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 City, Mexico. 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: Posadas A

The shares are registered in the National Securities Registry and quoted in 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 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, 2015

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

Debt Instruments	Senior Notes	Senior Notes
Ticker symbol	POSADA	POSADA
Amount	US$350,000,000	US$38,332,000
Issue Date	June 30, 2015	November 30, 2012
Maturity Date	June 30, 2022	November 30, 2017
Issue term	7 years	5 years
Interest and calculation procedure	Annual fixed interest rate at 7.875% 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	Every 6 months beginning December 30, 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 beginning June 30, 2019 at 103.938% and after June 30, 2021 at 100% until maturity date. Issuer entitled to amortize early, fully or partially, as described in the "Make-Whole" clause.	Single payment beginning 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	"Senior Notes" are unsecured and 12 subsidiaries act as surety thereof.	"Senior Notes" are unsecured and 19 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	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 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[T.N.] 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 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.	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 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 7.875% 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 upon determining the reserves related 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.

[T.N.] These are the initials in Spanish for the *Ley Mexicana de Valores*, which translates into English as the Mexican Securities Law.

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Opinion of the independent auditors 2015, 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, 2015, 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 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, 2015, there were 141 hotels and resorts operating under Posadas' brands, representing a total of 23,259 rooms, thus having the greatest concentration in Mexico with 23,056 rooms distributed in 62 Mexican Cities, including the most important urban and 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.

For most of 2015, of the 141 hotels, the Company was the majority owner of 17 hotels, operated 110 (including 6 in franchise modality) 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, LAT20 by Live Aqua since December 2015, Grand Fiesta Americana, Fiesta Americana, Fiesta Americana Vacation Club, Fiesta Inn, Fiesta Inn LOFT, Gamma and One Hoteles.

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.

During 2015, the Company initiated operations of its franchise for Gamma brand: 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 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 yet preserve the distinctive local details. To March 31, 2016, there are 6 Gamma hotels in the franchise arrangement.

Likewise, in 2015, the Company launched into the market two new hotel brands: "LAT20 by Live Aqua", a brand designed under an innovative concept, and Fiesta Inn Loft, a hotel industry product designed for long stays.

During the 2015 corporate year, the company has opened 14 new hotels, including 5 conversions to the Gamma brand, representing a net total of 2,165 additional rooms: One Cuernavaca, Gamma El Castellano Merida, Gamma Monterrey Gran Hotel Ancira, One Villahermosa Tabasco 2000, Gamma Ixtapa, One Celaya, One Gran Sur, Gamma Xalapa Nubara, Fiesta Inn Loft Irapuato, Grand Fiesta Americana All Inclusive Parks Vallarta, Fiesta Inn Loft Cd. Del Carmen, Gamma Campeche Malecon, LAT 20 by Live Aqua and Fiesta Inn Villahermosa.

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 beach 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 been consolidating and to this date, Posadas operates 9 hotels under this format.

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. During 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.

The Company also operates a timeshare business under two brands: Fiesta Americana Vacation Club ("FAVC") and The Front Door (TFD), through which members purchase a "40 year right to use" (timeshare right) represented by annual FAVC or TDF points. Additionally, the points may be exchanged for lodging at any of the four timeshare complexes located in Los Cabos, Baja California Sur (Villas and Resort); Acapulco, Guerrero, Cancun, Cozumel (two complexes), Puerto Vallarta 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, while TFD members may use the The Registry Collection network. During the 2015 corporate year, the company acquired a plot of land located in Los Cabos which will be allocated to building villas under the product The Front Door. Likewise, the Company is still analyzing the possibility of building a resort to answer the demand for the Fiesta Americana Vacation Club in Acapulco.

In 2015, the Company marked 5 years that it has marketed the product denominated "KIVAC" consisting of the sale of points with an up to 5 year validity, which may be exchanged for accommodations in any of the Company's hotels. To December 31, 2015, more than 26,000 members were affiliated under this modality. In 2015, the sale of this product began to be made through a website, in addition to other more traditional marketing mechanism.

As part of the consolidation process of activities and services, the Company has been focusing on sectors of the hotel business. Therefore, the company has maintained 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 and (ii) Konexo, the contact center ("Call Center"), amongst whose relevant clients are the Company's subsidiaries. On the other hand, other businesses such as Ampersand, an enterprise which manages loyalty programs, amongst them, the Company's loyalty program: *Fiesta Rewards*; and Summas Central which offers management and administration of centralized purchasing services to our different owned, leased and third-party hotels. These businesses have become or are in the process of becoming in internal service areas for the corporate offices and for the hotels operating under our brands.

As owner and lessee of several hotel properties, Posadas decided to and executed investment in and refurbish the Fiesta Americana, Guadalajara, Fiesta Americana Condesa Cancun, Fiesta Inn Aeropuerto Ciudad de Mexico, Fiesta Inn Cuautitlan and Fiesta Americana Merida hotels.

From a corporate and financial viewpoint, during 2013- 2015 and to date in 2016 several noteworthy transactions were carried out, such as, advance payment of debentures convertible into the Issuer's shares resulting from the Banorte, Scotiabank Inverlat and Bancomext bank loans. Also, 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 US$310 million. On November 28, 2014, Posadas obtained US$47.2 million by way of a program known as "Euro Commercial Paper", which generated a 6% annual rate interest with a November 18, 2015 due date. The interest was recognized in the integrated operating results financial statement as they were accrued and were 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, with due date on January 15, 2015. In 2015, various liabilities were issued in the amount of US$350 million with a 2022 due date, with which 87.6% of the Senior Notes with 2017 due date were repurchased and the Euro commercial paper's payment was made on its due date (November 18, 2015) for US$50 million. Based on the applicable law, the Senior 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.

In 2013, the Company took advantage of the 2013 tax forgiveness program to terminate various tax litigation proceedings regarding certain tax liabilities. During 2015 and to date in 2016, the authority has continued its review process of the Issuer's tax compliance. Regarding one of said procedures, the Company definitely agreed to resolve a difference in opinion related to the administrative process of its subsidiary Turistica Hotelera Cabos Siglo XXI, S.A. de C.V., now merged into Grupo Posadas, S.A.B. de C.V., for the amount of $41.8 million.

In 2014 and 2016, Posadas made public its intention to carry out an internal corporate restructuring, reorganizing the number of its subsidiaries and the duties performed by some of these in its structure. This corporate restructuring was timely announced and is of principal importance in the Issuer's intercompany operations. On the other hand, from the period of 2013 to 2016, the Company: carried out the following corporate acts: unified the Issuer's share series into one ordinary, common shares series, freely negotiable, reduced its corporate capital by cancelling shares allocated in different trusts and its purchase fund, and modified the fifth, seventh and twelfth clauses of its corporate bylaws.

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 hotels were reopened on November 15, 2014, and were fully repaired and remodeled for their operation. On December 17, 2015, the Company received an indemnity due to the claims presented to the insurance company for a net deductible amount of US$10.6 million dollars, of which US$8.6 correspond to real property damages and US$2 to consequential losses.

Selected Financial Information

From January 1, 2012, the Company adopted the International Financial Reporting Standards – NIIF (“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 2015, 2014, and 2013, 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 their respective notes. Likewise, the financial information summary should be reviewed with all the explanations provided by 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.

Financial Highlights		Audited Financials (million pesos) As of December 31st. 2015 - IFRS	2014 - IFRS		2013 - IFRS
Total Revenues	Ps.	6,901.2	5,848.3	Ps.	8,550.4
Depreciation, amortization, and real estate leasing		801.6	739.0		746.6
Impairment of assets		0	0.0		894.8
Operating income		947.3	544.7		(41.6)
Comprehensive financing cost (income)		1283.0	883.9		368.3
Taxes		131.3	(1,061.3)		1,161.9
Net income		(470.4)	718.2		(1,757.8)
Majority net income		(470.2)	716.8		(1,753.3)
Balance Sheet Data (End of Period):					
Current assets	Ps.	4,222.6	4,676.9	Ps.	3,782.0
Property and equipment, net		6,286.0	6,267.3		6,337.6
Total assets		13,777.0	13,318.0		12,519.4
Current liabilities		2,136.7	3,141.8		1,880.1
Long-term debt		6,242.3	4,432.3		4,555.1
Total liabilities		10,149.5	9,208.7		9,131.2
Stockholders' equity		3,627.5	4,109.2		3,388.2
Other Financial Data:					
EBIT / Revenues		13.7%	9.3%		-0.5%
Net Income / Revenues		-6.8%	12.3%		-20.6%
EBITDA		$1,362.0	$954.0		$1,273.3
EBITDA to Revenues		19.7%	16.3%		14.9%
Total Debt to EBITDA		4.6 X	6.2 X		3.6 X
Curresnt assets / Current liabilities		1.98 X	1.49 X		2.01 X
Total liabilities / Equity		2.80 X	2.24 X		2.69 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, 2015, 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 in effect, Series "L" shares) has never been suspended by the regulatory authorities.

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

POSADAS A	2011	2012	2013	2014	2015
Price Max.	16.62	20.75	24.70	25.50	41.50
Price Min.	13.80	15.80	20.50	22.50	27.00
Price at closing	15.90	20.75	24.70	25.50	41.50
Daily operated volumen (thousand of shares)	8.7	9.9	205.6	804.3	16.4

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 uncertainties 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, operating results or cash flows.

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 contributed to 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 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’ decisions 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, four investors own 19 hotels, and to March 31, 2016, an additional owner holds 49 hotels with 6,646 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 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 to 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 future growth opportunities, 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 Mexico and in the United States of America. However, the Company's operations are principally concentrated in Mexico since 140 of the 141 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 Vacation Club (under the 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 contact center and back office services.

As part of its growth strategy, the Company is carrying out and investing in various building and refurbishing of its owned 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 an investor in that country by means of which the company granted a Live Aqua franchise 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, 2015, 111 (6 with franchise contracts and another contract changed from leased to managed before the 2015 closing) 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 suppliers 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, 2015, 14 operated under a leasing arrangement (one contract changed from leased to managed before the 2015 closing), and it is foreseen that great part of the Company's growth will come from said arrangements. 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, 2015, 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 Posadas' possibilities to receive the consideration stipulated in said franchise contracts.

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, 2015, 2014 and 2013. These businesses have developed from our hotel business, and have had 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; the decision to cease operations some of these businesses due to third party obligations and limit them to service units, may bring about expenses. However, we depend on these businesses to operate various services, such as the Fiesta Rewards loyalty program, the contact center (call center), accounting processes, payroll payments, and technology services, amongst others. If any of these businesses cease to provide their respective services to us, or if they provide them less effectively, the Company's results, operations and financial condition may be adversely affected.

Holding Company Structure

Based on the corporate restructuring information leaflets made public in 2014 and 2016, the administration plans to transform the Issuer into an operating corporation as well as holding corporation for the shares of a limited group of subsidiaries. The foregoing transferring, at the pace and to the extent permitted and possible, the management of the hotel operation business, licensing of brands and granting of franchises to a Posadas' subsidiary company which would receive a significant amount of the income derived from the corresponding fees and royalties.

