly due to a lesser number of room in the Company’s own hotels.

Expenses related to the Company’s own and leased hotels include real property taxes, payments of insurance premiums, and payment of fees for auditors and legal counsel. The latter decreased by 8.7 %. Other net expenses diminished by 75.1%; $45.7 million in 2014 and $183.2 million in the 2013 comparable period.

Hurricane “Odile” impacted the city of Los Cabos on September 14, 2014 damaging part of the hotel Fiesta Americana Grand Los Cabos and the Fiesta Americana Vacation Club Villas. Both properties began operating anew on November 15, 2014 before the year-end vacation season began. Actual and consequential damages insurance coverage for both properties was adequate and the deductibles for both overages applicable to Posadas were US$1.9 million. For purposes of measuring the impact, the Hotel and Villas in Los Cabos represented 3.5% of room inventory.

In 2014 the Company sold its minority participation in 2 hotels: Fiesta Inn Xalapa and One Xalapa.

Administration

Administración	Total		Ciudad		Playa	
	2014	% Var.	2014	% Var.	2014	% Var.
Acumulado						
Cuartos promedio	18,461	9.2	15,880	8.4	2,581	14.3
Tarifa Promedio	1,108	6.5	1,014	5.4	1,633	9.3
Ocupación (Var. en pp)	63%	(1.0)	63%	(0.9)	68%	(1.8)
Tarifa Efectiva	703	4.9	635	3.9	1,112	6.4

The category “Hotel management, Brands and Other Fees” includes services for administration and brands, as well as the administrative services of loyalty programs (Ampersand), telephone call centers (Konexo) and the centralized purchasing business (Summas) of Grupo Posadas. Due to the adoption of IFRS, inter-company operations were eliminated, such as rates collected as expenses of own and leased hotels, which subsequently were converted into income for the hotel administration segment.

2014 revenue decreased 16.0% in comparison with 2013, obtaining $1,107.9 million in 2014, in comparison with $1,319.0 million in 2013. Growth of 4.9% in the Effective Rate was in turn due to marginally less occupancy and an availability rate increase of 6.5%.

The company has opened 18 new hotels, including 4 conversions to the Gamma brand. It should be mentioned that the contract to operate the Hotel Fiesta Inn Villahermosa, was not renewed. (For more detail, see section 1) "b) Executive Summary").

Direct costs and corporate expenses related to Grupo Posadas' Hotel Management, Brands and Others business line include, principally costs and expenses of its corporate sales, hotel operations, as well as costs related to its departments of human resources and its Ampersand, Konexo and Summas businesses. Pursuant to the summary of operating results, these costs and expenses decreased by 11.9% to $806.5 million in comparison with the same period in 2013 in which they represented $915.4 million.

For urban hotels, at the system level it was noted that the average number of rooms operated presented an increase of 8.4%, with an improvement of 5.4%in the average rate, decreasing occupancy by 0.9 pp to attain an effective rate of 3.9%.

Beach hotels presented an increase of 14.3% in the operated rooms' average. The rate average climbed to 9.3% with an occupancy lower than 1.8pp, thus the effective rate increased to 6.4%.

Other Businesses

Fiesta Americana Vacation Club has been 15 years in the market and is undergoing a notable growth spurt. In 2014 the offer of this product was broadened by reopening the hotels Fiesta Americana Cozumel, The Explorean Cozumel and concluding the last phase of the villas in the hotel Fiesta Americana Grand Los Cabos. Likewise, the architectural project for the new Fiesta Americana Grand Acapulco Diamante was begun.

The category "Vacation Club and others", includes the Fiesta Americana Vacation Club. The income from the Vacation Club and others increased by 12.4% to $1,996.7 million in 2014, from $1,776.0 million in the 2013 comparable period; the Vacation Club represented approximately 90% of revenue in this business category. Growth defined the vacation properties business, increasing in 2014 the number of members, reaching more than 50,000. Kivac reports about 19,000 clients.

Expenses for the Vacation Club and Other Businesses line include, principally, expenses related to sales, financing, administration and operating expenses for our destinations. These costs increased 7.9% to $1,520.7 million in comparison to $1,410.0 million for the same period in 2013.

To December 31, 2014 the portfolio profile of Vacation Club, valued at approximately US$138 million, (which does not include The Front Door and Kivac) improved substantially. The soundness of the portfolio is demonstrated by the fact that 91% of the same is within the normal collection period of less than 90 days.

Corporate Expenses

The Company's corporate expenses include expenses such as salaries, administrative expenses, legal advisory fees, as well as diverse payments related to its financial, corporate, human resources and technology departments, as well as those of the Chief Executive Officer. Corporate expenses –by segment- in 2014 represented $256.2 million, which was a 3.7% percentage increase in comparison with the $247.2 million that this category represented for the same period in 2013. This increase resulted from various actions taken to reorganize the highest administrative levels of Grupo Posadas. In percentage of the Company's revenues, corporate expenses represented 4.4% of its total income in 2014. The latter is mainly due to the change of Conectum reporting to Corporate.

Depreciation, Amortization and Real Property Leasing

Grupo Posadas had depreciation, amortization and leasing expenses from real property for an amount equal to $739.0 million in 2014. This represented a decrease of 1.0% in comparison to $746.6 million expended for this concept in the comparable 2013 period.

Operating Results

The operating results for Grupo Posadas consolidate the revenues from its lines of own hotels, administration of hotels, brands and others, Vacation Club and other business lines and deducts its corporate expenses and expenses due to depreciation, amortization, leasing of real property and deterioration of assets. Consequently, because of the preceding, its earnings from consolidated operations were $544.7 million for 2014 and a loss of $41.6 million reported in 2013.

Integrated Financing Result

Concepto	2014	2013
Intereses ganados	(22,509)	(110,875)
Intereses devengados	417,669	393,659
Pérdida (Util.) cambiaria	427,934	29,997
financieros	0	(2,209)
Otros Gastos Financieros	60,763	57,711
Total RIF	**883,857**	**368,283**

(Numbers in thousands of pesos)

In 2014, the global financial result of Grupo Posadas was $883.8 million, which was an increase when compared with $368.3 million for 2013. Interest expenses grew by 6.1% to $417.7 million in 2014, in comparison to $393.6 million for the 2013 comparable period. This increase was principally due to the peso's depreciation with respect to the United States dollar. Currency exchange effects related to Posadas foreign operations translated into a loss of $427.9 million in 2014, in comparison with currency exchange earnings of $30.0 million in 2013, since the Mexican peso depreciated 12.6% during 2014.

To close of 2014, the coverage of net interest to EBITDA was 2.4 times.

Revenue from discontinued operations, net income tax

With respect to the South America sales transaction, in September 2014, we executed an agreement to fully terminate the escrow guaranty related to the sale of the South American hotel operation business, having received US$16.6 million.

On the other hand, in 2013, as a consequence of the entry into force of the new Mexican tax laws, we had to recognize an updated payable Income Tax updated to $813.4 million, due to the repeal of the Consolidated Tax Rules, and additionally updated taxes payable for $993.3 million resulting from the extinction of benefits under the SIBRAS rules. The Company and its subsidiaries are obligated to pay the deferred tax determined on December 31, 2014 during the following four corporate years counted from 2014.

Majority Net Result

Our financial statements report consolidated net earnings of $718.2 million for 2014. The net earnings corresponded in part to a decrease in the deferred taxes reserve, the product of a corporate restructuring.

Financial Situation

The cash balance to December 31, 2014 was $1,516.8 million (US$103.1 million). It should be noted that the cash balance to end of January 2015, after timely and appropriately paying the notes due in 2015, totals $916.9 million (US$62.4 million).

The Company's total assets amount to $13,317.9 million (US$904.9 million).

The principal entries which used cash were, amongst others, capital expenses, taxes and interest payments.

Total debt amounted to $5,882.3 million (US$399.7 million) net of issuance expenses, $1,160 million more than to September 30, 2014, due to the issuance of US$50 million of euro commercial paper and the depreciation of the peso, while net debt according to IFRS was $4,359.3 million (US$296 million). The proportion of Net Debt to EBITDA was 4.6 times, which unfavorably compares with 3.9 times reported to December 31, 2013 on comparable bases.

The Total Debt mix at close of 2014 was the following: 24% short-term, 100% in USD and at a fixed rate. The average debt life was 2.3 years and no debt was guaranteed with real property assets.

To the publication date of this report, the corporate ratings are:

Moody´s: global scale “B2” with negative outlook.
S&P: global scale “B” with stable outlook.
Fitch: global scale Issuer Default Rating (IDR) “B” and local scale “BB+(mex)”, both with negative outlook.

The rating for the notes issue “7.875% Senior Notes 2017” are: Moody's:“B2”/ S&P:“B”/Fitch:“B+ RR3”.

In compliance with the stipulations of article 4.033.01 section VIII of the Mexican Stock Exchange's internal regulations, we would like to make known that the debt analysis coverage of Grupo Posadas is done by:

J.P. Morgan Securities LLC, analyst: Jacob Steinfeld, jacob.a.steinfeld@jpmorgan.com (1-212) 834-4066
Bank of America Merrill Lynch, analyst, Roy Yackulic roy.yackulic@baml.com (1-646) 855-6945
BCP Securities, LLC, analyst: James Harper, jharper@bcpsecurities.com (1-203) 629-2181

Subsequent Events

On January 15, 2015 we paid the balance of US$51.7 million on the notes issued on January 15, 2010 “9.25% Senior Notes Due 2015” for a total amount of US$200.0 million.

During 2015, the Company has opened the following four hotels for a total 615 rooms, of which the One hotels are under operating contracts and the Gamma hotels are under franchise contracts:

One Cuernavaca
Gamma El Castellano, Merida
Gamma Monterrey Ancira
One Villahermosa Tabasco 2000

In February 2015, Posadas signed an exclusive use licensing contract for the Live Aqua Brand in the territory of the United States of America. Derived from this Alliance, Posadas anticipates receiving income from royalties and other connected services from the hotels to be developed in said country.

Corporate year ending December 31, 2013
Compared with the corporate year ending December 31, 2012
Information according to International Financial Reporting Standards (IFRS)

Consolidated Integrated Operating Results Statement
For the corporate years ending December 31, 2013 and 2012
(In thousands of Mexican pesos)

	2013	2012
Revenues:		
Hotel operation	$2,673,704	$3,026,383
Hotel management, brand and other fees	1,200,437	1,268,734
Vacation Club	1,894,629	1,844,757
Sale of non- strategic properties	2,781,588	-
	8,550,358	6,139,874
Operating expenses:		
Hotel operation cost and expenses	1,007,563	1,069,259
Administration, brand and others cost and expenses	1,351,814	1,459,605
Vacation Club cost and expenses	1,429,250	1,250,621
Cost of sale of non- strategic properties	2,216,418	-
Administrative	137,977	240,699
Sales, advertising and promotion	110,563	130,342

Maintenance and energy	292,641	331,797
Property taxes and insurance	25,329	29,560
Corporate expenses	195,769	212,070
Depreciation and amortization	420,057	431,511
Deterioration of assets	894,831	-
Real property leasing	326,513	331,154
Other expenses, net	183,213	30,989
	8,591,938	5,517,607
Operating (loss) income	(41,580)	622,267
Interest expense	393,659	610,174
Interest income	(110,875)	(27,139)
Commissions and financial expenses	57,711	173,847
Exchange result, net	29,996	(152,200)
Effects of valuation of financial instruments	(2,209)	(80,613)
	368,282	524,069
(Loss) profit before profit tax	(414,725)	96,079
Profit tax	1,161,883	616,559
Consolidated net loss of continuous operations	(1,576,608)	(520,480)
(Loss) profit from discontinued operations	(181,206)	1,876,044
(Loss) consolidated net profit	($1,757,814)	$1,355,564

In this context, at close of 2013, the following significant events occurred (ADDITIONALLY PLEASE REFER TO SECTION 2) a) HISTORY AND DEVELOPMENT OF THE ISSUER:

A. Asset right model

1. SALE OF HOTELS TO FIBRAHOTEL. During the first quarter of 2013, the sale of 12 hotels to FibraHotel was agreed, and which are located mainly in the North and Center of the country, and which continue to operate under the brands Fiesta Inn and One. Posadas will continue to manage these hotels for time periods greater than 15 years, and the monetary resources received were used to continue developing Posadas in Mexico. In summary, the Fiesta Inn hotels sold to January 21, 2013 are:
Monterrey La Fe-Aeropuerto
Aguascalientes
Ciudad Juarez
Chihuahua
Guadalajara
Queretaro
Saltillo
Mexicali
Leon
And the list of hotels sold under the One Hotel brand:
Ciudad de Mexico Patriotismo
Queretaro Plaza Galerias
Likewise, the group's hotel portfolio no longer includes the hotels Fiesta Inn Monclova sold February 28, 2013, Fiesta Inn Toluca sold April 30, 2013 and Fiesta Inn Tlalnepantla sold June 24, 2013.

The sale of these hotel assets is contemplated in the non-strategic assets disincorporation plan. After completing the sale of approximately 10% of the rooms operated, Posadas is still the owner or lessee of 39% of the room inventory that it operates.

2. SALE OF CORPORATE OFFICES. On June 27, 2013 there was signed with Fibra Uno an agreement to sell its corporate offices, for an approximate amount of US15 million, payable in cash. As part of the negotiations of this transaction, Fibra Uno and Grupo Posadas signed a leasing agreement for said offices for ten years. The sale of these assets is contemplated in the non-strategic assets disincorporation plan.