The Issuer nowadays can be defined as a holding company which principal assets consist of the shares of its subsidiaries, the ownership of the Company's main brands and hotel operating contracts, and those for brand licensing and franchising. By virtue of the foregoing, revenues of the Issuer primarily depend on the collection of dividends and fees arising from hotel operating, brand licensing, and franchise contracts. Beginning on June 1, 2016, the Issuer will absorb the direct operation of the owned and leased contracts, the personnel rendering service in said hotels, as well as the operation of the FAVC's and TFD's programs exchange club. Most of the real properties will be owned by the Issuers' subsidiary companies.

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 Issuer 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 Issuer 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 Issuer's liabilities.

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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).

Corporate restructuring

The risks described herein below are not only factors that may affect the completion of the corporate restructuring detailed in the informational leaflets made public by the Issuer on April 10, 2014 and February 29, 2016 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, S.A.B. de C.V's 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 anticipatorily 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 or split off the right to oppose the conclusion of any such merger or split off. 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 or split off of any of the Subsidiaries with other Subsidiaries or with the Issuer. 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 split off or an agreement is convened with the creditors. Due to the above, the Issuer may not guarantee that the Corporation's various corporate movements may be 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 the Issuer's 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. The Issuer cannot 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

Posadas continues to study and analyze certain aspects of the explained corporate restructuring projects which may affect the restructuring posed, or produce effects other than those set forth in this informational leaflet. Therefore, Grupo Posadas cannot guarantee that such restructuring 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 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, Posadas cannot guarantee that the Company'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.

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 management of human capital is one of Posadas' highest priorities, in 2015, 650 evaluations were carried out to identify the talent with greatest potential and design individual development plans for this group of collaborators.

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 or foreign currency 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. Perhaps said activities may not be made on favorable terms.

Posadas' financing terms contain determined financial, operating and corporate 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 its 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, and 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.

Credit risk

If our financial situation deteriorates, it may negatively affect financing costs and the granting of new financing. A possible decrease by the rating agencies may increase the cost and/or limit our financing availability which would make difficult a capital increase if necessary.

Taxes

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. The Company is frequently subject to tax audit proceedings from authorities and subject to possible tax liabilities determined by said authorities, which may adversely impact the businesses' financial situation and cash flows.

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 Company to the date of this annual report. The tax authorities have alleged the omission of income tax payments, for which the Company filed a revocation remedy before the SAT, whose resolution is pending. In the opinion of our external advisors in such matters, there are sufficient arguments to obtain a favorable result from said proceeding.

II. 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 Issuer obligated to pay the tax which was deferred up to December 31, 2013, during the following five years from 2014 onward. 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, 2015, amounts to $529.9 M, and the respective short- and long-term liabilities were also recognized.

The Company is currently under SAT's audit regarding the tax referred to in the above paragraph, determined to the closing of the 2013 tax year. To the date of the issuance of this annual report, the aforementioned audit in in its initial stage, therefore it is possible to estimate said audit's result and if said audit may result in a tax liability which may adversely impact the Company's financial situation and its businesses' cash flows.

In addition to the foregoing, in the amendment for the 2016 tax year, diverse transitional provisions were included in the new LISR containing some benefits for the payment of amounts that, under certain tax authority criteria, may have been omitted by the taxpayers regarding the deconsolidation tax referred in this section. However, the Company decided not to apply said transitional provisions (which enforceability term lapsed last March 31) since to that date, it did not know the result of the audit referred to in the preceding paragraph, and thus, if said transitional provisions were applicable to it.

III. During 2015, the SAT concluded audits to establish correct compliance by the Company with the 2007, 2008 and 2009 tax year obligations. As a result of said audits, the tax authority determined alleged omissions in the Company's income tax payment, derived from the purchase and later amortization of the intellectual property (brands and other patents) acquired in the 2006 tax year of the Issuer's subsidiary in the Netherlands (Posadas Venture, B.V.). Likewise, the SAT determined alleged tax payment omissions regarding the 2007 corporate year caused due to a wrong allocation (in the SAT's opinion) of the purchase price of diverse properties that were transferred, by separating the right to enjoyment of said properties from the full complement of ownership rights.

Since the Company does not agree with the SAT criteria on which the observations are based, it requested the intervention of the Taxpayers' Defender Office (PRODECON, due to its initials in Spanish) in order reach a Final Agreement with said authority before said observations result in tax liabilities borne by the Company. Consequently, to the date of the issuance of this annual report, the company has held several Working Meetings with the PRODECON where it has presented different arguments to prove the inapplicability of the criteria used by the tax authorities in the audits in question.

IV. The new 2014 LISR eliminated the incentive that allowed contributing real property to Real Property Companies (SIBRAS, due to its initials in Spanish) and accrue the gain upon 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, the gain must be accrued on that date. The Entity recorded for the first time 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 to December 31, 2014. The latter amount was updated on December 31, 2015 and amounts to $1,006.4 M.

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, 2015, 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 consolidated statement of financial position under long-term accumulated liabilities. The Company considers that said contingencies uncovered by reserves will not significantly affect the Company's consolidated statement of 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, 2015, 100% of our indebtedness was denominated in U.S. dollars and 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 night/room rates are typically quoted in U.S. dollars, as well as the sale and financing of Vacation Club memberships, nevertheless we noted a greater tendency 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 and dollar sales in terms less than three months.

If financial markets experience periods of heightened volatility, as they have recently, our operating results may be substantially affected by variations in exchange 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 certain service contracts executed with third parties that may render said recurring or temporary services in our facilities, as applicable, the employees at our managed hotels or those employees 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.

Contractors may breach obligations to develop real properties.

The Company hires from third parties, the rendering of design, work, coordination, supervision and equipment for owned and leased hotels services. Even though the Company signs agreements regarding the quality levels, price and services and compliance with of the regulatory provisions of the finished products and the performance of said services, the Company cannot ensure that the hired professionals and service providers will comply with said obligations, or do so timely. This may cause risk related to circumstances adverse to the Company's economy, legal position and reputation.

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 contingencies 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 payments 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.

Violations to applicable anticorruption and money laundering laws

Our business operations in Mexico and abroad are subjected to anticorruption and money laundering laws, which in general prohibit that the enterprises and its intermediaries make inappropriate payments to government officers or to any other person in order to obtain or hold onto business, obtain government authorizations or the non-applicability of the law; or to carry out operations with persons with unlawful proceeds. The Company has policies applicable to our employees, managers and directors regarding the compliance of anticorruption and money laundering laws, and we consider we comply with said national provisions related to identification and prevention of operations with unlawful proceeds. However, we cannot ensure that none of our employees or executives contravene our internal or the authority's regulation and violate these provisions. In case of contravention of the applicable normativity, the corresponding civil and criminal penalties would be applicable which would affect the operational results, financial conditions and cash flow, as well as the Company's image.

Vacation Club sales

We develop and operate Vacation Club resorts by marketing memberships granting the right to use 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 operation and sale of said 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 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 on the unpaid balance of the purchase price. We recognize as income the entire value of a purchase contract when 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 Vacation Club 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 our Vacation Club sales had been denominated in U.S. dollars. Due to the financial crises, a significant portion of our Vacation Club revenues have been recalculated at the request of 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, The Registry Collection and the selfsame hotels of Posadas. However, said agreements 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 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 Vacation Club memberships.

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 plans to take measures to mitigate exposure to these claims, the measures taken could be insufficient or ineffective or with different interpretations 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, costs to its reputation 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 procedures and measures in order to comply with these provisions, information management systems and use and safekeeping procedures for said information these 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 occurrence of any failure, intentional acts, 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, due to lack of sufficient investment, or the investment in inappropriate products, or accelerated technology trends, 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, 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.. 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. To continue satisfying the greater purchasing power market, in December 2015, the Company purchased a plot of land located in the development Cabo del Sol beside the hotel Grand Fiesta Americana Los Cabos to continue developing The Front Door program. This plot of land represented an $80 M (US$5M) investment and the construction is planned to build 100 rooms and their service areas in this property. In said sale-purchase contract, the Company undertook diverse affirmative and negative covenants, amongst which is to build the development in a limited term. The non-compliance of these obligations may cause the obligation of paying expenses, costs and indemnity to the seller, and which may adversely affect the economic situation of the Company and the project.

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 mainly internal corporate movements which entail their own related risks. Said movements are described herein below; 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 Issuer's corporate capital or its operations.

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 keep our securities registered in the National Securities Registry. To this date, the Issuer does not have the certainty of information to conclude that it complies in full with the aforementioned registration 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 of 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 mitigated 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 for the Company.

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

We are subject to all operating risks common to the hotel and vacation property 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;
- 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, tourism, financial 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;
- Availability of capital to fund construction, renovations and other investments;
- Currency exchange fluctuations;
- Personal injuries that may result in claims brought by our clients or third parties in general;
- 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 23,259 hotel rooms that the Company operated as of December 31, 2015, 21% 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 Property 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 Property Liquidity

Real estate is relatively liquid. The Company's ability to diversify its investment in hotel properties 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 20 hotels in beach locations (9 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 a 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 recent years. To the extent that bookings through these channels increase, these intermediaries may be able to obtain higher commissions, discounted 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 flows. 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.

Risks Relating to Mexico

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.

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, 2014 and 2015 the GDP was only 1.3%, 2.1% and 2.5% respectively, due to the federal government's efforts to implement government structural reforms, such as energy and tax legislative reforms.

The exchange rate fluctuated laterally during 2013 resulting in marginal depreciation against the United States dollar. However, since the last trimester of 2014 and during 2015, the peso depreciated significantly against the United States dollar, representing a 12.6% depreciation for 2014 and 16.9% for 2015. This affected the Company's debt leverage and interest hedge index since its total debt is denominated in United States dollars.

Currency exchange fluctuations

As of December 31, 2015, 100% of our total indebtedness was denominated in U.S. dollars. While the majority of the Company's sales (approximately 75%) are peso denominated. An important portion of the accounts receivable are denominated in US dollars, see Notes 11 and 17 in the Company's audited consolidated financial statements included in this Annual Report (Attachment). 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 pesos cost 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, 2015, was 17.2065 pesos per United States Dollar that represented a 16.9% depreciation during the corporate year and experienced a similar volatility to that of 2009. 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 peso rate. 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, 2015, the Company had derivative contract positions to sell US$14.0 M equivalent to $242.8 M with due date on January 2016.

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 4.0%, 4.1% and 2.1% for 2013, 2014 and 2015, 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 may affect directly the Company's integrated financing result, thereby increasing its financing costs, in the event 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 2013, 2014 and 2015 are: 3.7%, 2.7% and 3.1%, 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 Hotel

As of March 31, 2016, 29% of the total rooms that the Company manages are owned by a FibraHotel that trades in 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 (REIT).

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 beach destinations with greater influx of tourists from the United States, such as Cancun and Los Cabos. As of December 31, 2015, approximately 20% of the Company's rooms are located in beach destinations, and the remaining 80% in urban hotels. The GDP reported by Bloomberg in 2013, 2014 and 2015 was 2.2%, 2.4% and 2.5% respectively and inflation was 1.0%, 0.8% and 2.1% respectively. As of December 31, 2015, Posadas owns one hotel in the southern part of Texas in the United States which Posadas has identified for sale in the Company's consolidated statement of financial situation.

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 and any other applicable provisions. The Issuer 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 November 30, 2012, the Issuer made a placement abroad of Debt Securities denominated "Senior Notes 2017" for a total authorized amount of up to US$225 M (Two hundred and twenty-five million U.S. Dollars 00/100). By means of official letter number 201200386843, the CNBV noted in the RNV the aforestated placement. Furthermore, on January 30, 2013, US$50 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 M 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 US$35 million additional "Senior Notes 2017" due was announced by the Entity at an annual rate of 7.875% and due in 2013. The "Senior Notes 2017" were issued based on a private exchange for US$31.6 M of the principal amount of the "2015 Senior Notes" which constitute an add-on issue of "2017 Senior Notes" with identical terms and reached a total of US$310 million issued. As a result of the cancellation of the "Senior Notes 2015" which were exchanged, the outstanding total principal amount of "2015 Senior Notes" was US$51.7 million to this date, which were fully paid on January 15, 2015.

On December 2, 2014, the Company successfully completed the Euro Commercial Paper ("ECP") issue in the amount of US$50.0 M 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 "Senior Notes 2015" issue, and other corporate purposes, as well as to maintain a robust cash balance to meet any operating needs and capital expenses.

On June 25, 2015, the Issuer carried out a placement of Debt instruments denominated "Senior Notes 2022" abroad for an authorized amount up to US$350 M (Three hundred fifty million 00/100 USD). By way of official letter number 153/5630/2015, the CNBV recorded it in the RNV of the aforestated institution. As a consequence of said issuance, 87.6% of the "2017 Senior Notes" were canceled, the principal amount of the "Senior Notes 2017" in circulation is US$38.3 M. Likewise, part of the funds obtained from the placement were used for full payment of the Euro Commercial Paper issuance referred to in the preceding paragraph. Said securities were issued in compliance with Rule 144A and Regulation S of the Securities Act, and were registered in the Luxemburg Stock Exchange and in the Euro MTF Market.

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 herein below, 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 updated status 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 twenty business days following the end of each one of the first three 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 meeting of shareholders, 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 shares representing its fixed corporate capital without withdrawal rights 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 Issuer proceeded to make the cancellation, decrease its fixed corporate capital without withdrawal rights and update its registration in the RNV, 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. To this date, the share number in the repurchase fund amounts to 16,855,600 shares, therefore. 495,881,988 shares Series "A" are circulating.

The 2015 and 2016 Extraordinary General Shareholders Meetings respectively modified the twelfth and fifth clauses of the corporate by-laws.

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 City, 01210 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 City, 01210, and its telephone is 53-26-67-00.

The Company has its roots in 1967, when Gaston Azcarraga Tamayo established Promotora Mexicana de Hoteles, 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 Holiday Inns and the management of 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 31, 2013. Likewise, the product "Kivac" was launched which consists in the sale of points effective 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 American 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 between both hotel chains' loyalty programs that allows the exchange of points from 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 beach hotels, the Fiesta Americana Condesa Cancun.

From the corporate point of view, in 2011, Jose Carlos Azcarraga Andrade was appointed General Director of the Company, and the shareholders meeting agreed 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 M United States dollars, including the assumption of debt. Accor acquired all of Posadas assets in the region which included 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 2012, the Company acquired, through a share 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.

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 M, resulting in a profit on the sale of these assets in the amount of approximately $330.5 M. 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 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, 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 contract dated March 13, 2013. These hotels belonged to subsidiaries of the Company were third party 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 US$5.6 M. 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 $450 M.

In 2013 Posadas acquired two plots of land that it intends to use for the Vacation Club business, one of them is located in Bucerias, Nayarit (Nuevo Vallarta), and the other in Acapulco, Guerrero. Finally, in December 2015, the Company acquired a plot of land in Los Cabos.

In reference to the hotel business, in 2013, 2014 and 2015, Posadas invested $240 M, $598 M and $612 M in certain owned and leased hotels respectively and in 2016, it will continue making this same type of investments for up to $1,000 M that will be allocated to owned and leased hotels. With such an investment, Posadas intends to update its product 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, 2014 and 2015, Posadas developed and launched the new concept of “Fiesta Americana” and “Grand Fiesta Americana” brand, as well as its new LAT20 by Live Aqua, Fiesta Inn Express, Fiesta Inn Loft, and Gamma brand. The last brand makes 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 executed a strategy to sell non-priority assets or non-strategic assets. In this context, in June it agreed with FibraUno to sell the real properties contained 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, due to various conditions, the purchase price was pending payment. In 2013, Posadas paid to the Real Property Patrimony Institute of the Public Administration of the State of Quintana Roo (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 M.

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, which have been fully liquidated. Along with the latter sale, 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, since in 2013 this institute exercised a liquidated damages clause of US$10.0 M, 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 the Company. Thus, we withdrew the corresponding defense proceedings and made a payment of $143 M.

In May 2015, the Company approved and ratified the partial conclusive agreement signed with the Tax Administration Service before the Taxpayers’ Defender Office for the amount of $67 M regarding the Turistica Hotelera Cabos XXI, S.A. de C.V. subsidiary.

In December 2015, the Company acquired a plot of land located in Los Cabos, Baja California Sur to build 100 rooms to allocate to the timeshare modality of The Front Door product.

In the financial and corporate areas, the following activities stood out in 2015:

- In January 2015, the Issuer paid the balance due of US$51.7 M regarding the Senior Notes 2015 issuance.

- On June 30, 2015, the Entity carried out a debt issue for US$350 M dollars in notes known as “Senior Notes 2022” by way of the Luxemburg Stock Exchange. The intention was to substitute the issue of US$310 M dollars known as “2017 Senior Notes” that the Issuer held to December 31, 2014 and for which US$1,060 dollars were offered for each thousand dollars of the previous issue.

- As a result of the offer, it was possible to repurchase US$271.7 M dollars of "Senior Notes 2017" equivalent to 87.63% of the principal amount. The "2022 Senior Notes" accrue annual interest of 7.875% with a due date on June 30, 2022. The interest is biannually payable starting on December 30, 2015.

- 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 total an issue of US$275.0 M. In February 2014, US$31.6 M 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 M. 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. Due to the issuance of the notes denominated "2022 Senior Notes", the remaining balance of this program decreased to US$38.3 M to December 31, 2015.

- In September 2015, Grupo Posadas S.A.B. de C.V. renewed with Santander a committed loan facility for $200.0 M, secured with the hotel Fiesta Inn Aeropuerto.

- In December 2014, the Issuer contracted an Euro Commercial Paper issue of US$50 M, the interest was recognized in the consolidated statement of changes as they were accrued, and it was paid on November 18, 2015, the principal's due date.

- In 2013, Posadas began its corporate restructuring project, which was intensified in 2014, 2015 and still continues in 2016 in accordance with the plans publicized in the Corporate Restructuring information leaflets dated April 10, 2014 and February 29, 2016. In this context, in 2013, the subsidiary 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 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, 2015 and to date 2016, the Company entered into various corporate acts, among others, various mergers, pursuant to the plan described in the aforementioned informational leaflets, notably the consolidation of the operation and sale of memberships of the Vacation Club in Posadas de Latinoamerica, S.A. de C.V., the consolidation of the operation of the owned and eased hotels, the payroll of said hotels and the operation of the timeshare exchange club. The Company expects to continue this project's corporate movements during the 2016 corporate year and following years.

Regarding regulatory issues, in 2015, several normative 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.

<u>Principal Investments 2013-2015</u>

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 2013 and 2015:

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 refurbishment to the new concept of Fiesta Inn hotel in Monterrey- and 7% to projects and corporate. There was 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 M, which were mainly used in the following projects:

- Capital expenses totaled $597.5 M, 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 uses was mainly related to the refurbishment of the new corporate offices.

Regarding the Vacation Club, capital expenses totaled $154.6 M, 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).

For 2015, the consolidated annual capital expenses totaled $612 M:

- Hotels: 42% was used for the maintenance and remodeling of hotels, specifically the Fiesta Americana Guadalajara, Fiesta Americana Condesa Cancun, Fiesta Inn Aeropuerto Ciudad de Mexico, Fiesta Inn Cuautitlan and Fiesta Americana Merida, amongst others.
- Vacation Properties: 33% was used for projects such as Acapulco Diamante and The Front Door Cabos.
- The balance of 25% for Corporate is mainly related to the corporate offices and technology.

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, LAT20 by Live Aqua, Grand Fiesta Americana, Fiesta Americana, Fiesta Americana Villas, Fiesta Inn, Fiesta Inn Express, Fiesta Inn Loft, Gamma and One Hotels.

Since 1999, 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 and in the future, Los Cabos. During the course of its operations, it has formed alliances with Hilton Grand Vacation Club, The Registry Collection and Resort Condominiums International (RCI), which has allowed it to penetrate the foreign market with greater force.

Beginning in 2010, Posadas started marketing the Kivac product, 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 34 additional hotels with 5,049 rooms that should open during the following 24 months. This will represent a 22% room offer increase and, of this, 58% corresponds to the economy and business formats, including the Gamma brand. Of these hotels, two will operate as a Live Aqua, 2 as Grand Fiesta Americana, 5 under the brand Fiesta Americana, 1 as Fiesta Americana Vacation Club, 1 as The Front Door, 10 operate under the brand Fiesta Inn, 1 under Fiesta Inn Loft and 12 under the three star hotel chain "One Hotels". Of the projected hotels, 19 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 US$476.6 M.

Since 2013, and in 2015, the Company has been significantly developing and investing in development projects for the new standards of Fiesta Americana and Grand Fiesta Americana brands, which are in the development stage. A long-term accommodation product under the Fiesta Inn brand (Fiesta Inn Loft) is already being operated, 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 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, 2015, the Kivac program members total more than 26,000.

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

The timesharing 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 Vacation Club 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 timesharing, payment is not related to membership rights, which are sold for 40 years. In the marketing of vacation properties, the clients pay a financing cost for the granting of a payment term.

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 franchising services under Gamma brand. 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, LAT20, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn, Fiesta Inn LOFT, Gamma, 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" with which we intend to 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 6 hotels operating under such modality.

To December 31, 2015, the average life of the Company's hotel management contracts (except its owned and leased hotels) was 10.3 years. Per brand, it was: 5.0 years for Fiesta Americana (including "Live Aqua" and "Grand"), 10.8 years for Fiesta Inn, 17.5 years for Gamma and 11.7 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 9 brands:

Posadas Mix of Brands					
Brands	**Category (1)**	**Hotels Rooms**	**Rooms by Range**	**Location**	**Segment**
LIVE AQUA HOTELS & RESORTS	Lifestyle	3 566	130-400	Upscale Resorts and large cities	International tourists and high end locals
Grand Fiesta Americana HOTELS & RESORTS	Grand Tourism	5 1,705	200-600	Large cities and upscale Resorts	International tourists and high end locals
Fiesta Americana HOTELS & RESORTS	5-Stars	13 3,628	80-650	Large cities and upscale Resorts	Domestic & international tourists and business travellers
FIESTA INN HOTELES BUSINESS CLASS	4-Stars	63 9,250	90-220	Small & mid size cities	Domestic and international business travellers
FIESTA INN LOFT	4-Stars	2 164	40-150	Small & mid size cities and suburbs of large cities	Domestic and international business travellers, largas estancias
GAMMA HOTELES & RESORTS	4-Stars	9 1,335	80-200	Small & mid size cities	Domestic and international business travellers
one hotels	3 Stars	37 4,582	100-140	Mid and large size cities in industrial locations	Domestic business travellers
FIESTAMERICANA VACATION CLUB	5-Stars	5 1,517	100-300	Resorts	Domestic & international tourists
THE EXPLOREAN BY FIESTA AMERICANA	5-Stars	2 96	40-100	Resorts	Ecotourism Domestic & international tourists
Other	4-5 Stars	2 416	100-220	Mid and large size cities	Domestic & international tourists and business travellers
Total		**141 23,259**			

Source: Posadas

(1) According to the Mexican classification system

(2) LAT 20 hotel by Live Aqua Playa del Carmen is included in Live Aqua

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 properties inventory by marketing timeshare 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 the 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, 2015, 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 timeshare 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, and other technological service and license suppliers such as Oracle, 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.