3. SALE OF SHARES OF SUBSIDIARY COMPANY. On December 31, 2013, we sold the totality of the shares of our subsidiary which owned non-strategic assets or which did not generate cash flow, amongst these was the Chemuyil land, which the Company had owned for more than 15 years. The transaction was for a total amount of $680 million. This sale of shares is part of the Company's strategy to reorganize its assets and businesses to focus on the hotel business and, fortify its investment strategy to face the challenges of the coming year. This sale was made at market price, and was accompanied by a recognition of the loss in value at which the shares were accounted.

B. Accelerated Growth

4. As part of the implementation of the BALANCE SCORECARD MANAGEMENT MODEL in Posadas, the Business Units and Staff Areas formulated their strategic maps for the 2013-2016 period. The process will align and direct individual and collective efforts towards the company's vision, translating our strategic guidelines into concrete goals and actions.

5. ACQUISITION OF TWO LOTS OF LAND TO DEVELOP THE VACATION CLUB. The expansion and development of Fiesta Americana Vacation Club continues with the acquisition for construction of two lots of land located in Acapulco Diamante and Nuevo Vallarta in the last quarter of 2013 for US9.9 million and US12.7 million, respectively, Both projects may represent an increase of more than 50% of the total Vacation Club modules inventory.

6. IN 2013 WE INVESTED IN AN EXTENSIVE REMODELING of the hotel Fiesta Americana Cozumel for US18 million, achieving an innovative, *avant gard* concept, and completely renewed that completes its conversion to the All Inclusive concept, the same as a hotel under the "The Explorean" brand, adjoining the first. We will allocate this hotel's inventory to our Vacation Club, thereby increasing our offer of this product. As result of this total remodeling, we recognized a deterioration in the value of the assets that were eliminated and which we are remodeling.

7. HOTEL DEVELOPMENT. To December 31, 2013, Posadas has agreements to operate 41 new hotels with 5,584 rooms. This development plan represents a room offer increase of 29%, 77% corresponds to the Fiesta Inn and One Hotels brands. These hotels presuppose a total investment of US$423.2 million that will be made by independent investors to Posadas, and of which Grupo Posadas has contributed approximately 7% percent, which corresponds to the investment in the last phase of the Los Cabos Vacation Club. The openings will begin in the first quarter of 2014, and it is expected that all will be operating before December 2015, according to the commitment dates assumed by the owners of said real properties.

C. Investment in brands

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

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

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

D. Financial health

11. REOPENING OF THE SENIOR NOTES PROGRAM DUE IN 2017 FOR AN ADDITIONAL US$50 MILLION. On January 30, 2013, Posadas announced the successful placement of an additional issuance of its "Senior Notes 2017", for US50 million issued at a price of 106.642% equivalent to a yield rate at maturity of 6.3%. This placement, at that time, was the issuance with the lowest rate, per rating by Moody´s: B2/S&P: B/Fitch: B+. The net funds received from the issuance of the additional Senior Notes were used to pay off the unpaid balance of a US21.5 million loan from Bancomext and incremental cash flow.

12. PAYMENT OF OBLIGATIONS TO THE REAL PROPERTY PATRIMONY INSTITUTE OF THE PUBLIC ADMINISTRATION of the State of Quintana Roo (IPAE). In relation to the existing obligation to build on the Chemuyil land, on the Riviera Maya, the creditor of that obligation exercised the guarantees granted in shares of a trust equivalent to US10 million. This charge, without implicating cash, was registered in the line item of Other expenses and (revenues) in the operating results statement and as additional premium for the sale of shares. After this payment, there were no obligations pending or restrictions with respect to this creditor.

13. FORGIVENESS OF TAX LIABILITIES. On April 30, 2013 there were presented before the courts the withdrawals of determined actions filed by the Company and several of its subsidiaries against various tax liabilities amounting to $1,414 million pesos, which had originated since 2004 to 2008. Due to the preceding, on May 7, 10% of the aforesaid amount was paid and the remainder was forgiven pursuant to the favorable ruling, obtained on May 14, 2013, from the Tax Administration Service.

Our financial statements report a net loss of $1,757.8 million. These results were primarily caused by extraordinary occurrences, described below, which from our viewpoint, do not impact upon our ability to generate cash flow and our cash balance position is sufficient to fulfill our future commitments.

Derived from the sale of the shares of our subsidiary company holding non-strategic assets (Antigua Inmobiliaria Hotelera, S.A. de C.V) and the remodeling of the hotel Fiesta Americana Villas Cozumel, we recognized deterioration in the value of our assets. The preceding is because the Chemuyil land, principally, was valued and registered in our books as a project and not as land and, in the case of Cozumel, the complete remodeling of the real property implied being unable to recognize the asset's residual value.

On the other hand, as a result of the new tax law in Mexico, we had to recognize income tax payable for $882.3 M due to the repeal of the tax consolidation rules, and in addition tax payable for $1,297.4 M due to repeal of the SIBRAS rules.

The detailed financial position to the close of the 2013 corporate year, which shows duly explained and classified the corporation's operating results during the corporate year and that at the same time shows the financial position changes during the same year, as well as how the changes are evidenced in the entries that integrate the corporate capital in the 2013 corporate year, and the necessary notes that complete and clarify the information contained in said financials statements, are in and should be observed in annex 7 of this report. These correspond to the report of the Independent Auditors and the consolidated financial statements for 2013 and 2012 of Grupo Posadas S.A.B. de C.V. and Subsidiaries issued by Galaz, Yamazaki, Ruiz Urquiza S.C. (member of Deloitte Touche Tohmatsu Limited).

Below there is presented the financial information according to the business segments operated by the Company, which coincide with the Consolidated Integrated Operating Results Statement in Total Revenue, Operating profits, EBITDA and consolidated net profit but the income and costs for each segment may vary.

Resumen de Resultados - IFRS (Expresados en millones de pesos)	2013 $	2013 %	2012 $	2012 %	Var%
Ingresos Totales	8,550.3	100.0	6,139.9	100.0	39.3
Hoteles Propios y Arrendados					
Ingresos	4,778.3	100.0	3,026.4	100.0	57.9
Costo Directo	3,854.6	80.7	2,581.4	85.3	49.3
Contribución	923.7	19.3	445.0	14.7	107.6
Administración					
Ingresos	1,319.0	100.0	1,396.7	100.0	(5.6)
Costo Directo	915.4	69.4	1,017.7	72.9	(10.1)
Contribución	403.6	30.6	379.0	27.1	6.5
Club Vacacional y Otros Negocios					
Ingresos	1,776.0	100.0	1,716.8	100.0	3.4
Costo Directo	1,410.0	79.4	1,234.2	71.9	14.2
Contribución	366.0	20.6	482.6	28.1	(24.2)
Otros					
Ingresos	677.0	100.0	0.0	0.0	na
Costo Directo	679.0	100.3	0.0	0.0	na
Contribución	(2.0)	(0.3)	0.0	0.0	na
Gastos Corporativos	247.2	2.9	247.2	4.0	0.0
Depreciación y amortización	420.1	4.9	431.5	7.0	(2.6)
Deterioro de activos	894.8	10.5	0.0	0.0	na
Otros (Ingresos) y Gastos	170.9	2.0	5.7	0.1	na
Utilidad de operación	**(41.7)**	**(0.5)**	**622.3**	**10.1**	**(106.7)**
EBITDA	**1,273.2**	**14.9**	**1,053.8**	**17.2**	**20.8**

Total Revenue

The Company's total revenues escalated 28.2% from $6,139.9M in 2012 to $8,550.3 M in 2013, mainly derived from the income corresponding to the sale of 14 hotels to FibraHotel.

Own & Leased Hotels

Hoteles Propios	Total	Total % Var.	Ciudad	Ciudad % Var.	Playa	Playa % Var.
Acumulado						
Cuartos promedio	5,668	(26.8)	4,643	(29.9)	1,025	(7.8)
Tarifa Promedio	1,083	10.3	1,007	7.5	1,381	10.6
Ocupación (Var. en pp)	68%	1.1	66%	(0.7)	77%	9.4
Tarifa Efectiva	738	12.2	667	6.4	1,060	26.0

2013 was characterized by a very good operating performance, propelled by hotel occupancy already at similar levels to those reached before the 2008 financial crisis.

Own hotels includes revenues and costs and expenses derived from the Company's operation of own and leased hotels. The revenue increase of Own Hotels of 57.9% to $4,778.3 M in 2013 from $3,026.4 M in 2012, was mainly attributable to the sale of fourteen non-strategic hotels for the Company, but which it will continue to operate and from the operating perspective to the following items: (i) 1.1pp (percentage points) increase in occupancy, (ii) the result of a better effective rate of 12.2% which was $738 in 2013 and $658 in 2012 and (iii) a 26.8% decrease in the average number of rooms operated. The urban hotels' results showed a significant improvement compared to the results recorded in 2013. With a 29.9% decrease in the average number of rooms operated, a 7.5% increase in the average rate and with a slightly lower occupancy factor of 0.7pp, the effective was higher by 6.4%.

Coastal hotels operated on average 7.8% less rooms, due to the transfer of the hotel Fiesta Americana Cozumel Reef to the Vacation Club business which as of July 1, 2012 began to be marketed by this business unit. Furthermore, these hotels had a 10.6% increase in the average rate which was accompanied by a 9.4pp increase in occupancy. All of the above resulted in an effective rate increase of 26.0% in comparison with the previous year which confirms the consolidation of the change of two hotels to the All Inclusive plan; an all included format (meals and activities included in room cost). Also there has been an increase in tourist flow to beach destinations, principally coming from the United States and Brazil.

Departmental costs of own and leased hotels by the Company consist of the salaries related to room housekeeping personnel. In addition, it includes costs for food and beverages, as well as other expenses, such as commissions to agencies, reservation fees and room amenities and laundry services. Departmental costs and expenses equal $1,007.6 million for 2013, presenting a decrease of 5.8% in comparison with the $1,069.3 million for the same period in 2012. Departmental costs and expenses partially decreased as a result of a smaller number of Grupo Posadas' own hotels in comparison with the previous year. The Departmental result (revenue minus departmental costs and expenses) was $1,666.1 million for 2013, thus it represented a 14.9% decrease in comparison with $1,957.1 million for the comparable 2012 period.

General expenses for the Company's own and leased hotels correspond to administration, sales, publicity and promotion, maintenance and energy. In summary, these expenses decreased by 23.0% to $541.2 M in 2013 in comparison to $702.8 M in 2012. By category, these expenses changed as described below; (i) administrative expenses decreased by 42.7% to $138.0 million in 2013 from $240.7 million for the same period in 2012, (ii) a 15.2% decrease in sales, publicity and promotion costs to $110.6 million in 2013 from $130.3 million for the same period in 2012, and (iii) an 11.8% decrease in maintenance and energy costs from $331.8 million in 2012 to $292.6 million in 2013 due to the sale of fourteen hotels. General expenses were generally reduced due a lesser number of Own Hotels of the Company.

Other related expenses to the Company's own and leased hotels include real property taxes, insurance premiums and other (income) net expenses. Other net expenses are mainly composed of lease payments, fees of auditor and legal advisors. Other net expenses increased by 491% from $31.0 million in 2012 to $183.2 million for the comparable 2013 period.

The Company sold fourteen hotels to FibraHotel during 2013 and that it will continue operating for an additional 15 year term. With the exception of the South American assets, Grupo Posadas did not sell any assets in 2012.

Administration

Administración	Total		Ciudad		Playa	
		% Var.		% Var.		% Var.
Acumulado						
Cuartos promedio	16,732	2.9	14,475	4.1	2,258	(4.5)
Tarifa Promedio	1,040	5.7	962	5.0	1,495	7.6
Ocupación (Var. en pp)	64%	0.1	64%	(0.8)	70%	6.4
Tarifa Efectiva	670	5.9	612	3.6	1,045	18.5

The category of Hotel management, Brands and Others includes administration services and brands, as well as the administration of the loyalty program ("Ampersand"), the call center ("Konexo"), shared services ("Conectum") and the centralized purchasing (Summas) business of Grupo Posadas. Due to the adoption of IFRS, intercompany operations as rates collected for expenses of own and leased hotels, which were later converted into revenue for the hotel administration segment, were eliminated.

Revenues were similar to previous year by decreasing 5.6% to $1,319.0 million in 2013 from $1,396.7 million in 2012. The 5.9% growth in the consolidated Effective Rate of the Company's hotels, which in turn was due to a similar occupancy rate and an increase in the availability rate of 5.7% for the relevant period contributed to a greater generation in this segment. Seven new hotel were opened in 2013 under administration contract arrangements and which represented 894 additional rooms: One Queretaro Plaza Galerias (126 rooms), One Oaxaca Centro (109 rooms), Fiesta Inn Toluca Aeropuerto (150 rooms), Fiesta Inn Chetumal (131 rooms), One Guadalajara Tapatio (126 rooms), One Salina Cruz (126 rooms) and One Irapuato (126 rooms). It is worth mentioning that the Company no longer operates the Fiesta Inn Morelia hotel (leased) with 253 rooms, Fiesta Inn Mazatlan with 117 rooms and the Fiesta Inn Orizaba with 103 rooms.

Direct costs and corporate expenses related to Grupo Posadas' Hotel, Brand and Others administration business line include, principally, the costs and expenses of corporate sales, hotel operations, as well as costs related to its department of human resources, and its businesses Ampersand, Konexo, Conectum and Summas. According to the note on segments, these costs and expenses decreased by 10.1% cost reduction to $915.4 million in comparison with the same 2011 period in which they represented $1,017.7 million.