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 in 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 instrument 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 business 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 investors. At present, we operate 49 hotels owned by FibraHotel and four other owners concentrate 62% of the third party room inventory operated or 48% of the total room inventory operated by the Company. We expect this trend to continue in the near future. The loss of FibraHotel as a client, 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 or is in the process of obtaining 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, 2014, 2015 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 Issuer is obligated to pay the deferred income tax determined as of that date in the subsequent five corporate years beginning in 2014. This deconsolidation tax was recognized in the Consolidated Comprehensive Results statement to December 31, 2013, under the heading of profits tax and amounted to $882 M; likewise short and long-term liabilities to December 31, 2015 amount to $220 M and $310, respectively.

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 2013, the tax imposed on earnings 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 Accommodations, 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 foreigners 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.

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 Company opted to take advantage of these new rules. Thus, it has calculated the 2015 Income Tax as described above (for greater details, see Attachment to 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, 2015, the Company had 14,461 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, 2015, amounted approximately to $67.8 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 actions within its reach so as to reasonably comply with the laws governing hotel and environmental matters. We are currently in process of modifying and processing various authorizations, licenses, permits and concessions necessary 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, which 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 beach 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.

In 2015 the arrival of international tourists reached the record number of 1.200 million, 4.4% more than the last year. According to the World Tourism Organization (WTO), the number of international travelers that stayed at least one night outside of their country last year surpassed 2014 by 50 million.

2015, was the sixth consecutive year with above average growth, with variations in the different destinations due to currency exchange rate fluctuation, to petroleum price drops and in other basic products and the increasing worry regarding security, the WTO explained.

By regions, Europa, the Americas, Asia and the Pacific had a 5% increase in 2015. The arrivals to the Middle East increased 3% while in Africa, the limited information available indicates a 3% decrease.

The arrival of international tourists to the Americas increased by 9 million to reach 191 million. The dollar appreciation stimulated outgoing tourism from the United States which benefited, above all the Caribbean and Central America, which recorded a 7% increase. The results for South America and North America were close to the 4% average.

The following chart shows the countries with the highest international tourist arrivals in 2015 (Source: tourist activity outlook number 17 of the National Tourism Business Council “CNET”, due to its initials in Spanish, and the World Tourism Organization “WTO”):

Position	Country	Million arrivals international tourists
	World	1,138.0
1	*France	86.0
2	*United States	77.9
3	Spain	68.8
4	China	56.9
5	Italy	50.8
6	Turkey	39.3
7	Germany	35.0
8	United Kingdom	33.9
9	Mexico	32.1
10	*Russia	31.6

The WTO foresees that international tourist arrivals will increase 4% around the world in 2016.

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 from 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 32.1 M international tourists in 2015, which is a number greater than that of the previous year by 9.5%. The greatest number of foreign visitors were from the United States and Canada with 8.6 and 1.7 million tourists, respectively. The latter expresses an increase of 17.1% and 3.7% in comparison to the preceding year.

It is estimated that the economic disbursement by international visitors to Mexico was US$17.4 thousand million in 2015, which represented an increase of approximately 7.7% as compared with 2014.

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

The accumulated balance of the Tourism Balance to December 2015 was 7,356.7 million dollars and represented an 11.4% increase with respect to 2014.

Domestic. In 2015, 200 million domestic trips were registered in which 80 thousand hotel rooms were used and the remaining travelers stay in their relatives’ or friends’ home.

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Hotel occupancy levels. In general, based on the 25 principal destinations in the country (including beach destinations), hotel occupancy levels in Mexico averaged 63.6% in 2015 and 61.0% in 2014, an increase of 2.6pp.

Source: CNET

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, Hoteles 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. And The Front Door's competition if it applies.

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.

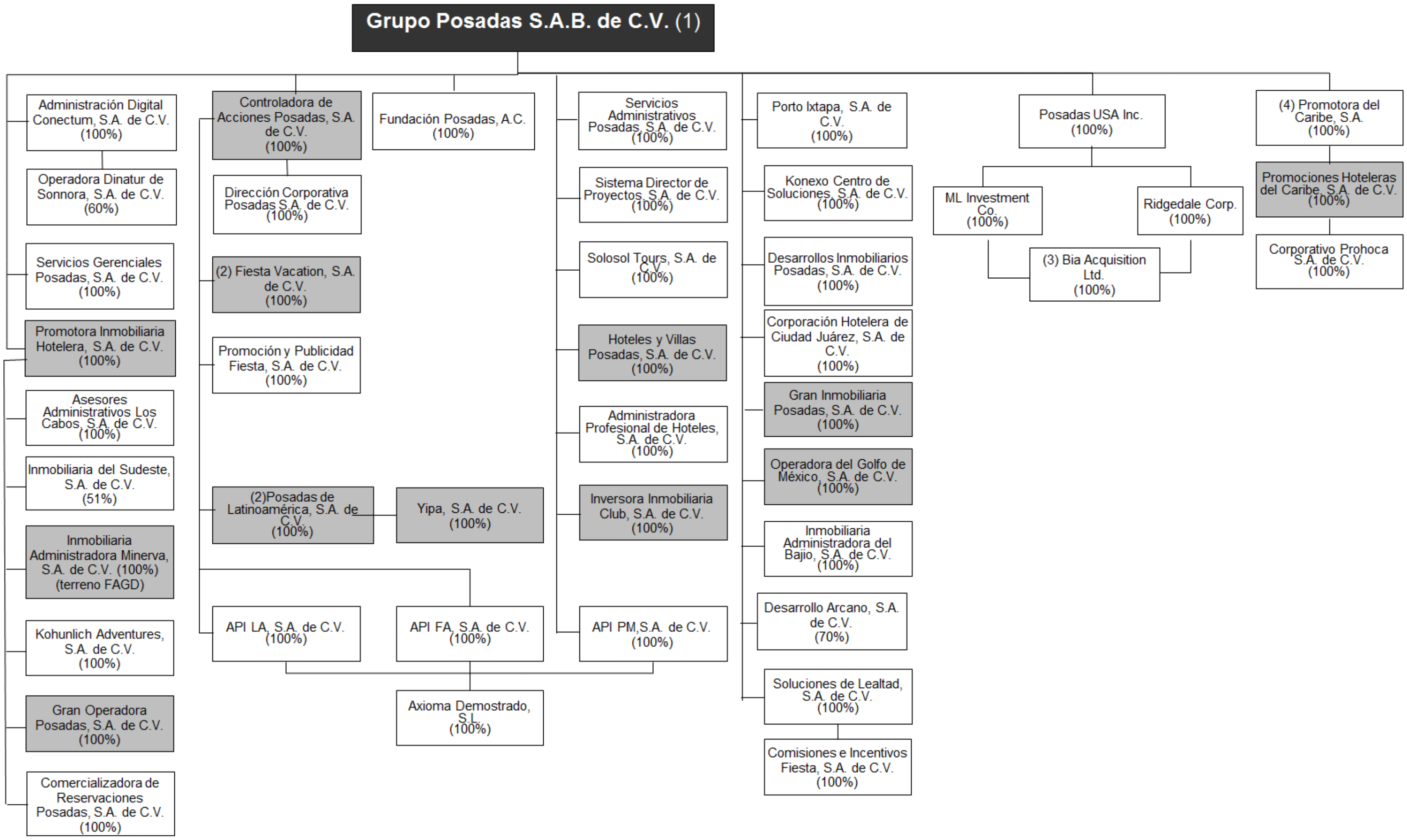
In reference to total rooms (including own, leased and operated rooms) of the Top Ten in Mexico, the Posadas brands jointly have an approximate market participation of 24%. Including the competitive set brands, in the five star category, the hotels operating under the Fiesta Americana brand have a 21% market share. In the four star category, Fiesta Inn holds a 20% market share within its competitive set and in the "economy" three star segment, One Hotels hold 54% 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 additionally conducts a very important number of its operations by itself and through its mainly Mexican subsidiaries. After the corporate restructuring, it is intended that the Company operate with approximately 30 Mexican subsidiaries and some others abroad, or with the lowest possible number.

The following organizational chart illustrates 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):



Source: Posadas

Guarantors of the Senior Notes 2022

(1) Hotel operation contracts
(2) Vacation club properties
(3) Owner of United States Hotel
(4) Shares transfered to Grupo Posadas on december 2015

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 2016. The plan will reduce its number of subsidiaries to about 30 entities. The restructuring plan, which was the subject of two informational leaflets published on April 10, 2014 and on February 26, 2016 and to which the reader is remitted for greater detail, consists of an internal corporate structure reorganization of certain businesses of 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 Posadas as a corporate group will not undergo substantial changes after the Company's corporate restructuring. Along these lines, Posadas has implemented a series of corporate movements that solely involve subsidiaries controlled (that is to say, corporations where the Issuer owns 51% or more of the corporate capital), directly or indirectly. 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 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 Posadas' Subsidiaries is intended to reduce and make more efficient the Issuer'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):

(This space was intentionally left blank)

Hotel	Opening	Country	Type of Contract	Number of Rooms
Live Aqua Bosques (Ciudad de México)	2012	México	Administrado	135
Live Aqua (Cancún)	2004	México	Arrendado	371
Lat 20 by Live Aqua	2015	México	Administrado	60
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
FAG AI Parks Vallarta	2015	México	Administrado	444
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

Hotel	Opening	Country	Type of Contract	Number of Rooms
FI Monterrey Fundidora	2007	México	Administrado	155
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 Villahermosa	2015	México	Administrado	159
FI Xalapa	1993	México	Administrado	119
FI Zacatecas	2011	México	Administrado	146
FI Loft Aeropuerto	2015	México	Administrado	44
FI Loft Ciudad Del Carmen	2015	México	Administrado	120
One Acapulco Costera	2008	México	Administrado	126
One Celaya	2015	México	Administrado	126
One Cuernavaca	2015	México	Administrado	125
One Gran Sur	2015	México	Administrado	144

Hotel	Opening	Country	Type of Contract	Number of Rooms
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 Villahermosa Tabasco 2000	2015	México	Administrado	126
One Xalapa Las Animas	2012	México	Administrado	126
Gamma Campeche Malecon	2015	México	Franquicia	146
Gamma de Fiesta Inn Ciudad Obregon	2014	México	Administrado	135
Gamma de Fiesta Inn El Castellano, Mérida	2015	México	Franquicia	153
Gamma Ixtapa	2015	México	Franquicia	153
Gamma de Fiesta Inn León	2014	México	Administrado	159
Gamma de Fiesta Inn Monterrey Ancira	2015	México	Franquicia	244
Gamma de Fiesta Inn Morelia Beló	2014	México	Administrado	84
Gamma de Fiesta Inn Tijuana	2014	México	Administrado	140
Gamma Xalapa Nubara	2015	México	Franquicia	121
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 a 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. The Fiesta Inn Monterrey Centro hotel with 231 rooms ceased to be operated by the Company since January 1, 2016.