Regarding our system's urban hotels, we observed that the average number of rooms operated presented a 4.1% increase with a 5.0% improvement in the average rate, which was accompanied by a 0.8pp occupancy increase to attain an effective rate in excess of 3.6%.

Coastal hotels presented a 4.5% decrease in the average number of operated rooms, since the hotel in Cozumel was shifted and as of October 1, 2013 a hotel located Mazatlan was no longer operated. Yet since 2011, two Fiesta Inn hotels were inaugurated at beach destinations (Cancun and Ciudad del Carmen). Additionally, the average rate increased 7.6%, which was set off by greater occupancy of 6.4pp, with which the effective rate increased by 18.5%.

Other Businesses

Our Vacation Club business line and others, principally include the Fiesta Americana Vacation Club. The revenue of the Vacation Club and others increased to $1,776.0 million in 2013, 3.4% higher, from $1,716.8 million registered for the comparable period in 2012. The Vacation Club represented approximately 90% of revenue in this business line. Growth defined the vacation properties business line increasing members in 2013 by 14% reaching approximately 43,700 members. Kivac has reported approximately 14,000 clients with 630,000 room nights sold based on the Posadas system.

Within the same vacation properties business line, the Company launched a new product denominated "The Front Door" which is similar to the Fiesta Americana Vacation Club (FAVC) product but focused on a more exclusive and more luxurious market. To this end, in April 2013, Posadas acquired 16 apartments in Puerto Vallarta for a total investment of US$5.6 million, that have been incorporated into the "Private Residence Club" under the Front Door brand and which are available since August 13, 2013. The estimated average sale per customer will be approximately US$140 thousand versus the average of US$15 thousand in the present program. To December 31, 2013, 41% of the total inventory of this product has been sold.

Expenses due to the vacation club and other business line include principally expenses related to sales, financing, administration and operations of our destinations. These costs increased more than our revenues, 14.2% to $1,410.0 million in 2013 in comparison to $1,234.2 million in 2012 for the same period.

During these years, Grupo Posadas has successfully implemented various control strategies to reduce cancellations by including a reservation modification fee, as well as converting its customers' obligations denominated in US dollars into Mexican pesos, at a greater interest rate.

In the last twelve months, 164 rooms were added by opening Nima Bay in Puerto Vallarta. Since December 31, 2013, operations in the third phase of Fiesta Americana Vacation Villas in Los Cabos incorporating 148 new rooms in this location.

The portfolio profile with more than US$140 million in value substantially improved and revealed the soundness of the portfolio, reaching similar delinquency levels that compare to those before 2008 and which was the best moment for our portfolio. These level are below international industry standards.

Corporate expenses

The Company's corporate expenses are those relating to salaries, administrative expenses and legal advisory fees as well as diverse payments related to its finance, corporate human resources, and technology, as well those of its Chief Executive Officer. Corporate expenses – per segment – were $247.2 million in 2013 and did not represent a percentage increase in comparison with $247.2 M for this category for the same period in 2012.The increase was the result of various actions related to the reorganization of Grupo Posadas' highest administrative level. As a percentage of the Company's revenue, corporate expenses represented 2.9% of its total revenues in 2013.

Depreciation, Amortization and Real Property Leasing

Grupo Posadas had depreciation, amortization, and property leasing expenses for an amount equal to $746.6 million in 2013; this represented a 2.1% decrease when compared to the $762.7 million expended under this concept for the comparable 2012 period.

Asset Deterioration

Resulting from the sale of the shares of our non-strategic subsidiary company asset, (Antigua Inmobiliaria Hotelera, S.A. DE C.V.) and the remodeling of Fiesta Americana Villas Cozumel, we recognized a deterioration in the value of our assets in the amount of $894.8 million. The previous was due to the fact that the Chemuyil land, principally, was valued and registered on our books as a project and not as land and, in the case of Cozumel the total remodeling of the real property implied not being able to recognize the residual value of the assets.

Operating Results

Grupo Posadas' operating results consolidate the income from its line of own hotels, administration of hotels, brands and others, Vacation Club and other business lines and deducts its corporate expenses and expenses for depreciation, amortization, leasing of real property and asset deterioration. Consequently, as a result of the aforementioned, its losses due to consolidated operations were $41.6 million for 2013 and a profit of $622.3 million which was reported in 2012.

Comprehensive Financing Result

Concepto	2013	2012
Intereses ganados	(110,875)	(14,892)
Intereses devengados	393,659	610,174
Pérdida (Util.) cambiaria	29,997	(152,200)
financieros	(2,209)	(92,859)
Otros Gastos Financieros	57,711	173,847
Total RIF	**368,283**	**524,069**

(Numbers in thousands of pesos)

The global financial result of Grupo Posadas was $368.3 million in 2013 which is a reduction when compared to $524.1 million in 2012. Interest expenses were reduced by 35.5% from $610.2 million in 2012 to $393.7 million in 2013; this reduction was principally due to the significant decrease of total debt that the Company executed during the fourth quarter of 2012. Currency exchange effects related to Posadas foreign operations translated into a gain of $152.2 million in 2012, in comparison with an expense of $30.0 million in 2013 with a MXN exchange rate against the USD similar to that of 2012, since the Mexican peso depreciated 1.0% in 2013, in comparison with an appreciation of 6.9% observed in 2012 in comparison with the preceding year.

At the end of 2013, net interest coverage to EBITDA was 4.5 times; 2.3 times higher than in 2012. After excluding the EBITDA from the sale of the 14 hotels, the coverage would be 3.0 times.

Income from Discontinued operations, net income tax

For 2012 and 2013, the South American operations of Grupo Posadas, which sale is the subject of this Annual Report, were reported as discontinued operations; this resulted in a net tax gain of $1,876.0 million in 2012. With respect to the South American sales transaction, price adjustments are being made, same which have been covered by a charge to the existing escrow. According to escrow rules, in October 2014 there may be released the amount exceeding the minimum guarantee balance.

On the other hand, in 2013, as a consequence of the entry into force of the new Mexican tax laws, we had to recognize a payable Income Tax of $882.3 million, derived from the repeal of the Consolidated Tax Rules, in addition to a tax payable for $1,297.4 million resulting from the extinction of benefits under the SIBRAS rules. The Company and its subsidiaries are obligated to pay the deferred tax determined to December 31, 2013 during the following five corporate years counted from 2014.

Majority Net Result

Our financial statements report a net consolidated loss in 2013 of $1,757.8 million. These results were mainly affected by extraordinary events that were described above. Said events, in our opinion, do not affect our capacity to generate cash flow and our cash balance is sufficient to comply with our future commitments.

Financial situation

As of December 31, 2013, the cash balance was $1.231 million (US$94 million).

The principal entries which used cash during the quarter were, amongst others, capital expenses, including the purchase of land in Nuevo Vallarta and land in Acapulco Diamante and interest payments.

Total debt amounted to $4,557.6 million (US$348.5 million) net of issuance expenses, while net debt according to IFRS was US$254.3 million. The proportion of Net Debt to EBITDA was 2.6 times, which favorably compares with the 3.4 times reported in the 4Q12.

The Total Debt mix at the closing of the fourth quarter was as follows: 0% short-term, 100% in U.S. dollars and fixed rate. The average debt life was 3.2 and no debt was guaranteed with real property assets

As of the release date of this report, the corporate ratings are:

Moody's: global scale "B2" and stable outlook.
S&P: global scale "B" with stable outlook.
Fitch: global scale Issuer Default Rating (IDR) "B" and local scale "BB+ (mex), both with stable outlook.

The ratings for the note issues "9.25% Senior Notes 2015" and "7.875% Senior Notes 2017" are: Moody's:"B2"/ S&P:"B"/Fitch:"B+ RR3".

In compliance with the stipulations of article 4.033.01 section VIII of the internal regulations of the Mexican Stock Exchange, we would like to make known that the debt analysis coverage of Grupo Posadas is done by:

J.P. Morgan Securities LLC, analyst: Jacob Steinfeld, jacob.a.steinfeld@jpmorgan.com (1-212) 834-4066
Bank of America Merrill Lynch, analyst, Roy Yackulic roy.yackulic@baml.com (1-646) 855-6945

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Corporate year ending December 31, 2012
Compared with the corporate year ending December 31, 2011
Information according to International Financial Reporting Standards (IFRS)

Consolidated Integrated Operating Results Statement

For the corporate years ending December 31, 2012 and 2011
(In thousands of Mexican pesos)

	2012	2011
Revenues:		
Hotel operation	$ 3,026,383	$ 2,833,135
Hotel management, brand and other fees	1,268,734	1,380,501
Other businesses	1,844,757	1,232,489
	6,139,874	5,446,125
Operating expenses:		
Hotel operation cost and expenses	1,069,259	952,286
Administration, brand and others cost and expenses	1,459,605	1,472,674
Other businesses cost and expenses	1,250,621	1,001,977
Administrative	240,699	312,221
Sales, advertising and promotion	130,342	169,937
Maintenance and energy	331,797	320,272
Property taxes and insurance	29,560	33,014
Corporate expenses	212,070	154,400
Depreciation and amortization	431,511	421,951
Real estate leasing	331,154	310,861
Other expenses, net	30,989	90,375
	5,517,607	5,239,968
Operating income	622,267	206,157
Interest expenses	610,174	547,301
Interest income	(27,139)	(3,748)
Commissions and financial expenses	173,847	44,754
Exchange result, net	(152,200)	359,419
Effects of valuation of financial instruments	(80,613)	136,852
	524,069	1,084,578
Equity in results of associated companies	(2,119)	2,897
Income (loss) before earnings tax	96,079	(875,524)
Taxes (benefit) on earnings	616,559	(202,167)
Consolidated net loss from continuous operations	(520,480)	(673,357)
Earnings from discontinued operations	1,876,044	59,207
Consolidated net earnings (Loss)	1,355,564	(614,150)

The following information is presented by business segments operated by the Company which coincide with the Consolidated Integrated Operating Results Statement in total revenue, earnings from operations, EBITDA and consolidated net earnings but the revenue and cost of each segment may vary.

Profit and Loss Statement (million pesos)	2012 $	2012 %	2011 $	2011 %	Var%
Total Revenues	6,139.9	100.0	5,446.1	100.0	12.7
Owned and Leased Hotels					
Revenues	3,026.4	100.0	2,833.1	100.0	6.8
Direct cost	2,581.4	85.3	2,436.1	86.0	6.0
Contribution	445.0	14.7	397.0	14.0	12.1
Management					
Revenues	1,396.7	100.0	1,402.0	100.0	(0.4)
Direct cost	1,017.7	72.9	1,142.3	81.5	(10.9)
Contribution	379.0	27.1	259.7	18.5	46.0
Vacation Club & Other					
Revenues	1,716.8	100.0	1,211.0	100.0	41.8
Direct cost	1,234.2	71.9	999.8	82.6	23.4
Contribution	482.6	28.1	211.2	17.4	128.5
Corporate expenses	247.2	4.0	191.7	3.5	28.9
Depreciation / Amort. & Leases	431.5	7.0	422.0	7.7	2.3
Other (revenues) and expenses	5.7	0.1	48.1	0.9	na
EBIT	**622.3**	**10.1**	**206.2**	**3.8**	**201.8**
EBITDA	**1,053.8**	**17.2**	**628.1**	**11.5**	**67.8**

Total Revenues

The Company's total revenues escalated 12.7%, from $5,446.1 M in 2011 to $6,139.9 M in 2012, mainly derived from the 6.8% increase in Own and Leased Hotels and a 41.8% increase in the Vacation Club and Other segment in the period.

Own Hotels

Hoteles Propios	Total	% Var.	Ciudad	% Var.	Playa	% Var.
Acumulado						
Cuartos promedio	7,740	0.2	6,628	1.2	1,112	(5.6)
Tarifa Promedio	982	3.5	937	2.5	1,249	8.5
Ocupación (Var. en pp)	67%	3.0	67%	2.5	67%	5.5
Tarifa Efectiva	658	8.3	627	6.6	841	18.1

2012 was characterized by a substantial increase in our revenue growth rate and by a very good operating performance, propelled by hotel occupancy already at similar levels to those reached before the 2008 financial crisis.

Own hotels includes revenues and costs and expenses derived from the Company's operation of own and leased hotels. The revenue increase of Owned Hotels of 6.8% to $3,026.4 M in 2012 from $2,833.1 M in 2011, was mainly attributable to the following items: (i) a 3.0pp increase in occupancy, (ii) to a better effective rate of 8.3% which was $658 in 2012 and $607 in 2011 and (iii) to a 0.2% marginal increase in the average number of rooms operated. The urban hotels' results showed a significant improvement compared to the results recorded in 2011. The preceding due to a 1.2% increase in the average number of rooms operated, a 2.5% increase in the average rate and with a higher occupancy factor of 2.5pp, the effective rate was higher by 6.6%.

Coastal hotels operated on average 5.6% less rooms, this was due to the hotel inventory in Los Cabos is now operated by the Vacation Club. Furthermore, these hotels increased the average rate by 8.5%, which was accompanied with a 5.5pp increase in occupancy. All of the preceding resulted in a 18.1% increase in comparison to the preceding year which confirms the consolidation of the change of two hotels to the All Inclusive plan (meals and activities included in the cost of the rooms), as well as an increase in tourist flow to beach destinations, principally coming from the United States and Brazil.

Departmental costs of own and leased hotels by the Company consist of the salaries related to room housekeeping personnel. In addition, it includes costs for food and beverages, as well as other expenses, such as commissions to agencies, reservation fees and room amenities and laundry services. Departmental costs and expenses equal $1,069.3 million for 2012, presenting an increase of 12.3% in comparison with the $952.3 million for the same period in 2011. Departmental costs and expenses increased as a result of the larger number of guests that lodged in the hotels of Grupo Posadas in comparison with the preceding year. The Departmental result (revenue minus departmental costs and expenses) was $1,957.1 million for 2012, thus it represented a 4.1% increase in comparison with $1,880.8 million for the comparable 2011 period.

General expenses for the Company's own and leased hotels correspond to administration, sales, publicity and promotion, maintenance and energy. In summary, these expenses decreased by 12.4% to $802.4 million in 2013 in comparison from $702.8 million in 2012. By category, these expenses changed as described below; (i) administrative expenses decreased by 22.9% to $240.7 in 2012 from $312.2 million for the same period in 2011, (ii) a 23.3% decrease in sales, publicity and promotion costs to $130.3 million in 2012 from $169.9 million for the same period in 2011, and (iii) an 3.6% increase in maintenance and energy costs from $331.8 million in 2012 from $320.3 million in 2011. General expenses were generally increased due a greater number of guests that lodged in the Company's hotels.

Expenses related to the Company's own and leased hotels include real property taxes, insurance premiums and other (income) net expenses. Other net expenses are mainly composed of lease payments, fees of auditor and legal advisors. When applicable, the gain or loss derived from the sale of these assets is also included in this category. With the exception of the assets sold in South America, Grupo Posadas did not sell assets in 2012 nor during the same period in 2011. Other net expenses decreased by 65.5% from $31.0 million in 2012 from the $90.4 million for the comparable 2011 period.

Administration

Administración	Total		Ciudad		Playa	
		% Var.		% Var.		% Var.
Acumulado						
Cuartos promedio	16,266	2.6	13,903	2.7	2,363	2.1
Tarifa Promedio	984	2.8	917	1.9	1,389	5.5
Ocupación (Var. en pp)	64%	3.5	64%	3.2	63%	4.9
Tarifa Efectiva	633	8.6	591	7.3	882	14.2

The category Hotel Management, Brands and Others includes services for administration and brands, as well as the administrative services of loyalty programs (Ampersand), telephone call centers (Konexo), administrative services (Conectum) and the centralized purchasing business (Summas) of Grupo Posadas. Revenues were similar to the previous year by decreasing slightly 0.4% to $1,396.7 million in 2012 from $1,402.0 M in 2011. This was principally due to an 8.6% growth in the consolidated effective rate of the Company's hotels, which in turn was due to a greater occupancy in the relevant period. Seven new hotels were opened in 2012 all of them under the administration contract format excepting two of them: Culiacan Forum (119 rooms), One Ciudad del Carmen (126 rooms), Fiesta Inn Cancun Las Americas (leased; 152 rooms), Fiesta Inn Puebla Las Animas (leased; 140 rooms), One Guadalajara Centro Historico (146 rooms), One Xalapa Las Animas (108 rooms) and Live Aqua Bosques in Mexico City (135 rooms).

Direct costs and corporate expenses related to Grupo Posadas' Hotel management, Brand and Others business line include, principally, the costs and expenses of corporate sales, hotel operations, as well as costs related to its department of human resources, and its businesses Ampersand, Konexo, Conectum and Summas. These costs and expenses decreased by 10.9% cost reduction to $1,017.7 million in comparison with the same 2011 period in which they represented $1,142.3 million.

Due to the adoption of IFRS, inter-company operations were eliminated, such as rates collected as expenses of own and leased hotels, which subsequently were converted into income for the hotel administration segment.

Regarding our system's urban hotels, we observed that the average number of rooms operated had a 2.7% increase with a 1.9% improved average rate, which was accompanied by a 3.2pp occupancy increase to attain a higher effective rate of over 7.3%.

Coastal hotels presented a 2.1% increase in the average number of operated rooms, since in 2011 two FI coastal hotels were opened (Cancun and Ciudad del Carmen). Additionally, the average rate increased 5.5%, which was set off with a greater occupancy of 4.9pp, with which the effective rate increased to 14.2%.

Other Businesses

Our Vacation Club business line and others, principally, include the Fiesta Americana Vacation Club. The revenues of the Vacation Club and others increased by 41.8% to $1,716.8 million in 2012 from $1,211.0 million for the comparable period in 2011; the Vacation Club represented 90% of the revenue of this business line. The increase is mainly due to more membership sales of the resorts in Acapulco and Los Cabos, as well as by the addition of the hotel Fiesta Americana Cozumel to the vacation club. This destination was previously reported in the owned hotels segment. The increase in these destinations' occupancy also increased the sales basis for the vacation clubs in these hotels. Kivac has also contributed to increase in revenues, now with approximately 8,000 members.

Expenses for the Vacation Club and other business line include, mainly, expenses related to the sales, financing, administration and expenses related to the operation of our destinations. These costs increased similarly to our income in 23.4% to $1,234.2 million in comparison with $999.8 million for the same period in 2011.

During these years, Grupo Posadas has successfully implemented various control strategies to reduce cancellations by including a reservation modification fee, as well as converting its customers' obligations denominated in US dollars into Mexican pesos, at a greater interest rate.

In addition to the above, and once the portfolio equivalent to US15 M was cancelled at the end of 2011, which did not impact the cash flow (non-cash item), the portfolio profile with an approximate US$140 million value substantially improved and revealed the health of the remaining portfolio, reaching delinquency levels comparable to 2008, which was the best moment of this portfolio. These levels are below international industry standards. This also explains the improvement observed in the contribution of Other Businesses which increased to 128.5% to $482.6 M in 2012 from $211.2 M in 2011, reporting a margin of 28.1%.

Corporate Expenses

The Company's corporate expenses include expenses such as salaries, administrative expenses, legal advisory fees, as well as diverse payments related to its financial, corporate, human resources and technology departments, as well as those of the Chief Executive Officer. Corporate expenses in 2012 represented $212.1 million, which was a 37.4% percentage increase in comparison with the $154.4 million that this line item represented for the same period in 2011. This increase resulted from various one-time actions taken to reorganize the highest administrative levels of Grupo Posadas. In percentage of the Company's revenues, corporate expenses represented 3.5 % of its total income in 2012.

Depreciation, Amortization and Real Property Leasing

Grupo Posadas had depreciation, amortization, and real property leasing expenses for an amount equal to $762.7 million in 2012; this represented a 4.1% increase when compared to the $732.8 million expended for this concept in the 2011 comparable period. The increase in this expenses was due partially to larger lease payments which were $331.1 million in 2012 in comparison to $310.9 for 2011. The increase in these lease payments was due mainly to the addition of two new lease contracts.

Operating Results

The operating results for Grupo Posadas consolidate the revenues from its lines of own hotels, administration of hotels, brands and others, Vacation Club and other business lines and deducts its corporate expenses and expenses due to depreciation, amortization, leasing of real property. As a result of the foregoing, consolidated operating income was $622.3 million during 2012, representing an increase of 201.8% compared to $206.2 million reported in 2011.

Comprehensive Financing Result

Concepto	2012	2011
Intereses ganados	(14,892)	(16,680)
Intereses devengados	610,174	551,119
Pérdida (Util.) cambiaria	(152,200)	359,420
financieros	(92,859)	145,966
Otros Gastos Financieros	173,847	44,754
Total RIF	**524,069**	**1,084,580**

(Numbers in thousands of pesos)

The global financial results of Grupo Posadas was $524.1 million for 2012, a reduction when compared to $1,084.6 million in 2011. Interest expenses increased by 11.5% to $610.2 million in 2012, in comparison to $547.3 million for the comparable period in 2011. This increase was principally due to the inclusion of the interest corresponding to the Debentures. The currency exchange effects related to Grupo Posadas' foreign operations translated into a gain of $152.2 million in 2012, in comparison with a loss of $359.4 million during the comparable period for 2011. This was due to the impact of the Mexican peso's appreciation of 6.9% during this same period, in comparison with a 13.3% depreciation for the same period in the previous year.

At the end of 2012, the net interest coverage was 1.8 times; 0.1 times greater than that of 2011.

Income from discontinued operations, net of income tax

During the third quarter of 2012, the Company sold its operations in South America. For 2012 and 2011, the income and expenses of Grupo Posadas' South American operations were reported as discontinued operations. This resulted in a net tax gain of $1,876.0 million and $59.2 million, respectively. See note 2 and 24 of our Consolidated audited financial statements to December 31, 2012.

Majority Net Result

As a result of the foregoing described factors, the consolidated net results for the 2012 period was $1,355.6 million, which compares favorably with the net loss of $614.2 million recorded in the same period of 2011.

Financial situation

As of December 31, 2012 the cash balance was $1,480 million. The principal entries for cash use during the fourth quarter were, among other: liability amortizations and interest payments.

Total debt excluding $270 million corresponding to the debt related to assets available for sale and the convertible Debentures of $900 million (US$69 million) was US$202 million while net debt was US$208 million. The ratio of net debt to EBITDA was 2.6 times with IFRS effects, this level is 6.1 times less than that observed on December 31, 2011, same basis.

Total debt excluding $270 million corresponding to the debt related to assets available for sale but including the convertible Debentures of $900 million (US$69 million) at the close of the fourth quarter was US$390 million while net debt was US$277 million. The ratio of net debt to EBITDA was 3.4 times with IFRS effects, this level is 5.3 times less than that observed on December 4Q11, same basis.

The Total Debt mix with IFRS effects was the following at the close of the fourth quarter: 23% short-term, 81% in U.S. dollars and 95% at fixed rate. The average debt life was 3.6 years and 23% was secured with real property assets.

As of the release date of this report, the existing ratings for the "9.25% Senior Notes Due 2015" and "7,875% Senior Notes Due 2017" are:

Fitch: global Issuer Default Rating (IDR) "B+" and local scale (Caval) "BB+", both with stable outlook.
Moody's: global scale "B2" and stable outlook.
S & P: global scale "B" with stable outlook.

In compliance with article 4.033.02, Section VIII of the internal regulation of the Mexican Stock Exchange, it is informed that the debt coverage analysis for Grupo Posadas is carried out by JP Morgan.

The following table details each transaction executed from September 30, 2012 to January 30, 2013:

Cifras en US$ millones	Actual 3T'12	Venta de Sudamérica	Senior Notes ´2017	4T'12	FibraHotel	Pro Forma 4T'12	Reapertura SN'17	Pro Forma 4T'12
Caja excluye escrow	25	15	22	63	56	119	26	145
Escrow		32		32		32		32
9.250% Senior Notes due 2015	200		(117)	83		83		83
7.875% Senior Notes due 2017			225	225		225	50	275
6.570% CEBURES 2013	175	(175)						
Banorte	25	(25)						
Bancomext	24	(2)		22		22	(22)	
Scotia (SINCA)	21			21	(21)			
Banamex	12	(12)						
Bradesco	7	(7)						
Derivados	5	(3)		2		2	(2)	
Obligaciones convertibles 2014	79		(79)					
IFC Convertible 2012	6	(6)						
Deuda Total	**554**			**353**		**332**		**358**
Deuda Neta	**529**			**258**		**181**		**182**

ii) Financial Situation, Liquidity and Capital Markets

The Company operates in a capital intensive industry, thus, it requires significant funds to meet its capital expense needs. Historically, its capital expense needs have been provided by a combination of funds derived from internal generation, capital and debt.

For some years, the Company's strategy has consisted of growth through hotel management contracts, which implies minimum capital expenses.

As of December 31, 2014, 2013 and 2012, the financial debt was integrated as follows (interest rates in force to December 31, 2014 – 2012, respectively):

Dólares americanos (Miles)	2014	2013	2012
Programa "Senior Notes 2017" a la tasa de interés de 7.875%	4,432,316	3,474,406	2,801,149
Programa "Senior Notes 2015" a la tasa de interés de 9.25%	756,517	1,080,674	1,071,705
Préstamo con garantía hipotecaria a tasa de 2.55%			189,948
Euro-papel comercial a tasa fija de 6%	691,179		
Otros préstamos, a tasas entre el 3.16% y el 3.21%	2,261	2,498	3,960
Préstamos con garantía de documentos por cobrar de Club Vacacional a tasas de 4.73%			288,484
Pesos mexicanos (Miles)	**2014**	**2013**	**2012**
Obligaciones convertibles a tasa del 16%			900,000
Préstamo con garantía hipotecaria a una tasa del 6.82%			80,289
Menos			
Préstamos hipotecarios reclasificados como "Pasivos clasificados como activos disponibles para la venta"			(270,237)
Porción circulante de la deuda a largo plazo	(1,449,957)	(2,498)	(1,005,842)
Deuda a largo plazo	**4,432,316**	**4,555,080**	**4,059,456**

As of December 31, 2014, 100% of the Company's debt was at a fixed rate. Its nominal weighted interest rate at the end of 2014 was 8.2% in US Dollars.