With respect to investment plans for the remodeling of own and leased hotels and the Fiesta Americana Cozumel facility allocated to Vacation club, 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 guarantee which held the shares of a corporation which was the holder of real property denominated Fiesta Inn Aeropuerto hotel, which at the same time had been given as a mortgage 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 i of the consolidated financial statements found in the Attachment to this report).

Regarding employment proceedings, there is a series of individual lawsuits that may represent as a whole, a significant contingent amount. However, not all of the lawsuits are deemed to have the same risk of materialization.

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, 2015, the Company's corporate capital is made up of 512,737,588 no par value shares, fully subscribed and paid, without considering shares that have been repurchased by the Issuer. To said date, 512,684,913 shares out of the 512,737,588 total were deposited with the *S.D. Indeval, Institucion para el Deposito de Valores, S.A. de C.V.* in a sole certificate. Therefore 52,675 shares representing the corporate capital of Grupo Posadas are not deposited with said institution.

From said corporate capital, the Issuer holds directly or indirectly certain shares as hereunder follow:

Number of shares	2015	2014	2013
	Series "A"	Series "A"	Series "A"
Capital	512,737,588	512,737,588	576,888,619
Minus-			
Repurchase of shares	(16,855,600)	(16,799,600)	(18,899,099)
Shares in trust for company executives	-	-	(25,166,702)
Shares in trust of treasury	-	-	(33,890,206)
Shares in trust as guarantee for Chemuyil	-	-	(2,995,024)
	(16,855,600)	(16,799,600)	(80,951,031)
	495,881,988	**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 was 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.

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 effective rate 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, 2015, 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 Isssuers' 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 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 on January 2, 2013.

(iv) The Issuers' 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).

The General Extraordinary and Ordinary Shareholders Meeting of the Issuers, held on March 15, 2016, agreed, amongst other issues, to update the fifth clause of its corporate bylaws to clarify the Company's corporate purpose, specifically the activities connected to the subsidiaries related with the vacation properties.

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 March 15, 2016, declared no dividends for the corporate year ending December 31, 2015.

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

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

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 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 Annual 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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Audited Financials
(million pesos)
As of December 31st.

Financial Highlights		**2015 - IFRS**	**2014 - IFRS**		**2013 - IFRS**
Total Revenues	**Ps.**	6,901.2	5,848.3	**Ps.**	8,550.4
Depreciation, amortization, and real estate leasing		801.6	739.0		746.6
Impairment of assets		0	0.0		894.8
Operating income		947.3	544.7		(41.6)
Comprehensive financing cost (income)		1283.0	883.9		368.3
Taxes		131.3	(1,061.3)		1,161.9
Net income		(470.4)	718.2		(1,757.8)
Majority net income		(470.2)	716.8		(1,753.3)
Balance Sheet Data (End of Period):					
Current assets	**Ps.**	4,222.6	4,676.9	**Ps.**	3,782.0
Property and equipment, net		6,286.0	6,267.3		6,337.6
Total assets		13,777.0	13,318.0		12,519.4
Current liabilities		2,136.7	3,141.8		1,880.1
Long-term debt		6,242.3	4,432.3		4,555.1
Total liabilities		10,149.5	9,208.7		9,131.2
Stockholders' equity		3,627.5	4,109.2		3,388.2
Other Financial Data:					
EBIT / Revenues		13.7%	9.3%		-0.5%
Net Income / Revenues		-6.8%	12.3%		-20.6%
EBITDA		$1,362.0	$954.0		$1,273.3
EBITDA to Revenues		19.7%	16.3%		14.9%
Total Debt to EBITDA		4.6 X	6.2 X		3.6 X
Curresnt assets / Current liabilities		1.98 X	1.49 X		2.01 X
Total liabilities / Equity		2.80 X	2.24 X		2.69 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 4, without prejudice to the remaining notes and financial statements.

It is important to mention that the Senior Notes maturing in 2017 and 2022 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 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 units is hereinafter explained in detail,

REVENUES BY BUSINESS UNIT (million pesos)	2015 - IFRS		2014 - IFRS		2013 - IFRS	
	Revenues	%	Revenues	%	Revenues	%
Hotels	3,103.8	45.0%	2,691.6	46.0%	2,673.7	31.3%
Vacation Club and Others	2,619.8	38.0%	1,996.7	34.1%	1,894.6	22.2%
Management	1,123.2	16.3%	1,107.9	18.9%	1,200.4	14.0%
Sale of non strategic assets	0.0	0.0%	26.2	0.4%	2,781.6	32.5%
Other businesses	54.4	0.8%	25.8	0.4%	0.0	0.0%
TOTAL	**6,901.2**	**100.0%**	**5,848.2**	**100.0%**	**8,550.4**	**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, 2015, 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

2015-2014
Corporate year ending December 31, 2015
Compared with the corporate year ending December 31, 2014
Information according to International Financial Reporting Standards (IFRS)

Consolidated Integrated Operating Results Statement
For the years ending December 31, 2015 and 2014
(In thousands of Mexican pesos)

	2015	2014
Continuous operations		
Revenues	$ 6,901,221	$ 5,848,278
Sale cost	4,209,784	3,667,834
Gross profit	**2,691,437**	**2,180,444**
Adminstration expenses	815,126	745,305
Sale and development expenses	126,879	105,726
Depreciation, amortization, lease and impairment	801,646	739,026
Other expenses, net	479	45,669
Interest expense	508,840	417,669
Interest revenue	(34,457)	(22,509)
Commissions and financial expenses	100,080	60,763
Exchange loss, net	708,553	427,934
Equity in earnings of associated companies	750	12,595
	3,027,896	**2,532,178**
Loss prior to earnings tax	(336,459)	(351,734)
Earnings (Benefit) tax	131,334	(1,061,257)
(Loss) Profit from continuous operations	(467,793)	709,523
Discontinued operations		
(Loss) Earnings from discontinued operations	(2,612)	8,718
(Loss) Consolidated earnings for year	**(470,405)**	**718,241**
Other integrated results		
Foreign currency conversion gain	7,516	10,844
Recalculation of defined benefit obligations	12,664	(9,582)
	20,180	1,262
Consolidated Comprehensive Results for year	$ (450,225)	$ 719,503

(Continues)

	2015	2014
Annual consolidated profit (loss) attributable to:		
Controlling participation	$ (470,208)	$ 716,817
Non-controlling participation	(197)	1,424
Annual consolidated profit (loss)	**$ (470,405)**	**$ 718,241**
Annual consolidated integrated result attributable to:		
Controlling participation	$ (450,028)	$ 718,079
Non-controlling participation	(197)	1,424
Annual consolidated integrated results	$ (450,225)	$ 719,503
Profit (loss) per share:		
Continuous operations and discontinued operations -		
Earnings (loss) basic and diluted per common share (in pesos)	$ (0.95)	$ 1.45
Continuous operations -		
Earnings (loss) basic and diluted per common share (in pesos)	$ (0.94)	$ 1.43
Weighted average of shares in circulation	495,929,856	495,937,601

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.

Profit and Loss Statement - IFRS (million pesos)	2015 $	2015 %	2014 $	2014 %	Var%
Total Revenues	6,901.2	100.0	5,848.3	100.0	18.0
Owned and Leased Hotels					
Revenues	3,103.8	100.0	2,717.8	100.0	14.2
Direct cost	2,335.9	75.3	2,265.1	83.3	3.1
Contribution	767.9	24.7	452.7	16.7	69.6
Management					
Revenues	1,123.2	100.0	1,107.9	100.0	1.4
Direct cost	870.2	77.5	806.5	72.8	7.9
Contribution	253.1	22.5	301.4	27.2	(16.0)
Vacation Club & Other					
Revenues	2,619.8	100.0	1,996.7	100.0	31.2
Direct cost	2,011.5	76.8	1,520.7	76.2	32.3
Contribution	608.3	23.2	475.9	23.8	27.8
Corporate expenses	321.1	4.7	255.5	4.4	25.7
Depreciation / Amort. & Leases	414.7	6.0	409.3	7.0	1.3
Impairment of assets	0.0	0.0	0.0	0.0	na
Other (revenues) and expenses	0.5	0.0	46.4	0.8	(99.0)
Other revenues	(54.4)	(0.8)	(25.8)	(0.4)	110.6
EBIT	**947.3**	**13.7**	**544.7**	**9.3**	**73.9**
EBITDA	**1,362.0**	**19.7**	**954.0**	**16.3**	**42.8**

Total Revenue

The Company's total revenue increased by 18.0% from $5,848.3 M in 2014 to $6,901.2 M in 2015. The preceding was principally due to the extraordinary performance of the owned hotels and the membership sale of the vacation properties.

Own and Leased Hotels

Owned & Leased Hotels	Total		Urban		Coastal	
	2015	% Var.	2015	% Var.	2015	% Var.
Accum.						
Avg. rooms available	5,443	(2.9)	4,164	(3.9)	1,279	0.3
ADR	1,383	14.8	1,213	10.2	1,867	23.3
Occupancy (Var. in pp)	73%	3.6	71%	3.4	78%	4.0
RevPAR	1,005	20.7	860	15.7	1,456	30.1

2105 was characterized by very good operating performance, propelled by relevant 20.7% growth in the effective rate.

Owned hotels include revenues and expenses derived from the operation of the owned and leased hotels operated by the Company. The 14.2% revenue increase of Owned Hotels from $2,717.8 M in 2014 to $3,103.8 M in 2015 is mainly attributed to better performance by beach hotels. From the operative point of view: (i) the increase of 3.6pp in occupancy, (ii) the result of a more effective rate of 20.7% of $1,005 in 2015 and $832 in 2014 and (iii) the 2.9% decrease in the average room number operated is mainly due to the fact that the hotel Fiesta Inn San Luis Potosi Oriente changed from being a hotel leased by the company to a hotel managed by it. The city hotels results showed an improvement in comparison with those registered in 2014. With a 3.9% decrease of the operated average room number, a 10.2% increase in the average fee and an occupancy factor 3.4pp higher, the effective rate was 15.7% higher.

Coastal hotels practically operated the same number of rooms (0.3%) more average rooms including LAT20 hotel by Live Aqua which lease contract initiated on December 1st, 2015. On the other hand, said hotels had a 23.3% increase in the average fee with a 4.0 pp. occupancy increase. the foregoing resulted in an effective rate of 30.1% increase in comparison with that of the previous year, confirming the consolidation of the *All Inclusive* plan, (meals and activities included in the cost of the rooms), as well as a tourist flow increase to the beach destinations principally coming from the United States.