The long-term debt maturity dates to December 31, 2014 are as follows:

A pagar durante	Dólares americanos (Miles)
2017	310,000
2018 y posteriores	0
	310,000
Equivalente en miles de pesos	4,562,580
Menos-gastos de emisión de deuda	(130,264)
	4,432,316

Hereinafter is a summary of the details of the Corporation's relevant debt:

Long-Term Debt

Senior Notes

On November 30, 2012, the Company offered US225.0 million of bonds denominated as "Senior Notes 2017" through the Luxembourg Stock Exchange. The primary intention was to partially substitute the previous issue of US$200 million of notes known as "Senior Notes 2015", and for which a premium of US$1,060 per US$1,000 of the previous issue was offered. This applied if the holders gave their consent to certain terms and conditions of the original issue before November 23, 2012. After that date, the offer was US$1,045 per each US$1,000.

As a result, it was possible for the Company to repurchase US$116.7 million of the issue "Senior Notes 2015" for US$127.7 million, thereby releasing itself from certain restrictions of the original issue and principally opened the possibility of making some debt prepayments. After the repurchase, there is still outstanding US83.3 million of the original issue "Senior Notes 2015".

The US225 million of "Senior Notes 2017" were issued at a price equivalent of 99.493% of the principal amount and bear interest at an annual rate of 7.875%, with maturity on November 30, 2017. Interest is payable semiannually, beginning on May 30, 2013. The bond is guaranteed by certain subsidiaries of the Company. Some restrictions have been imposed on the Company's ability to:

Incur additional indebtedness
Grant guarantees
Make payments or restrict investments
Sell assets or allocate their price amount to certain purposes and periods
Declare dividends
Make certain intercompany transactions
Merge with other companies

Likewise, the following predicates may trigger an accelerated maturity: default in the payment of principal and interest, crossed payment and crossed acceleration with any other financial debt, breach of affirmative and negative covenants, bankruptcy or request for bankruptcy, liquidation or commercial insolvency proceeding, delivery of false or incorrect material information and change of control.

As of December 31, 2013 and to the date of publication of this annual report, the restrictions and obligations have been fulfilled.

The amount of issuance expenses totaled $125.6 million which are being amortized in relation to the life of the new issue based on the effective rate method. Likewise, there existed US7.0 million of prepayment premium on the previous issue that were registered in "Financial commissions and expenses" in the consolidated integrated operating results statement. The expenses for the issuance of "Senior Notes 2015" were registered in the Company's results, as a proportion of the substituted issued and amounted to $18.0 million.

On the other hand, as a result of a new analysis, review and authorization by the company, on January 30, 2013, the Company issued at a price of 106.642% of the principal amount an add-on of US50 million to the “Senior Notes 2017”. The preceding was integrated into a single issuance of US275.0 million, with the previously mentioned characteristics.

On February 20, 2014, the Entity announced an additional amount of US35 M was issued for the “Senior Notes 2017” at an annual rate of 7.875% and with maturity in 2017. The “Senior Notes 2017” were issued based on a private exchange for US31.6 M of the principal amount of the Senior Notes 2015. The “Senior Notes 2017” constitute and additional issue of “Senior Notes 2017” with identical terms and said issue totals the amount of US310 M. The amount of exchange expenses totaled $6.4 million that will be amortized in relation to the remaining life of the Senior Notes 2017, based on the effective rate method.

The securities are guaranteed by the Company’s main subsidiaries and impose obligations and restrictions customarily used for this type of instrument. A breakdown of the company’s main financial items is presented hereunder, as well as the guarantor subsidiaries separated from the non-guarantor subsidiaries (some numbers may vary due to rounding):

Resumen de Resultados (expresado en millones de pesos al 31 de diciembre de 2014)	Grupo Posadas y subsidiarias Garantes	Subsidiarias no Garantes	Consolidado
Ingresos Totales de Operación	5,553.1	295.2	5,848.3
Deterioro, Depreciación y Amortización	370.0	39.2	409.3
Arrendamiento de Inmuebles	329.8	0.0	329.8
Utilidad de Operación	466.5	78.2	544.7
(Pérdida) Neta Consolidada	926.7	(208.4)	718.2
Activos Totales	12,829.7	488.3	13,318.0
Pasivos Totales	8,409.6	799.2	9,208.7

On January 15, 2010, the Company issued debt securities for US200.0 M under the “Senior Notes” program due on January 15, 2015. Said securities generate a 9.25% annual interest rate with semiannual coupons. After the repurchase of notes described above, as of December 31, 2012, US83.3 million of this issue remain outstanding. As a consequence of the cancellation of US31.6 M of the Senior Notes 2015 which were exchanged, the total principal amount outstanding of the Senior Notes 2015 is US51.7 M to February 20, 2014

<u>Credit lines contracted, in effect and undrawn</u>

The Company established a revolving credit lines with Banco Santander S.A. for a total amount of $200 M for twelve month term with a real property guarantee. This line has determined fund borrowing limitations related to breach of payment of principal and interest, accelerated maturity should any of the Issuer’s other debt be subject to accelerated maturity, breach of affirmative and negative covenants, declaration or request of bankruptcy, liquidation or commercial insolvency proceeding, delivery of inaccurate or false material information and change of control, among others. As of the date of release of this report the Company has not drawn any amount on these lines.

Production Chain Program

The Company established four production chain programs with Banco Santander S. A., Banco Actinver S.A., BBVA Bancomer S.A. and Banco Monex S. A., for a total amount of up to $290 M. As of December 31, 2014, the Company had used 50% of these lines.

Additional Information regarding Financing

As of December 31, 2014, the financial debt in effect does include mortgage guarantees. The Company has also guaranteed, in the ordinary course of its businesses, obligations with third parties, clients or suppliers.

Derivative Financial Instruments

The company monitors and participates in the derivative financial instruments market, using these instruments as an economic hedge of its peso debt at a variable interest rate, at a fixed dollar rate so as to maintain a debt mix mainly in dollars. As of December 31, 2012, the Company held one swap contract (Cross Currency Swaps) with US9.5M notional amount equivalent to $97.5 M. To this date, April 4, 2013, the Company ended the contract which was still open, therefore, to the date on which this annual report is issued, no derivative financial instrument is still in effect.

Treasury. The corporate treasury manages the treasury of those hotel of which Posadas is 100% owner or lessee and that of the service business other than those strictly related to hotel business.

Historically, the Company has sought to keep a balanced currency structure in its investments and this structure is mainly composed of the Mexican-peso and US-dollar debt mix that each one of the Companies of Grupo Posadas holds. In Grupo Posadas, the bulk of the investments are concentrated in the money market of government, bank and private commercial paper. These instruments allow the Company to keep liquidity and availability to meet its daily cash flow needs.

Capital Expenses. At the close of December 2014, capital expenses amounted to $752.2 M; of which 63% was allocated to hotels, 17% to corporate use, and 21% to the Vacation Club. Currently, the Company mostly finances budgeted capital expenses by internal generation. The Company's dependence on debt to finance capital expenses has decreased to the extent that it has expanded through hotel operation or leasing contracts.

Balance Account Changes. For the 2014 and 2013 corporate year, the company is adopting IFRS which principally affects the items of fixed assets, credit risks, vacation club reserves and deferred taxes, among others.

Unregistered operations. As of December 31, 2014, the Company had not carried out any relevant operation which was not registered in the Audited Financial Statements.

iii) Internal Control

The Company has an Audit Committee which carries out audit activities as established by the LMV, as well as those corporate practices activities provided for in the same law and those determined by the Board of Directors. The Audit Committee is formed by at least three independent directors appointed by the Company's Board of Directors or its Shareholders Meeting. The Chairman of this Committee is appointed by the General Shareholders Meeting.

Likewise, the Company has a Corporate Practices Committee responsible for corporate practices activities as established by the LMV, except for those similar activities that the Board of Directors assigns to the Audit Committee or other Committees which meet the requirements and obligations established by the LMV. The Corporate Practices Committee is made up of at least three independent directors appointed by the Company's Board of Directors or its Shareholders Meeting. The Chairman of this Committee is appointed by the General Shareholders Meeting.

The performance of the Company's internal audits is the responsibility of the Audit Division, which annually proposes to the Audit Committee the annual internal audit program whose quarterly progress and findings are presented to such Committee. However, the Audit Division participates in carrying out un-scheduled audits at the request of the General Division, the General Corporate Finance Division or of any other upper-level body.

In order to mitigate the risks to which the Company is exposed, as well as to contribute to the achievement of the strategic goals and reinforce operating and financial procedures, in February 2015, an informational survey related to the Company's Principal Risks was made so that, during the year, the different business units may generate an action plan to control and mitigate said risks.

In order to continue strengthening Corporate Government, in February 2015 the Board of Directors decided to create the Risk Administration area.

e) Critical Estimates, Accounting Allowances or Reserves

See Note 4 and 5 of the Audited Financial Statements in Attachment 7.

Loyalty Program – The Company has a frequent customer program denominated Fiesta Rewards (see "Distribution Channels"), through which its members enjoy various benefits by accumulating points for stays at the Company's hotels amongst other accumulation methods. Said points may be exchanged (redeemed) during a determined time for hotel stays, airplane tickets, chain-store coupons and car rentals, among others. The redemption or cash in of these points represents a cost for the Company, thus, it is necessary to establish a reserve to bear said costs. Calculation of this reserve established for future reward redemptions is an actuarial study based on the historical behavior of valid, expired, generated and redeemed points. This trend serves as a basis to establish assumptions of future redemption trends. To December 31, 2014, the reserve established for this program amounts to $38.1 M pesos. The Company deems the probability of 100% point redemption in a single year is low.

Notes receivable from Vacation Club operations – The collection rights derived from Vacation Club membership sales would be allocated to a trust to guarantee credit lines contracted to finance this operation. Nevertheless to this date, no amount has been drawn from these credit lines, therefore, the funds resulting from said sales have not been committed. The notes receivable generated from Vacation Club time-share sales appear in the consolidated net balance sheet under the estimation for doubtful accounts. As of December 31, 2014, a reserve for Vacation Club refunds was established, according to IFRS, of $214 M.

The Deferred tax reserve account has been explained in Note 17 of the Audited Financial Statements, in Annex 7.

Conversion of subsidiaries' foreign currency financial statements – The financial statements of foreign subsidiaries operating independently from the Company apply the Company's same accounting policies. The conversion from the functional currency of operations carried out by foreign companies to Mexican pesos is made using the following exchange rates: 1) closing exchange rate for assets and liabilities, and 2) historical exchange rate for shareholders' equity, income, costs and expenses. The effects of this conversion process are recorded in the net stockholders' equity in relation to its deferred tax.

The registered and functional currencies of foreign operations are as follows:

Country of origin	Registered currency	Functional currency	Reporting currency
United States of America	U.S. dollar	U.S. dollar	Mexican peso

Derivative financial instruments - The Company obtains financing under different conditions and it contracts interest rate and exchange derivatives to manage its exposure to fluctuations in interest rate and foreign currency. The Company formally documents all hedging relationships, describing objectives and risk management strategies for derivative transactions and their accounting recognition. Derivative instrument negotiations are only made with well-known solvent institutions and limits have been established for each institution. The Company's policy is to avoid executing derivative financial instrument transactions for speculation purposes. However, the Company occasionally enters into speculation agreements, provided that the maximum exposure falls within management's established non-material limits.

The majority of the derivative financial instruments' dates and amounts entered into by the Company correspond to asset acquisition dates or the liability maturity date which the Company intends to cover.

The Company recognizes all assets or liabilities arising from transactions with derivative financial instruments in the consolidated general balance sheet at fair value, regardless of the purpose for which they are held. Fair value is determined based on recognized market prices and, when not traded on a market, based on valuation techniques accepted by the financial community.

Derivative instruments designated as hedges recognize value changes according to the type of hedge in question: (1) for fair value hedges, changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings; (2) for cash flow hedges, changes in the effective portion are temporarily recognized as a component of other comprehensive income and is recycled to results when the hedge item is affected; the ineffective portion is recognized in operating results.

Since certain derivative financial instruments, although entered into for economic hedging purposes, do not meet all normative requirements and thus, for accounting purposes, have been considered as negotiation derivatives. Fluctuation in said derivatives' fair value is recorded under RIF.

Compound financial instruments - Compound financial instruments are contracts that include both liability and equity components; they are recognized by the Company based on the economic substance of the transaction, rather than the legal form adopted. The components that represent unavoidable payment obligations are recognized as liabilities and in equity, if the contractual provisions establish an ownership relationship with the instrument's holder. Initial issuing costs incurred for compound financial instrument are proportionately assigned to liabilities and equity according to the amounts recognized in each case. Of the preceding costs, costs assigned to equity reduce the share placement premiums, and those assigned to liabilities are capitalized and amortized in the term stipulated by the contract.

New accounting guidelines. See audited financial statements and their notes which are attached to this Annual Report in Annex #7.

4) ADMINISTRATION

a) External Auditors

During the last nine corporate years (2002-2014) Galaz, Yamazaki, Ruiz Urquiza, S.C., a member firm of Deloitte Touche Tohmatsu Limited, has conducted the independent audit.

During the last twelve corporate years, the Company's financial statements have not been subject to qualification or negative opinion by the auditors of the aforementioned firm, nor have said auditors refrained from issuing an opinion.

The appointment of the independent auditor is made by the Company's Board of Directors. Since 2003, the Audit Committee's opinion has been taken into consideration, taking into account the independence, professionalism and experience of the firm appointed as independent auditor.

During the 2013 corporate year, the Audit Committee directed the selection process for the legal entity that provides external audit services of the Corporation by way of a quantitative and qualitative evaluation process of the four principal auditing firms in Mexico. The latter in order to make a recommendation to the Board of Directors regarding the hiring of the legal entity that would provide the external audit services. This included the fee proposal, as well as the amount of the services to be provided by said firm under the concept of permitted services not related to audits during the 2013 corporate year, and which may not exceed 30% of the total fees agreed with said firm due to auditing. The latter being the parameter ratified by the Committee for these additional or complementary services and which was ratified in Committee session on February 26, 2013.

The additional or complementary services provided by Galaz, Yamazaki, Ruiz Urquiza, S.C. during the 2014 corporate year included: (i) follow up and opinion of the effects of the tax amendments on the corporation and its subsidiaries; (ii) various opinions in reference to corporate governance and the norms applicable to prevent and report money laundering, and (iii) review of different operations resulting from the restructurings of the Issuer's assets and subsidiary companies. The Audit Committee and the Board of Directors considered that contracting said services does not affect their impartiality in relation to the auditing of the corporation's financial statements. Said additional or complementary services during the corporate year ending on December 31, 2014, totaled $3.2 million, did not exceed the limit established by the Board of Directors, nor did they include services that violated the provisions related to professional independence that external auditors must maintain.

b) Related Party Transactions and Conflicts of Interest

In the normal course of its activities, the Company has entered into commercial and financial transactions with its subsidiaries and a significant number of the companies wherein it has a shareholding participation, whether or not it has a significant influence. In regard to the latter, the most relevant transactions refer to loans, current account contracts, leasing, rendering of services, purchase and sale of shares, and administration of hotel operation contracts, and/or licenses to use brands which it may have signed for the administration of hotel properties. The Company intends to continue entering into these transactions in the future. From time to time, the Company analyzes transfer prices, thus, in the opinion of this administration, the transactions with related parties are executed on market terms. For greater details, see note 24 of the Audited Financial Statements attached hereto.

In the 2014 corporate year, the Corporate Practices Committee was not informed of any matter which requires the Board of Directors approval so that any director, relevant officer or person with power to control could take advantage of a business opportunity for themselves or in favor of third parties and which would correspond to the Corporation or to the legal entities which are controlled by the Corporation, or on which it has a significant influence on the terms of Article 28, section III, subsection f) of the Stock Exchange Law.

The transactions with related parties entered into within the normal course of the Company's business may be summarized as presented for corporate years 2014 and 2013 in the Opinion of the Independent Auditors, 2 b. Presentation Bases, which is found in Annex 7.

In relation to the transactions entered into with related parties, for corporate year 2012, transactions reported as material are the Company's issuance of convertible debentures up to an amount of $900,000,000.00 (nine hundred million pesos 00/100 Mexican currency) secured with assets of the Company that exceed 5% of the total consolidated assets of the Company since these debentures were offered privately to the shareholders of the Company; Holdsinc, S.A. de C.V.'s shareholding in Fondo Inmobiliario Posadas, S.A. de C.V. SINCA and in Operadora Financiera de Inversiones, S.A. de C.V. SOSI; the participation and 100% acquisition of Proyectos y Construcciones OB, S.A. de C.V. and in Gran Inmobiliaria de Coahuila, S.A. de C.V.; the shareholding by directors and the latter's relatives in Desarrollo Arcano, S.A. de C.V.; the rendering of processing and administration services for accounting and similar operations to the company by CMR, S.A.B. de C.V., as well as the rendering of telephone contact center services for the company Comercializadora de Frecuencias Satelitales, S. de R.L. de C.V., amongst other and all of them operations which, in the opinion of this Committee, are in the ordinary and customary line of business and were executed at market prices, and which are not considered significant transactions. Likewise, legal fees were paid to defend the corporation's directors.

As of December 31, 2014, relevant executives and other employees of the Company had received loans and, to that date, the unpaid aggregated balance thereof amounted to approximately US2.0 M

c) Administrators and Shareholders

The Board of Directors

According to the Company's corporate by-laws, the Company's management is the responsibility of a Board of Directors, whose members are annually elected at a General Ordinary Shareholders Meeting. The corporate by-laws provide that the Board of Directors must meet at least every three months. The Company's corporate by-laws establish, amongst others, that the Issuer companies must have a minimum of 5 directors and a maximum of 21, and that at least 25% of the members must be independent. The Permanent and Alternate Secretaries are not part of the Board of Directors. The Board of Directors appointed by the Company's Extraordinary and Ordinary Shareholders Annual Meetings both dated April 14, 2015, is formed by 11 permanent directors as listed below:

Members of the Board of Directors:

Miembro	Edad	Ocupación	Fecha de designación
Pablo Azcárraga Andrade	56	Presidente del Consejo de Administración de Grupo Posadas	29-abr-97
Enrique Azcárraga Andrade	50	Director General, EXIO, S.C.	31-may-91
Fernando Chico Pardo	62	Presidente, Promecap, S.C.	26-jul-95
José Carlos Azcárraga Andrade	49	Director General de Grupo Posadas	30-abr-08
Juan Servitje Curzio	57	Presidente del Consejo de Administración de Productos Rich S.A. de C.V.	30-abr-12
Jorge Soto y Galvez*	71	Consultor independiente	27-abr-06
Silvia Sisset de Guadalupe Harp Calderoni	43	Inversionista Privado	05-abr-10
Carlos Levy Covarrubias	53	Inversionista Privado	27-abr-06
Luis Alfonso Nicolau Gutiérrez*	53	Consultor independiente	30-abr-12
Benjamín Clariond Reyes-Retana*	66	Consultor independiente	15-mar-13
Emilio Carrillo Gamboa**	77	Consultor independiente	27-abr-06

*Consejero Independiente
**Consejero Independiente, presento su renuncia al Consejo de Administración el 20 de Abril del 2015

Pablo Azcarraga Andrade
Mr. Azcarraga holds an Accounting degree and a Master's degree in Hotel Management with a certificate in Marketing and Finance from Cornell University in New York. From 1986 to date, he has held various positions within Grupo Posadas, such as General Director of Fiesta Americana Condesa Cancun, General Director of the Fiesta Americana Hotel Division, and he is currently the Chairman of the Board of Directors of Grupo Posadas.

Enrique Azcarraga Andrade
Mr. Azcarraga is an industrial engineer with an MBA degree from Harvard University. He has collaborated in several companies such as Operadora de Bolsa, Grupo Posadas, DESC – Sociedad de Fomento Industrial, GBM – Grupo Bursatil Mexicano, and is currently the General Director of Exio, S.C., an investment consulting company.

Fernando Chico Pardo

Mr. Chico holds an undergraduate degree in Business Administration and a Master's degree in Business Administration from Northwestern University. Mr. Chico has held several positions in the following companies: Bimbo, Anderson-Clayton, Bank of America, Salomon Brothers, Standard Chartered Bank, Mocatta Metals Corporation, Casa de Bolsa Acciones y Asesoria Bursatil, Inversora Bursatil, Grupo Financiero Inbursa and is currently the Chairman of Promecap, S.C. and ASUR. Mr. Chico is also an active member of the Board of Directors of: Grupo Financiero Inbursa, Condumex, Grupo Carso, Sanborns, Sears Roebuck de Mexico, United Pension Fund, Quantum Group of Funds and Papalote Museo del Niño, among others.

Jose Carlos Azcarraga Andrade

Mr. Azcarraga is an industrial engineer with a Master's degree in Business Administration from Kellogg University of Management, Northwestern University. He has held various positions in the Company, such as General Director of Vacation Properties Posadas, and from November 11, 2011, he is General Director of Grupo Posadas, S.A.B. de C.V.

Juan Servitje Curzio

Mr. Servitje is an industrial engineer graduated from the Universidad Anahuac and holds a Master's Degree in Business Administration with honors from Northwestern University, J.L. Kellogg School of Management. He is the Chairman of the Board of Directors of Productos Rich, S.A. de C.V., and from 2000, he is the Chairman of Rich Products Corporation for Latin America, also he is a member of the Board of Grupo FRIALSA (Leading Company in Mexico in controlled temperature Storage and Distribution). Likewise, he participates in various non-profit organizations such as USEM (Mexican Social Entrepreneurs Union), SIFE (Students in Free Enterprise), amongst others.

Jorge Soto y Galvez

Mr. Soto holds an Accounting degree from the UNAM. He joined the independent auditing firm Arthur Andersen where he was responsible for the firm's most important clients, until he became part of the Executive Committee for the Mexico division and participated as a member of the Board of Directors of various Arthur Andersen's clients. At the present time, he has established his own consulting company providing services to, amongst others, HSBC bank.

Silvia Sisset de Guadalupe Harp Calderoni

Ms. Harp holds a Public Accounting degree from the ITAM. She worked at Robert's and at Filantropia, Educacion y Cultura, A.C. Ms. Harp was the General Director of Fundacion Alfredo Harp Helu and since 2006 she holds the position of Chairwoman. At the moment, she participates on the Boards of Directors of Grupo Marti and the Fundacion Teleton Trust.

Carlos Levy Covarrubias

Mr. Levy holds a Bachelor's degree in Business Administration from the Universidad Anahuac. In 1987, he joined Casa de Bolsa Accival and held several equity operations positions until he became Operations Director. From 1991 through 2005, Mr. Levy held various positions in Banamex-Accival Financial Group, such as the Group's Director of Asset Coordination, Deputy General Director of the Treasury, General Director of Casa de Bolsa Accival and Corporate Director for Specialized Banking and Investment Management of Banamex Financial Group. After leaving the Financial Group, Mr. Levy founded an investment management company in which he currently participates. Likewise, he was the Chairman of the Mexican Association of Financial Intermediaries from 2003 through 2005.

Luis A. Nicolau Gutierrez

Mr. Nicolau is a lawyer graduated from the Escuela Libre de Derecho and he holds a Master's Degree in Law from Columbia University. He is a partner of the Law Firm Ritch Mueller, S.C. Mr. Nicolau is a director for Morgan Stanley Mexico, Shakey's Pizza Mexico, chairman of the Fulbright Trust, he is a member of the Museo del Niño Trust and a member of the Oversight Committee of the Mexican Stock Exchange. Mr. Nicolau is the author of various legal publications.

Emilio Carrillo Gamboa

Mr. Carrillo is an Attorney-at-law, and at present is a founding partner of the Bufete Carrillo Gamboa, S.C. law firm. He is the Chairman of the Board of Directors of Cementos Holcim-Apasco. In addition, Mr. Carrillo participates on the Board of Directors of: Empresas ICA, S.A.B. de C.V., Grupo Modelo, S.A.B. de C.V., Grupo Nacional Provincial, Kimberly Clark de Mexico, S.A.B. de C.V., Medica Integral GNP, S.A. de C.V., Profuturo GNP, S.A. de C.V., Afore, San Luis Corporacion, S.A.B. de C.V., and Grupo Mexico, S.A.B. de C.V., Southern Copper Corporation, and The Mexico Fund, Inc., among others. In 1988, Mr. Carrillo was appointed Ambassador of Mexico to Canada. On April 20, 2015 he presented his resignation to Grupo Posadas' Board of Directors.

Benjamin Clariond Reyes-Retana

Mr. Clariond has a degree in business administration from the Instituto Tecnoloógico y de Estudios Superiores de Monterrey, a certificate in upper level corporate management from the Industrial Studies Center in Geneve, and a certificate in Family-owned Enterprises Management from the Wharton School, incorporated into the University of Pennsylvania. He has held various upper-level executive positions in Grupo IMSA in Monterrey and was chairman and board member of industrial, banking and service institutions. He has been a deputy elected to the LIV legislature for the I Federal Electoral District of Nuevo Leon, at that time he was a member of the Committees for Human Settlements and Public Works, Industrial Capital and Promotion and Communication and Transportation, and was also on the technical committee of the chamber of deputies. He was the Municipal President of Monterrey and interim Governor of the state of Nuevo Leon appointed by the Congress in 1996. He is currently a Federal Deputy elected by proportional representation for Nuevo Leon to the LXI Legislature.

Mr. Pablo Azcarraga Andrade, Mr. Enrique Azcarraga Andrade and Mr. Jose Carlos Azcarraga Andrade are brothers. Mr. Servitje is married to Cecilia Azcarraga Andrade.

Furthermore, the Ordinary General Shareholders Meeting also appointed the following alternate members to the Board of Directors: Alfredo Loera Fernandez and Charbel Christian Francisco Harp Calderoni, to represent indistinctly Silvia Sisset Harp Calderoni and Carlos Levy Covarrubias at the board meetings.

The majority of the Board of Directors members must be Mexican. Minority shareholders holding 10% of the corporate capital are also entitled to appoint a director and their corresponding alternate. The directors shall continue in their positions, although their appointed term has concluded or if they have resigned from the position, for up to a term of thirty calendar days in the absence of their substitute's appointment or if the latter does not take possession of their position, without applying the Article 154 provisions of the General Law of Business Corporations. Should this be the case, the Board may appoint temporary directors without shareholders meeting approval.

So that a Board of Directors meeting is legally convened, majority attendance of the permanent members or their respective alternates must be met, and the resolutions of the Board of Directors shall be valid if taken by a majority vote of those present at the meeting. Should a tie exist, the Board of Directors' chairman shall have the deciding vote. However, should the Board convene in order to discuss any proposal to purchase Company shares, the presence of at least 75% of the permanent directors or their respective alternates shall be required.

The Company's corporate by-laws provide that the Board of Directors shall convene at least once each three months, and that the Chairman of the Board, 25% of the directors, the Secretary or the Vice-Secretary, the Chairman of the Audit Committee or the Chairman of the Corporate Practices Committee may call for a Board meeting.