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 $2,335.9 million for 2015, presenting an increase of 3.1% in comparison with the $2,265.1 million for the same period in 2014. Departmental costs and expenses were contained since they increased by one-fifth, in proportion to revenue. The Departmental result (revenue minus departmental costs and expenses) was $767.9 million for 2015, thus it represented a 69.6% increase in comparison with $452.7 million for the comparable 2014 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, income tax, insurance fee payments, auditor and legal advisor fees. In sum, these expenses increased by 3.1%, to $ 815.2 million during 2015 in comparison with $745.3 million for the 2014 comparable period.

Hurricane "Odile" impacted the city of Los Cabos on September 14, 2014 damaging part of the hotel Grand Fiesta Americana 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. In order to dimension the impact, the Hotel and the Villas Los Cabos represented 3.5% of the room inventory. Actual and consequential damages insurance coverage for both properties was adequate. On December 17, 2015, the Entity received an indemnity due to the claims presented to the insurance company for a net deductible amount of US$10.6 M from which US$8.6 M corresponded to damages to properties and US$2.0 M to consequential loss.

Management

Management	Total		Urban		Coastal	
	2015	% Var.	2015	% Var.	2015	% Var.
Accum.						
Avg. rooms available	19,946	8.0	17,157	7.9	2,788	8.8
ADR	1,167	5.4	1,043	2.8	1,886	14.5
Occupancy (Var. in pp)	66%	2.1	65%	2.1	69%	1.8
RevPAR	765	8.8	678	6.3	1,294	17.5

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.

2015 revenue increased 1.4% in comparison with 2014, obtaining $1,123.2 million in 2015 in comparison with $1,107.9 million in 2014. Growth of 8.8% increase in the Effective Rate which resulted from a higher occupancy and a 5.4% increase in availability fee.

The Company has opened 14 new hotels, including 5 conversions to Gamma brand. (for further 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 increased by 7.9% to $870.2 million in comparison with the same period in 2014 in which they represented $806.5 million.

For urban hotels, at the system level it was noted that the average number of rooms operated presented an increase of 7.9%, with an improvement of 2.8% in the average rate, increasing occupancy by 2.1 pp to attain an effective rate of 6.3%.

Coastal hotels presented an increase of 8.8% in the operated rooms’ average with the recent incorporations of hotel LAT20 in Playa del Carmen and the Grand Fiesta Americana All Inclusive Parks Vallarta. It is worth mentioning that the company has not opened a beach hotel since 2004. The rate average climbed to 14.5% with an occupancy higher than 1.8pp, thus the effective rate increased to 17.5%.

Vacation Properties and Other Businesses

The category “Vacation Club and others”, includes the Fiesta Americana Vacation Club. The income from the Vacation Club and others increased by 31.2% to $12,619.8 million in 2015, from $1,996.7 million in the 2014 comparable period; the Vacation Club represented approximately 90% of revenue in this business category. Growth defined the vacation properties business, increasing in 2015 the number of members, reaching more than 60,000. Kivac reports about 26,000 clients. It is worth mentioning that the Food and Beverage sector has had an outstanding performance reporting an 89% AA increase. On the other hand, the margin for the 12 months of 2015 is 0.6pp less than that for the same period in the preceding year.

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 32.3% to $2,011.5 million in comparison to $1,520.7 million for the same period in 2014.

To December 31, 2015 the portfolio of vacation properties receivables, valued at approximately US$210 million, -which does include US$131 million corresponding to FAVC- improved substantially. The soundness of the receivables is demonstrated by the fact that 91% of the same is within the normal collection period of less than 90 days

To continue satisfying the higher purchasing power market, in December 2015, the Company purchased a plot of land located in development Cabo del Sol beside the hotel Grand Fiesta Americana Los Cabos to continue developing the Front Door program. This plot of land represented an $ 80 million (US$5mm) investment and it is planned to build 100 new rooms. As for the development of Fiesta Americana Vacation Club in the Acapulco Diamante zone, it continues in the conclusion stage.

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 –according to segments Note- in 2015 represented $321.1 million, which was a 25.7% percentage increase in comparison with the $256.2 million that this category represented for the same period in 2014. This increase resulted from various unique actions taken to reorganize the highest administrative levels of Grupo Posadas. In percentage of the Company's revenues, corporate expenses represented 4.7% of its total income in 2015, a similar level to than of the previous year.

Depreciation, Amortization and Real Property Leasing

Grupo Posadas had depreciation, amortization and leasing expenses from real property for an amount equal to $801.6 million in 2015. This represented an increase of 8.5% in comparison to $739.0 million expended for this concept in the comparable 2014 period. The increase in hotels leases was caused in part due to the depreciation of the Mexican currency in relation to the US dollar.

Operating Results

The operating results for Grupo Posadas consolidate the revenues from its lines of own hotels, administration of hotels, brands and others, Vacation Properties 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 $947.3 million for 2015 and a loss of $544.7 million reported in 2014.

Comprehensive Financing Result

Concept	2015	2014
Interest gained	34,457	(22,509)
Interest paid	508,840	417,669
Exchange rate (gain) loss	708,553	427,934
Efects of valuation	0	0
Comissions and financial	100,080	60,763
Total	**1,351,930**	**883,857**

(Numbers in thousands of pesos)

In 2015, the global financial result of Grupo Posadas was $1,283.0 million, which was an increase when compared with $883.8 million for 2014. Interest expenses grew by 21.7% to $508.8 million in 2015, in comparison to $417.7 million for the 2014 comparable period. This increase was principally due to the peso's depreciation with respect to the United States dollar and to the fact of having funds in cash to pay the Euro Commercial Paper from June 30 to November 18, 2015. Currency exchange effects related to Posadas foreign operations translated into a loss of $708.6 million in 2015, in comparison with currency exchange earnings of $427.9 million in 2014, since the Mexican peso depreciated 16.9% during 2015.

To close of 2015, the hedge of net interest to EBITDA was 2.9 times, 0.5 times higher than that in 2014.

Revenue from discontinued operations, net income tax

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 of $529 million, due to the repeal of the Consolidated Tax Rules, and additionally updated taxes payable for $1,006.4 million recognized in the deferred tax, resulting from the extinction of benefits under the SIBRAS rules. The Company and its subsidiaries are obligated to pay the determined deferred tax on December 31, 2015 during the following three corporate years counted from 2015.

Majority Net Result

Our financial statements recorded a consolidated net loss of $470.2 million for 2015.

Financial Situation

The cash balance to December 31, 2015 was $1,213.8 million (US$70.6 million). On its due date (November 18, 2015) US$50 million were paid corresponding to Euro Commercial Paper.

The Company's total assets amount to $13,770.0 million (US$800.7 million).

The principal entries which used cash were, amongst others, capital expenses, taxes and interest payments corresponding to the Senior Notes coupon and taxes.

Total debt amounted to $ 6,243.7 (US$362.9 million) million net of issuance expenses, while the net debt according to IFRS was $ 5,029.9 million (US$292 million). The proportion of Net Debt to EBITDA was 3.7 times, which favorably compares with 4.6 times reported to December 31, 2014 on a comparable bases.

The Total Debt mix at close of 2015 was the following: 100% long-term in USD and at a fixed rate. The average debt life was 6.0 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 1, 2016 the Company did not renew the administration contract to operate the hotel Fiesta Inn Monterrey Centro.

On February 1, 2016 the Company opened the hotels One Salamanca and One Durango with 126 rooms each.

In March, 2016, Fiesta Inn Pachuca with 114 rooms changed to the Gamma Pachuca brand.

On April 1, 2016, the Company opened the hotel Fiesta Americana Monterrey Centro with 178 rooms.

Likewise, the board of directors of the company approved the negotiation, and if applicable, the sale of two hotels owned by the Company located in the North of Mexico. Due to said negotiation process and to the uncertainty of its result, more details cannot be provided.

2014-2013

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

For the corporate years ending December 31, 2014 and 2013
(in thousands of Mexican pesos, excepting (loss) per share)

	2014	2013
Continuous operations		
Revenues	$ 5,848,278	$ 8,550,358
Sale cost	3,667,834	5,953,657
Gross profit	**2,180,444**	**2,596,701**
Adminstration expenses	745,305	703,104
Sale and development expenses	105,726	110,563
Depreciation, amortization, lease and impairment	739,026	1,641,401
Other expenses, net	45,669	183,213
Interest expense	417,669	393,659
Interest revenue	(22,509)	(113,084)
Commissions and financial expenses	60,763	57,711
Exchange loss, net	427,934	29,996
Equity in earnings of associated companies	12,595	4,863
	2,532,178	**3,011,426**
Loss prior to earnings tax	**(351,734)**	**(414,725)**
Earnings (Benefit) tax	(1,061,257)	1,161,883
(Loss) Profit from continuous operations	**709,523**	**(1,576,608)**
Discontinued operations		
(Loss) Earnings from discontinued operations	8,718	(181,206)
(Loss) Consolidated earnings for year	718,241	(1,757,814)
Other integrated results		
Foreign currency conversion gain	10,844	2,049
Recalculation of defined benefit obligations	(9,582)	8,795
	1,262	10,844
Consolidated Comprehensive Results for year	$ 719,503	$ (1,746,970)

Continues

	2014	2013
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.

Profit and Loss Statement (million pesos)	2014		2013		Var%
	$	%	$	%	
Total Revenues	5,848.2	100.0	8,550.3	100.0	(31.6)
Owned and Leased Hotels					
Revenues	2,717.8	100.0	4,778.3	100.0	(43.1)
Direct cost	2,265.1	83.3	3,854.6	80.7	(41.2)
Contribution	452.7	16.7	923.7	19.3	(51.0)
Management					
Revenues	1,107.9	100.0	1,319.0	100.0	(16.0)
Direct cost	806.5	72.8	915.4	69.4	(11.9)
Contribution	301.4	27.2	403.6	30.6	(25.3)
Vacation Club & Other					
Revenues	1,996.7	100.0	1,776.0	100.0	12.4
Direct cost	1,520.7	76.2	1,410.0	79.4	7.9
Contribution	476.0	23.8	366.0	20.6	30.1
Other					
Revenues	0.0	0.0	677.0	100.0	na
Direct cost	0.0	0.0	679.0	100.3	na
Contribution	0.0	0.0	(2.0)	(0.3)	na
Corporate expenses	256.2	4.4	247.2	2.9	3.7
Depreciation / Amort. & Leases	409.3	7.0	420.1	4.9	(2.6)
Impairment of assets	0.0	0.0	894.8	10.5	na
Other (revenues) and expenses	45.7	0.8	170.9	2.0	(73.3)
Other revenues	(25.8)	(0.4)	0.0	0.0	na
EBIT	**544.7**	**9.3**	**(41.7)**	**(0.5)**	**na**
EBITDA	**954.0**	**16.3**	**1,273.2**	**14.9**	**(25.1)**

Note: The figures in the Entity's Annual Report were reclassified in some categories in relation with the audited Financial Statements, however said differences do not represent a risk to the users when interpreting the information

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 and Leased Hotels

Owned & Leased Hotels	Total		Urban		Coastal	
	2014	% Var.	2014	% Var.	2014	% Var.
Accum.						
Avg. rooms available	5,631	(3.5)	4,356	(9.5)	1,275	24.4
ADR	1,204	11.1	1,099	9.1	1,514	9.6
Occupancy (Var. in pp)	69%	0.9	68%	1.3	74%	(2.8)
RevPAR	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 availability 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%.