In compliance with the Stock Exchange Law, the Company's Board of Directors shall approve all the operations different from the Company's ordinary business, and which, amongst others, include: (i) the Company's general strategy, (ii) operations with related parties, except if these are immaterial to the Company due to their amount, (iii) non-recurring and unusual transactions and the purchase or sale of assets with a value equal to or greater than 5% of the Company's consolidated assets, and (iv) granting guarantees or undertaking liabilities in an amount equal to or greater than 5% of the Company's consolidated assets.

The Board of Directors is the Company's legal representative. The Board of Directors is responsible, amongst other thing, for:

- approving the Company's general business strategy;
- approving, by hearing the Audit Committee or the Corporate Practices Committee's opinion, in the applicable case: (i) operations with related parties, subject to determined exceptions, (ii) the appointment of the Chief Executive Officer or the Chairman, their remunerations and removal, for justifiable cause, (iii) the Company and its subsidiaries' financial statements, (iv) unusual or non-recurring operations and any operation or series of operations in the same corporate year which involve (a) the purchase or sale of assets in an amount equal to or greater than 5% of the Company's consolidated assets, or (b) the granting of guarantees or undertaking of liabilities in an

amount equal to or greater than 5% of the Company's consolidated assets, (v) the agreements entered into with independent auditors, and (vi) accounting policies

- establishing special committees and determining their powers and authority, in the understanding that the Board of Directors may not delegate to any said committee the powers expressly reserved, in accordance with the law, to the Company's shareholders or Board;
- determining matters related to the change in control clause provided for in the corporate by-laws

Duties of Due Diligence and Loyalty

The LMV (Stock Market Law) imposes duties of due diligence and loyalty on the directors. The duty of due diligence implies that the Company's directors must act in good faith and in the Company's best interest. To said purpose, the Company's directors are obligated to request from the Chief Executive Officer, the relevant officers and the external auditors the information which is reasonably necessary to make decisions. Directors who fail to comply with their due diligence duty shall be jointly responsible for actual and consequential damages caused to the Company or its subsidiaries.

The duty of loyalty implies that the Company's directors must maintain as confidential all information they obtain due to their positions, and shall refrain from participating in the deliberation and voting on any issue in which they have any conflict of interest. Directors are disloyal to the Company if they obtain economic benefits for themselves, if they knowingly favor a determined shareholder or group of shareholders, or if they take advantage of business opportunities without an exemption granted by the Board of Directors. The duty of loyalty also implies that the directors shall (i) inform the Audit Committee and/or the Corporate Practices Committee and the external auditors of all irregularities of which they obtain knowledge during the performance of their duties, and/or (ii) refrain from disclosing false information and from ordering or causing the omission of recording transactions which are carried out by the Company affecting any financial statement concept.

Directors who breach their duty of loyalty are considered responsible for actual and consequential damages caused to the Company or its subsidiaries resulting from the aforementioned acts or omissions. This responsibility applies also to the actual and consequential damages caused to the Company resulting from the economic benefits obtained by the directors or third parties due to the breach of loyalty.

Directors may be subject to criminal penalties of up to 12 years imprisonment should they act in bad faith affecting the Company, including the alteration of its financial statements and reports.

A liability action for breach may be exercised by shareholders representing at least 5% of the corporate capital, and criminal proceedings may only be exercised by the Ministry of Finance and Public Credit after the CNBV's prior opinion. Directors will not incur in the aforementioned responsibilities (including criminal responsibilities) if acting in good faith: (i) they fulfill the legal approval requirements for those matters which should be presided over by the Board of Directors or its committee, (ii) they make decisions pursuant to the information provided by relevant officers or third parties whose capacity and credibility are not subject to reasonable doubt, (iii) they choose to the best of their knowledge the most appropriate alternative, or the negative patrimonial consequences were unforeseeable, and (iv) they comply with shareholders' resolutions, provided that said resolutions do not contravene the applicable laws.

In compliance with the LMV, for the exercise of its supervisory powers, the Board of Directors may be supported by an Audit Committee and a Corporate Practices Committee, and the Company's external auditor. The Audit Committee and the Corporate Practices Committee, jointly with the Board of Director, exercise the duties previously exercised by the Statutory Auditor in keeping with the LGSM (General Law of Business Corporations).

Remunerations of Directors and Executive Committee

Grupo Posadas' General Extraordinary and Ordinary Shareholders Meeting held in April 2015 approved an amount equal to two Centenario gold coins, prior withholding of the corresponding tax, as remuneration for the permanent directors and the secretary for corporate year 2015, until the following Annual Ordinary General Shareholders Meeting, for their attendance at Board's meetings. Alternate directors shall earn the same fees only when they attend Board meetings in substitution of the corresponding permanent directors. The members of the Audit Committee and Corporate Practices Committee will earn the same fee for each meeting that they attend except the Chairmen who will earn three Centenario gold coins per meeting.

Executive Committee:

In keeping with the Company's corporate by-laws, an Executive Committee exists, composed of a minimum of 3 and a maximum of 5 permanent members, who may have alternates and who may or may not be directors. The Executive Committee is elected by the Board of Directors and its members hold their positions for the term of one year; however they continue in their positions until the persons appointed to substitute them take over. The Executive Committee is in charge of analyzing the Company's issues, matters or problems regarding its business or new businesses, taking into consideration the economic, legal or any perspectives considered relevant. The Committee may present proposals before the Board of Directors regarding the matters under discussion and it can may only act as representative of the company when the Board of Directors so decides. The members of the Executive Committee do not receive any remuneration for carrying out their duties. The Board of Directors may delegate to said Committee certain responsibilities in addition to the ones stipulated in the corporate by-laws.

Audit Committee and Corporate Practices Committee

At the present time, the Audit Committee is composed of three members: Jorge Soto y Galvez, as Chairman, Emilio Carrillo Gamboa and Luis Alfonso Nicolau Gutiérrez. The Chairman was confirmed by the Extraordinary and Ordinary Shareholders Meeting held on April 14, 2015 and the remaining members were appointed or confirmed by the Board of Directors on April 22, 2015. The members Soto and Carrillo were appointed at the shareholders meeting of April 26, 2007 and Mr. Nicolau was appointed as temporary member of the audit committee at the board of director meeting of February 27, 2013 and confirmed at the April 24, 2013 meeting. The Chairman of the Audit Committee is appointed by the Company's shareholders meeting and the other members by the Board of Directors.

At present, the Corporate Practices Committee is composed of three members: Luis Alfonso Nicolau Gutierrez (appointed by the General Ordinary Shareholders Meeting held on April 14, 2015), as Chairman, Jorge Soto y Galvez and Emilio Carrillo Gamboa, were ratified as members of this committee by at the board of directors meeting of April 22, 2015, and they were appointed by the General Ordinary Shareholders Meeting held on April 26, 2007. They have been ratified in their positions year after year. The Chairman of the Corporate Practices Committee is appointed by the Company's shareholders meeting, and the remaining members by the Board of Directors. In the opinion of this Board, each committee has at least one financial expert.

The Audit Committee and the Corporate Practices Committee are responsible for, amongst other matters and under their jurisdiction per the terms of the Stock Market Law, (i) supervising the duties of the external auditors and analyzing their reports, (ii) discussing and supervising the preparation of the financial statements, (iii) presenting a report on the effectiveness of the internal control systems before the board of directors, (iv) requesting reports from the members and relevant directors whenever they deem it necessary, (v) informing the board of directors of all irregularities of which they have knowledge, (vi) receiving and analyzing the comments and observations formulated by the shareholders, members of the board, relevant directors, third parties or external auditors, and carrying out the pertinent corresponding actions related to said comments, (vii) calling shareholders meetings, (viii) evaluating the performance of the Chief Executive Officer or Chairman, (ix) preparing and presenting its annual activity report to the Board of Directors, (x) providing opinions to the Board of Directors, (xi) requesting and obtaining opinions from independent experts, and (xii) attending Board of Directors sessions when preparing annual reports and fulfilling all other information presentation obligations.

The Chairman of the Audit Committee shall prepare an annual activity report for said committee and present it to the board of directors. Such annual report shall include, at least: (i) the status of the internal control and internal audit system and, if applicable, the descriptions of its deficiencies and deviations, as well as the aspects requiring improvements, taking into consideration the opinions, reports, communiqués and the external audit report, as well as the reports issued by independent experts; (ii) report and monitor prevention and corrective measures implemented based on investigative results related to breaches of the Company's operating and accounting registration guidelines and policies; (iii) a performance assessment of the legal entity rendering external audit services; (iv) the relevant results of the review of the financial statements of the Company's and its subsidiaries, (v) the description and effects of modifications of accounting policies; (vi) the measures adopted due to relevant observations formulated by shareholders, members, relevant directors, employees and, in general, by any third party, regarding accounting, internal controls, and matters related to external or internal audits; and (vii) the follow-up of the resolutions resulting from the shareholders' and Board of Directors' meetings.

The Chairman of the Corporate Practices Committee shall prepare an annual activity report for said body and present it to the board of directors. Said annual report shall comprise, at least: (i) the performance of the relevant directors; (ii) transactions executed with related parties; and (iii) remunerations of the members of the board and relevant directors.

Principal Officers

A brief curriculum summary of the principal officers is herein included as follows

Nombre	Edad	Puesto Actual	Años con la compañía
Pablo Azcárraga Andrade	56	Presidente del Consejo de Administración Grupo Posadas	30
José Carlos Azcárraga Andrade	49	Director General Grupo Posadas	24
Javier Barrera Segura	52	Director General Franquicia	26
Jorge Carvallo Couttolenc	58	Director General Inmobiliaria Posadas	21
Arturo Martínez del Campo Saucedo	48	Director General Corporativo Finanzas	*
Enrique Calderón Fernández	48	Director General Hotelera Posadas	8
Gerardo Rioseco Orihuela	51	Director General Propiedades Vacacionales	15

*Se incorporó en Febrero del 2015

Javier Barrera Segura

Mr. Barrera holds a degree in Economics and a Master's degree in Business Administration from Tulane University. For more than 20 years, he has held important positions in the Company. Before becoming CEO of Posadas Franchise, Mr. Barrera was responsible for designing and launching Fiesta Americana Vacation Club and he was also Marketing Director. In 1986, he was granted the National Economics Award.

Jorge Carvallo Couttolenc

Mr. Carvallo holds a Chemical Engineering degree and a Master's degree in Business Administration from the ITAM. In the Company, he has held various positions in the Finance and Development areas. As General Director, he has been responsible for developing the Mexican and South American expansion plans and he is currently in charge of Inmobiliaria Posadas.

Arturo Martinez del Campo Saucedo

Mr. Martinez is an Industrial Engineer graduated from the Universidad Iberoamericana with a Master's degree in Administration from the University of California. He joined Grupo Posadas on February 2, 2015. He obtained broad experience in Financial Group Banamex – Citigroup; he held the positions of: Mexico Cost Management Head, Financial Planning Corporate Bank and Treasury (Mexico / Latam), Chief Financial and Administrative Officer at Credito Familiar and Chief Financial Officer at Avantel / Banamex Citigroup, among others.

Enrique Calderon Fernandez

Mr. Calderon has a degree in Hotel Administration from the Centro de Estudios Superiores de San Angel. He has served for more than 20 years in the hotel marketing and tourism service areas in Posadas and other companies of the tourism sector, creating marketing, advertising and sales strategies. In 1999, Enrique joined Grupo Posadas as Sales Director for FA hotels, and since then he has held several positions such as Sales Director South Region, City Hotels Key Accounts Director and Mexico Sales Director.

Gerardo Rioseco Orihuela

Mr. Rioseco is an Industrial Engineering graduate from the Universidad Anahuac del Sur. With prior experience in the finance and tourism sectors, he joined the company in 1999 participating in the creation of Fiesta Americana Vacation Club as Project Director in Los Cabos. After 9 years as Commercial Director of FAVC and then of Propiedades Vacacionales, he was appointed the General Director of Vacation Properties Posadas.

Remunerations of Executive Committee (Management) members and principal officers

For the year ending on December 31, 2014, the cash remunerations paid to the aforementioned executive members as a whole represented approximately 1.2% of the Company's total income. Said amount includes the payments of wages, vacation bonuses, legal Christmas bonuses and performance bonuses. Performance bonuses are determined based on individual performance and company's performance.

The Company has established an executive retirement and pension plan which to December 31, 2014, reports a total accumulated reserve of $68.3 M.

Principal Shareholders

According to the information obtained as of April 6, 2015, (date of the S.D. Indeval S.A. de C.V. report due to the general extraordinary and ordinary shareholders meeting held on April 14, 2015), from the information disclosed by the shareholders, board members and officers of the Company, as of the date of this report and to the extent of the Company's knowledge, the following shareholders held the positions stated herein below:

(i) Shareholders or group of shareholders who are beneficiaries of more than 10% of the corporate capital of the Company:

A group of the members of the Azcarraga Andrade family is holder of more than 10% of the corporate capital of the Company.

An capital investment company managed by Accival, holds more than 10% of the Company's corporate capital.

A Trust managed by Banco Nacional de Mexico holds more than 10% of the Company's corporate capital.

(ii) Shareholders or group of shareholders with significant influence in the Company and shareholders or group of shareholders with control or power to control the Company:

A group of persons who are members of the Azcarraga Andrade Family, may exercise significant influence in the Company and it is considered that said group may have the power to control the Company, should they exercise their voting rights for the same purpose. Likewise, various family members and shareholders are relevant directors and/or executive directors of the Company, among others, the Chairman of the Board of Directors and the Chief Executive Officer of the Company.

To this date, the following persons are directors and/or relevant executives of the Company, who hold more than 1% and less than 10% of the shares representing the corporate capital of the Company, and who jointly have 10.3% of the corporate capital of the Issuer: Pablo, Jose Carlos, Beatriz and Enrique Azcarraga Andrade

Code of Conduct

In 2014, the CEO´s office published a Code of Ethics applicable to all relevant officers and other employees of the Company, which contains provisions related to the conduct of the Issuer's employees. On April 22, 2015, the Board of Directors approved the Code of Ethics and Conduct that the Company's directors and employees must observe.

d) Corporate By-laws and Other Agreements

The Board of Directors has the authority to determine the criteria for the compensation packages of the Chief Executive Officer and other relevant executives and in legal terms, the power to approve policies and guidelines for the use and enjoyment of the assets of the Company, operation between related persons, amongst these, board members, executives or approval so that a relevant board member or executive or a person with the power to control may take advantage of business opportunities to benefit themselves or in favor of third parties.

In terms of clause twelve of the Company's by-laws, some rules have been established in order to delay, prevent, defer, or make more burdensome a change of control of the Company. Said clause was modified by a shareholders meeting dated April 14, 2015.

On March 19, 2014, the shareholders Extraordinary and Ordinary meeting of the Company approved the modification of the seventh clause seven of the by-laws and the cancellation of 64,151,031 Series "A" shares, subject to the termination of certain trusts of which the Company was the direct or indirect beneficiary. The resolutions of the shareholders meeting have been disclosed and executed in compliance with the generally applicable provisions for securities issuers and other securities market participants.

In accordance with the corporate by-laws in effect for the Company, the quorum requirements for convening and validity of the resolutions adopted in the Ordinary and Extraordinary Shareholders' Meeting are the following:

To consider legally convened a general ordinary shareholder's meeting at first call at least 50% of the ordinary Series "A" shares should be represented. Through second or subsequent call, the General Ordinary Shareholders' Meeting shall be considered validly convened by any number of Series "A" shares represented.

To consider legally convened a general extraordinary shareholder's meeting at first call at least, at least 75% of the ordinary Series "A" shares should be represented. At second or subsequent call, the aforementioned general extraordinary shareholders' meeting shall be considered validly convened with at least 50% of the Series "A" shares represented.

In accordance with the Company's by-laws, the Board of Directors has, amongst others, the following powers: 1) general power of attorney for collections and lawsuits with all the general and special powers that require special clause in accordance with the Law; 2) general power of attorney to manage business and corporate assets on the broadest terms in compliance with the provisions of the respective law; 3) general power of attorney for acts of ownership, pursuant to the provisions of the respective law; 4) the Board of Directors shall have general legal representative powers by the delegation of legal representation of the corporate principal to represent it in trials or labor procedures under the terms of the Federal Labor Law in force; 5) general power of attorney to draw, accept, endorse, negotiate, issue, guarantee, certify and in any other manner subscribe negotiable instruments on behalf and representation of the company, on the terms established in General Law of Negotiable Instruments and Credit Operations; 6) powers to open and cancel bank, investment or other accounts as well as to make deposits and draw on said accounts through the person or persons designated by the Board of Directors; 7) powers to appoint and remove the chief executive officer of the company and lower-ranking officers, as well to determine their attributions, powers, performance bonds, employment conditions and remunerations; 8) powers to grant general or special powers of attorney, as well as to substitute or delegate the powers granted to it, always reserving the right to exercise the same, and to revoke any of the powers granted, substituted or delegated; 9) the Board of Directors, through its chairperson, secretary or vice-secretary, may call General Ordinary or Extraordinary Shareholders' Meetings, in all the cases set forth in these By-laws or when deemed convenient, and to set the date, time and agenda for said Meetings; 10) to execute the resolutions adopted by a Company's Shareholders' Meeting which shall be done through its chairperson, except if that power is delegated to another board member; 11) to establish and modify the Company's or its subsidiaries employee share sales or purchase options or share subscription plans; 12) to appoint and remove the Executive Committee members, as well as members of other mid-level administration or operation bodies, establishing their composition, powers and functioning subject to the provisions of the applicable law; and 13) to establish the Audit and Corporate Practices Committee or Committees referred to in the Stock Market Law and to appoint and remove their members, with the exception of the Chairperson, who shall be appointed by the Shareholders' Meeting in compliance with the Stock Market Law provisions; 14) to present to the General Shareholders' Meeting held at the close of the corporate year the following reports: the annual Audit Committee report, the annual Corporate Practices Committee report and the report of the Chief Executive Officer referred to in the Stock Market Law; as well as those other reports, opinions and documents which are required to comply with and under the terms of the Stock Market Law, the General Law of Business Corporations and other applicable laws; and 15) to preside over, discuss, and resolve on the matters referred to in the Second Section of the Twelfth Clause of the Company's corporate by-laws strictly adhering to the terms therein stipulated.

The members of the Board of Directors of the Issuer are elected by the favorable majority vote of the holders of Series "A" shares in circulation present at a general ordinary shareholders' meeting, it being the case that the resolutions in which the directors state to have a conflict of interest are carried out according to the principles established for such effect by the Stock Market Law.

The Issuer's corporate by-laws establish measures preventing the purchase of shares granting control of the Issuer. In accordance with these measures, certain purchases of Series "A" representing the Issuer's corporate capital must be previously approved by the Issuer's Board of Directors or the General Extraordinary Shareholders' Meeting when, amongst other things, the consequence of such acquisitions is that the shareholding of the acquiring party in question, either individually or jointly with determined persons, represents a holding equal or above ten percent of all Series "A" shares or five percent if the purchaser is considered a competitor. For a description of the referred measures, the procedure to request authorization from the Issuer's Board of Directors and/or the General Extraordinary Shareholders' Meeting, the quorum to convene and resolve, and the consequences of acquiring the shares, consultation of the complete text of the Second Section of the Twelfth Clause of the Issuer's corporate by-laws is suggested.

Minority Shareholder Rights

In line with the Stock Market Law, the Company's corporate by-laws stipulate the following minority shareholder rights:

- The right of holders of at least 10% of the shares representing the Company's corporate capital to request that the chairperson of the Board of Directors or of the Audit Committee and of the Corporate Practices Committee call a shareholders' meeting in which they have the right to vote.

- The right of holders of at least 5% of the shares representing the Company's corporate capital to exercise an action to determine the responsibility of any of the directors, subject to satisfaction of certain legal requirements.

- The right of holders of at least 10% of the shares with the right to vote and represented in the respective shareholders' meeting to request postponement of the vote on any matter on which they believe they lack sufficient information.

- The right of holders of at least 20% of the shares representing the Company's corporate capital to judicially challenge any resolution of the general meetings in which they have the right to vote, subject to meeting certain legal requirements.

- The right of holders, either individually or jointly representing at least 10% of the corporate capital, to appoint at least one director and the respective alternate director in the corresponding meetings.

e) Other Corporate Governance practices

In accordance with the Stock Market Law and the Board of Directors, the Company is subject to certain corporate government requirements, including: 1. An Audit Committee and a Corporate Practices Committee that convene periodically. 2. Independent members on its Board of Directors. 3. The Shareholder's Meeting establishing the feasibility of the substitution of the Directors in the meetings of the Board of Directors (only two directors have assigned substitute directors). 4. The Board of Directors convening at least once each three months to present the results of the immediately preceding quarter. 5. That, in addition, the information of the company is available to all Directors and the Company has made available technological tools to ease said informational access.

The entity has an internal audit and risk area which directly reports to the Audit Committee and the Chief Executive Officer. Additionally, said area has an ongoing relationship with the company's external auditor which is appointed by the Board of Directors after hearing the prior opinion of the Audit Committee

During 2014, the Company continued creating diverse guidelines and policies so that the Corporate Government of the selfsame becomes more efficient and professional. The latter such as the Code of Ethics and Conduct, the internal audit guidelines, the internal control guidelines and the investment policy which were approved by the Board of Directors in their meeting on April 22, 2015 after hearing the prior opinion of the Audit and Corporate Practices Committees.

5) CAPITAL MARKETS

a) Stock Structure

The shares which represent the corporate capital of the Company are listed on the Mexican Stock Exchange Market, S.A.B. de C.V., where they have traded since 1992. The number of shares in circulation (weighted average - excluding shares in repurchase -) amounts to approximately 496 M. The stock certificates issued and in effect to this date are the following:

Instrument or Provisional Certificate No.	Issue Date	Number of shares represented	Series
CP21	30/04/1992	42,675	A
CP8	21/12/1998	10,000	A
1	15/10/2014	512,424,496	A
3	27/02/2013	260,417	A

Additionally, approximately 68,000 series "A" shares are traded on the PORTAL system (Private Offerings, Resales and Trading through Automated Linkages) of the NASD (National Association of Securities

Dealers) in the form of ADS (American Depositary Shares). Series "A" shares have shown low trading according to the selfsame BMV's rating, therefore they are operated according to a BMV bidding arrangement. Trading in series "A" shares has never been suspended by the regulatory authorities. As of February 28, 2013, the series "A" shares is the only trading stock on the Mexican Stock Exchange.

b) Share performance in the stock market

Source: Bloomberg (The daily average volume is based on trading days)

Annual performance in the past 5 years

POSADAS A	2010	2011	2012	2013	2014
Precio Máximo	18.26	16.62	20.75	24.70	25.50
Precio Mínimo	16.50	13.80	15.80	20.50	22.50
Precio de Cierre	18.25	15.90	20.75	24.70	25.50
Volumen diario promedio (miles de acciones)	21.0	8.7	9.9	205.6	804.33

POSADAS L					
Precio Máximo	17.25	15.70	20.75	-	-
Precio Mínimo	12.93	13.50	14.00	-	-
Precio de Cierre	17.25	15.70	20.75	-	-
Volumen diario promedio (miles de acciones)	2.9	0.2	5.4	-	-

Quarterly last 2 years

POSADAS A	1T13	2T13	3T13	4T13	1T14	2T14	3T14	4T14
Precio Máximo	21.60	24.25	24.25	24.70	24.70	24.12	24.70	25.50
Precio Mínimo	20.75	20.50	24.00	24.00	23.70	23.90	24.00	22.50
Precio de Cierre	21.60	24.25	24.00	24.70	23.90	24.02	24.00	25.50
Volumen diario promedio (miles de acciones)	51.6	57.5	5,996.0	239.0	527.9	1927.7	19.90	28.30

Monthly last 6 years

POSADAS A	nov-14	dic-14	ene-15	feb-15	mar-15	abr-15
Precio Máximo	24.00	25.50	-	-	28.80	-
Precio Mínimo	23.00	25.00	-	-	27.00	-
Precio de Cierre	24.00	25.50	25.50	25.50	28.80	28.80
Volumen diario promedio (miles de acciones)	804.3	804.3	-	-	1.7	-

c) Market Maker

The Company does not have a market maker.

6) PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE ANNUAL REPORT

The persons indicated below have prepared, within the scope of their respective duties, the information in this annual report and which to the best of their knowledge, fairly reflects the Company's situation and have no knowledge that any material information may have been omitted or falsified in this annual report or that the same contains information that would mislead investors. This document has been has been subjected to review and comments by the Corporate Practices Committee of the Corporation.

Name	Position	Institution
Jose Carlos Azcarraga Andrade	Chief Executive Officer	Grupo Posadas, S.A.B. de C.V.
Arturo Martínez del Campo Saucedo	Chief Financial Officer	Grupo Posadas, S.A.B. de C.V.
Enrique Calderón Fernández	Director General Hotelera Posadas	Grupo Posadas, S.A.B. de C.V.
Gerardo Rioseco Orihuela	Director General Vacation Club	Grupo Posadas, S.A.B. de C.V.
Javier Barrera Segura	Director of Posadas Venture	Grupo Posadas, S.A.B. de C.V.
Javier Barrera Segura	Director General Real Estate	Grupo Posadas, S.A.B. de C.V.
Olga Gutierrez Nevarez	Director of Legal Affairs	Grupo Posadas, S.A.B. de C.V.
Gabriel Elias Guzman	Corporate Comptroller and Treasury Director	Grupo Posadas, S.A.B. de C.V.
Roberto Alvarez Lopez	Tax Director	Grupo Posadas, S.A.B. de C.V.
Carlos Pantoja Flores	External Auditor	Galaz, Yamazaki, Ruiz Urquiza, S.C.

7) ATTACHMENTS

Audited financial statements corresponding to the corporate year ending on December 31, 2014.

Annual reports formulated by the Audit Committee in the performance of its duties and in support of the board of directors regarding the contents of the report rendered by the Chief Executive Officer and the report referred to in article 172 b) of the General Law of Business Corporations

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

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

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

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Deloitte.

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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.

Deloitte

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

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

Liabilities and stockholders' equity

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Comprehensive Income

For years ended December 31, 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)
(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)

(Continued)

	Notes	2014	2013
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

(Concluded)

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 Kivac, 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	25.00	$ -	$ 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, 2014	2013	February, 24 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 Series "A"	2013 Series "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

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:

Statement of comprehensive income:	Hotel operation	Hotel management, brand and other	Corporate	Vacation Club	Sale of non-strategic assets	Total	Eliminations	Total consolidated
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:

Statement of comprehensive income:	Hotel operation	Hotel management, brand and other	Corporate	Vacation Club	Sale of non-strategic assets	Total	Eliminations	Total consolidated
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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