Coastal 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.

Management

Management	Total		Urban		Coastal	
	2014	% Var.	2014	% Var.	2014	% Var.
Accum.						
Avg. rooms available	18,461	9.2	15,880	8.4	2,581	14.3
ADR	1,108	6.5	1,014	5.4	1,633	9.3
Occupancy (Var. in pp)	63%	(1.0)	63%	(0.9)	68%	(1.8)
RevPAR	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.

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%.

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

Vacation Club and Other Businesses

Fiesta Americana Vacation Club has been 15 years in the market. In 2014 the offer of this product was broadened by reopening the hotels Fiesta Americana Cozumel, The Explorean Cozumel and concluding the last stage 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", included 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 reported about 19,000 clients.

Expenses for the Vacation Club and Other Businesses line included, 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 receivables of Vacation Club, valued at approximately US$138 million, improved substantially. The soundness of the portfolio was demonstrated by the fact that 91% of the same was within the normal collection period of less than 90 days.

Corporate Expenses

The Company's corporate expenses included 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 unique 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 was 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.

Comprehensive Financing Result

Concept	2014	2013
Interest gained	(22,509)	(110,875)
Interest paid	417,669	393,659
Exchange rate (gain) loss	427,934	29,997
Efects of valuation	0	(2,209)
Comissions and financial	60,763	57,711
Total	**883,857**	**368,283**

(Numbers in thousands of pesos)

In 2014, the comprehensive financial result of Grupo Posadas was $883.9 million, which was a reduction when compared with $368.3 million for 2013. Interest expenses grew by 6.1% to $417.7 million in 2014, in comparison to $393.7 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.

At the end of 2014, the net interest coverage 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 of $813.4 million, due to the repeal of the Consolidated Tax Rules, and additionally updated taxes payable for $993.3 million recognized in the deferred tax 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 reported 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 amounted to $13,318.0 million (US$904.9 million) at the closing of the corporate year.

The principal entries which used cash were, among 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 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 $4,365.4 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 a comparable basis.

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 were:

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

2013-2012

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
Continuous operations		
Revenues	$ 8,550,358	$ 6,139,874
Sale cost	5,953,657	3, 779, 484
Gross profit	**2,596,701**	**2, 360, 389**
Adminstration expenses	703,104	814,126
Sale and development expenses	110,563	130,342
Depreciation, amortization, lease and Impairment	1,641,401	762,666
Other expenses, net	183,213	30,989
Interest expense	393,659	610,174
Interest revenue	(113,084)	(27,139)
Commissions and financial expenses	57,711	173,847
Exchange loss, net	29,996	(152,200)
Equity in earnings of associated companies	4,863	2,119
Valuation effection on financial instruments		(80,613)
	3,011,426	**2,264,311**
Loss prior to earnings tax	**(414,725)**	**96,078**
Earnings (Benefit) tax	1,161,883	616,558
(Loss) Profit from continuous operations	**(1,576,608)**	**(520,480)**
Discontinued operations		
(Loss) Earnings from discontinued operations	(181,206)	1,876,044
(Loss) Consolidated earnings for year	(1,757,814)	1,355,564
Other integrated results		
Foreign currency conversion gain	**2,049**	**(155,359)**
Recalculation of defined benefit obligations	8,795	-
	10,844	(155,359)
Consolidated Comprehensive Results for year	$ (1,746,970)	$ 1,200,205

Please refer to section 2) subsection a) History and Development of the Issuer where the material events of 2013 corporate year are presented:

Below there is presented the financial information according to 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.

Profit and Loss Statement (million pesos)	2013		2012		Var%
	$	%	$	%	
Total Revenues	8,550.3	100.0	6,139.9	100.0	39.3
Owned and Leased Hotels					
Revenues	4,778.3	100.0	3,026.4	100.0	57.9
Direct cost	3,854.6	80.7	2,581.4	85.3	49.3
Contribution	923.7	19.3	445.0	14.7	107.6
Management					
Revenues	1,319.0	100.0	1,396.7	100.0	(5.6)
Direct cost	915.4	69.4	1,017.7	72.9	(10.1)
Contribution	403.6	30.6	379.0	27.1	6.5
Vacation Club & Other					
Revenues	1,776.0	100.0	1,716.8	100.0	3.4
Direct cost	1,410.0	79.4	1,234.2	71.9	14.2
Contribution	366.0	20.6	482.6	28.1	(24.2)
Other					
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
Corporate expenses	247.2	2.9	247.2	4.0	0.0
Depreciation / Amort. & Leases	420.1	4.9	431.5	7.0	(2.6)
Impairment of assets	894.8	10.5	0.0	0.0	na
Other (revenues) and expenses	170.9	2.0	5.7	0.1	na
EBIT	**(41.7)**	**(0.5)**	**622.3**	**10.1**	**(106.7)**
EBITDA	**1,273.2**	**14.9**	**1,053.8**	**17.2**	**20.8**

Note: The figures in the Entity's Annual Report were reclassified in some categories in relation with the audited Financial Statements, however said differences do not represent a risk to the users when interpreting the information.

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

Owned & Leased Hotels	Total		Urban		Coastal	
	2013	% Var.	2013	% Var.	2013	% Var.
Accum.						
Avg. rooms available	5,668	(26.8)	4,643	(29.9)	1,025	(7.8)
ADR	1,083	10.3	1,007	7.5	1,381	10.6
Occupancy (Var. in pp)	68%	1.1	66%	(0.7)	77%	9.4
RevPAR	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 continued to operate and from the operating perspective to the following: (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 equaled $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 continued operating for an additional 15 year term. With the exception of the South American assets, Grupo Posadas did not sell any assets in 2012.

Management

Management	Total		Urban		Coastal	
	2013	% Var.	2013	% Var.	2013	% Var.
Accum.						
Avg. rooms available	16,732	2.9	14,475	4.1	2,258	(4.5)
ADR	1,040	5.7	962	5.0	1,495	7.6
Occupancy (Var. in pp)	64%	0.1	64%	(0.8)	70%	6.4
RevPAR	670	5.9	612	3.6	1,045	18.5

The category of Hotel management, Brands and Others included 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 the 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 for 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 were 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.

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

The vacation Club receivables 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 of receivables. These levels are below international industry standards.

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 – 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 unique 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 Impairment

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 an impairment 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

Concept	2013	2012
Interest gained	(110,875)	(14,892)
Interest paid	393,659	610,174
Exchange rate (gain) loss	29,997	(152,200)
Efects of valuation	(2,209)	(92,859)
Comissions and financial	57,711	173,847
Total	**368,283**	**524,069**

(Numbers in thousands of pesos)

The global financial result of Grupo Posadas was $368.2 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 hedge would be 3.0 times.

Income from Discontinued Operations, Net Income Tax

For 2012 and 2013, the South American operations of Grupo Posadas, 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 were made, same which were covered by a charge to the existing escrow.

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 $882.8 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 reported 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 $3,325.9 M (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 annual report, the corporate ratings were:

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 was 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

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, 2015, 2014 and 2013, the financial debt was integrated as follows (interest rates in force to December 31, 2015 – 2013, respectively):

USD (Thousands)	2015	2014	2013
"Senior Notes 2022" fixed interest rate 7.875%	5,593,072		
"Senior Notes 2017" fixed interest rate 7.875%	649,210	4,432,316	3,474,406
"Senior Notes 2015" fixed interest rate 9.25%		756,517	1,080,674
Mortgage loan at a rate of 2.55%			
Euro Commercial Paper fixed interest rate 6%		691,179	
Other loans at variable rates of 3.32%	1,399	2,261	2,498
Vacation Club financings at a rate of 4.73%			

MXN (Thousands)	2015	2014	2013
Convertible debentures at a rate of 16%			
Mortgage loans at a rate of 6.82%			
Minus			
Mortgage loans classified as assets available for sale			
Short-term maturities	(1,399)	(1,449,957)	(2,498)
Long-term debt	**6,242,282**	**4,432,316**	**4,555,080**

As of December 31, 2015 100% of the Company's debt was at a fixed rate. Its nominal weighted interest rate at the end of 2015 was 8.28% in US Dollars.

The long-term debt maturity dates to December 31, 2015 are as follows:

To pay during:	(USD 000) americanos (Miles)
2017	38,332
2022	350,000
	388,332
Equivalent in thousands of pesos	6,681,835
Minus-issuance costs	(439,553)
	6,242,282

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

Long-Term Debt

Senior Notes

On June 25, 2015, the Company offered US$350.0 million of bonds denominated as "Senior Notes Due 2022" through the Luxembourg Stock Exchange. The primary intention was to partially substitute the previous issue of US$310 million of notes known as "Senior Notes Due 2017", 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 June 23, 2015. After that date, the offer was US$1,030 per each US$1,000.

As a result, it was possible for the Company to repurchase US$271.7 million of the issue "Senior Notes Due 2017", 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 US$83.3 million of the original issue "Senior Notes Due 2015".

The US$350.0 million of “Senior Notes Due 2022” were issued at “par” of the principal amount and bear interest at an annual rate of 7.875%, with maturity on June 30, 2022. Interest is payable semiannually, beginning on December 30, 2015. The bond is guaranteed by the subsidiaries of the Company representing the majority of the total assets. Some restrictions have been imposed on the Company’s possibility 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, 2015 and to the date of publication of this annual report, the restrictions and obligations have been fulfilled.

The amount of issuance expenses totaled $339.5 million which are being amortized in relation to the life of the new issue based on the effective rate method which include US$16.1 million of prepayment premium on the previous issue that were registered in “Financial commissions and expenses” in the consolidated integrated operating results statement.

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):

Results (million pesos)	Grupo Posadas & Guarantors	Non Guarantors	Consolidated
	2015	2015	2015
Total Revenues	6,248	653	6,901
Depreciation & Amort.	359	55	415
Leases	387	-	387
EBITDA	(623)	152	(470)
Total Assets	12,257	1,520	13,777
Total Liabilities	9,011	1,138	10,149

On November 30, 2012, the Company issued debt instruments for US$225.0 M under the program “Senior Notes” with maturity date on November 30, 2007. Subsequently, as a result of a new analysis, review and authorization of the Company, on January 30, 2013, the Company issued a complement for US$50.0 million of “2017 Senior Notes” equal to 106.642% of the principal amount and on February 20, 2014, the Entity communicated the additional issuance of US$35 M based on a private exchange for US$31.6 M of the principal amount of the 2015 Senior Notes. Thus, a US$310.0 million sole issuance was integrated with a 7.875% annual rate and with a due date in 2017. After the aforementioned sale, to December 31, 2015, US$38.3 million of this issuance remains.

Results (million pesos as of december 2015)	Grupo Posadas & Guarantors			Non Guarantors			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Total Revenues	6,676	5,553	5,589	225	295	2,961	6,901	5,848	8,550
Impairment, Depreciation & Amort.	366	370	1,218	49	39	97	415	409	1,315
Leases	387	330	327	-	0	-	387	330	327
(Net loss)	(443)	927	(1,163)	(28)	(208)	(595)	(470)	718	1,758
Total Assets	13,347	12,830	12,024	429,560	488	496	13,777	13,318	12,519
Total Liabilities	9,438	8,410	7,966	711	799	1,165	10,149	9,209	9,131

On January 15, 2010, the Company issued debt securities for US$200.0 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 remained outstanding. As a consequence of the cancellation of US$31.6 M of the 2015 Senior Notes which were exchanged, the total principal amount outstanding of the 2015 Senior Notes was US$51.7 M to February 20, 2014 which were totally paid on January 15, 2015.

Credit lines contracted, in effect and undrawn

The Company established a revolving credit line with Banco Santander S.A. for a total amount of $200 M for a 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, 2015, 50% of these lines was drawn.

Additional Information regarding Financing

As of December 31, 2015, 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, 2015, the Company held one swap contract (Cross Currency Swaps) to sell dollars with US$14.0 M notional amount equivalent to $242.8 M. To this date, January 11, 2016, the Company ended the contract, therefore, to the date on which this annual report is issued, no derivative financial instrument is still in effect.

Type of instrument	Hedging Type	Notional amount ´000		Reference: FX		Market Valuation		Maturity Date, 2016		Collateral posted
		USD	MXN	4T15	3T15	4T15	3T15	USD	MXN	
FX Forward (sale)	Negotiation	14,000	242,788	17.2065	16.9063	(1,391)	-	14,000	242,788	-
Total		14,000	242,788			(1,391)		14,000	242,788	-

Negative figures in favor of the Company

Treasury. The corporate treasury manages the treasury of those hotels of which Posadas is 100% owner and lessee and that of the service businesses other than those strictly related to the 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 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 2015, capital expenses amounted to $612 M; of which 43% was allocated to hotels, 25% to corporate use, and 33% to vacation properties. 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 2015, 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, 2015, 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 its 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 which during the same year carried out diverse activities to recognize business opportunities and answer to negative events, identifying areas exposed to potential risks and the possible impact to the achievement of the Company's strategic goals. All of the above considering a functional and technical implementation of the software Financial Reporting Compliance by Oracle, strengthening in said manner, the functional and operation needs of the Risk and Group Auditing Areas.

e) Critical Estimates, Accounting Allowances or Reserves

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

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, 2015, the reserve established for this program amounts to $53.3 M. The Company deems that 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 timeshare sales appear in the consolidated statement of financial position net under the estimation for doubtful accounts. As of December 31, 2015, a reserve for Vacation Club refunds was established, according to IFRS, of $239.1 M.

The Deferred tax reserve account has been explained in Note 18 of the Audited Financial Statements, in Attachment.

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 subsidiaries 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, they have been designated 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 Attachment.

4) ADMINISTRATION

a) External Auditors

During the last corporate years (2002-2015) 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 external auditors, 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 Company 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 Audit 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 2015 corporate year included: (i) intermediate review of the Company's consolidated financial statements as the basis for the issuance of liabilities in 2015 and related work (ii) tax services specifically related to responding to diverse formal requirements from the tax authorities regarding the audits made of the Company; (iii) audit regarding local fees; (iv) various opinions related to the norms applicable to prevent and report money laundering; and (v) transfer prices analysis. The Audit Committee and the Board of Directors considered that contracting said services do not affect their impartiality in relation to the auditing of the Issuer's consolidated financial statements. Said additional or complementary services during the corporate year ending on December 31, 2015, exceeded by 3pp the limit established by the Board of Directors. Said surplus was approved by the Board of Directors based on the favorable opinion of the Audit Committee who deemed that said surplus was a result of the intermediate review work of the consolidated financial statements. Likewise, the services did not include those 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 entities 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 part of these transactions in the future. From time to time, the Company analyzes transfer prices, thus, in the opinion of the administration, the transactions with related parties are executed on market terms. For greater details regarding remunerations to Material Directors, see note 24 of the Audited Financial Statements attached hereto.

In the 2015 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 Issuer, or on which it has a significant influence on the terms of Article 28, section III, subsection f) of the Stock Exchange Law.

The employee benefits granted to key management personnel and/or Material Directors of the Issuer entered into within the normal course of the Company's business may be summarized as presented for corporate years 2015, 2014 and 2013 in the Opinion of the Independent Auditors which is found in Attachment.

The Corporate Practices Committee was informed of some operations between the Issuer's subsidiaries, or between the Issuer's subsidiaries and the Issuer, which, based on the information resented by the administration, were ordinary and customary for the business. Said operations were considered as concluded at market price and operations (i) with related persons or affecting related persons, consisting of the supply of provision of pastry and bakery products, providing legal assistance services and rendering of services in hotels located in Monterrey, Saltillo and Queretaro which were rendered at market price.

As of December 31, 2015, relevant executives and other employees of the Company had received loans and, to that date, the unpaid aggregated balance thereof amounted to approximately U$S2.0 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 March 15, 2016, is formed by 10 permanent directors as listed below:

Members of the Board of Directors:

Name	Age	Position	Date of designation
Pablo Azcárraga Andrade	57	Presidente del Consejo de Administración de Grupo Posadas	29-abr-97
Enrique Azcárraga Andrade	51	Director General, EXIO, S.C.	31-may-91
Fernando Chico Pardo	63	Presidente, Promecap, S.C.	26-jul-95
José Carlos Azcárraga Andrade	50	Director General de Grupo Posadas	30-abr-08
Juan Servitje Curzio	58	Presidente del Consejo de Administración de Productos Rich S.A. de C.V.	30-abr-12
Jorge Soto y Galvez*	72	Consultor independiente	27-abr-06
Silvia Sisset de Guadalupe Harp Calderoni	44	Inversionista Privado	05-abr-10
Carlos Levy Covarrubias	54	Inversionista Privado	27-abr-06
Luis Alfonso Nicolau Gutiérrez*	54	Consultor independiente	30-abr-12
Benjamín Clariond Reyes-Retana*	67	Consultor independiente	27-abr-06

*Independent Director

Pablo Azcarraga Andrade

Mr. Azcarraga holds an Accounting degree from Universidad Anahuac 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 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 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 from the Universidad Anahuac, with a Master's degree in Business Administration from Kellogg School 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.

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 Iberoamericana. 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.

Benjamin Clariond Reyes-Retana

Mr. Clariond has a degree in business administration from the Instituto Tecnoloogico 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. Juan Servitje Curzio is married to Cecilia Azcarraga Andrade.

Furthermore, the Ordinary General Shareholders Meeting of Grupo Posadas, S.A.B. de C.V 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, S.A.B. de C.V.'s Extraordinary and Ordinary General Shareholders Meeting held in March 2016 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 2016, 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 takes 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 may only act as representative of the Issuer 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, Benjamin Clariond Reyes-Retana and Luis Alfonso Nicolau Gutierrez. The Chairman was confirmed by the Extraordinary and Ordinary Shareholders Meeting held on March 15, 2016 and the remaining members were appointed or confirmed by the Board of Directors on April 20, 2016. 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 Ordinary General Shareholders Meeting held on March 15, 2016), as Chairman, Jorge Soto y Galvez and Benjamin Clariond Reyes-Retana, were ratified as members of this committee at the board of directors meeting of April 20, 2016. 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 the 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, communiques 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 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

Name	Age	Position	Date of designation
Pablo Azcárraga Andrade	57	Presidente del Consejo de Administración Grupo Posadas	31
José Carlos Azcárraga Andrade	50	Director General Grupo Posadas	25
Javier Barrera Segura	53	Director General Franquicia	27
Jorge Carvallo Couttolenc	59	Director General Inmobiliaria Posadas	22
Arturo Martínez del Campo Saucedo	49	Director General Corporativo Finanzas	1
Enrique Calderón Fernández	49	Director General Hotelera Posadas	9
Gerardo Rioseco Orihuela	52	Director General Propiedades Vacacionales	16

Javier Barrera Segura

Mr. Barrera holds a degree in Economics from the ITAM 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 of Real Property, he has been responsible for developing the Mexican and South American expansion plans and he is currently Vice-President 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, S.A.B de C.V. 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, he joined 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, 2015, the cash remunerations paid to the aforementioned officers and persons deemed related persons 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, 2015, reports a total accumulated reserve of $67.8 M.

Principal Shareholders

According to the information obtained as of March 7, 2016, (date of the S.D. Indeval S.A. de C.V. report due to the extraordinary and ordinary general shareholders meeting held on March 15, 2016), from the information disclosed by the shareholders, board members and officers of the Issuer, 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 the holder of more than 10% of the corporate capital of the Company.

A 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 Issuer, 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 11.9% 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 with respect to the following aspects: Code of Ethics and Conduct. 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 Posadas, operations 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 Issuer. Said clause was modified by a shareholders meeting dated April 14, 2015.

On March 19, 2014, the Extraordinary and Ordinary Shareholders meeting of the Company approved the modification of the seventh clause 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.

On March 15, 2016, the Extraordinary and Ordinary Shareholders meeting of the Company approved the modification of the fifth clause of the by-laws, to clarify its corporate purpose and encompass all the activities the Issuer will acquire as a consequence of the corporate restructuring plan publicized in the informational leaflet on February 29, 2016. The text of the fifth clause has been publicized in the summary of agreements and in the record of the minutes of the shareholders meeting pursuant to the Generally Applicable Provisions to 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 an ordinary general shareholder's meeting at first call at least 50% of the ordinary Series "A" shares should be represented. Through second or subsequent call, the Ordinary General Shareholders' Meeting shall be considered validly convened by any number of Series "A" shares represented.

To consider legally convened an extraordinary general 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 Extraordinary General 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 Ordinary or Extraordinary General 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 an ordinary general 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" shares 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 Extraordinary General 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 alternate of the Directors in the sessions of the Board of Directors (only two directors have assigned alternate 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 Issuer has made available technological tools to ease said informational access.

The Company 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 2015, the Company continued creating diverse guidelines and policies so that the Corporate Government of the selfsame become more efficient and professional. The latter such as the Code of Ethics and Conduct, the internal control and audit policies, the Investment Policy, the Issuer's Securities Operation Policy which are the responsibility of directors, officers and employees, the Issuer's Owned Shares Operation Policy which is the responsibility of the Issuer, and the Company's Loans to Material Directors Policy, which were approved by the Board of Directors session after hearing the prior opinion of the Audit and Corporate Practices Committees, within the scope of their respective responsibilities.

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
2	18/06/2015	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	2011	2012	2013	2014	2015
Price Max.	16.62	20.75	24.70	25.50	41.50
Price Min.	13.80	15.80	20.50	22.50	27.00
Price at closing	15.90	20.75	24.70	25.50	41.50
Daily operated volumen (thousand of shares)	8.7	9.9	205.6	804.3	16.4

POSADAS L	2011	2012	2013	2014	2015
Price Max.	15.70	20.75	-	-	-
Price Min.	13.50	14.00	-	-	-
Price at closing	15.70	20.75	-	-	-
Daily operated volumen (thousand of shares)	0.2	5.4	-	-	-

Quarterly last 2 years

POSADAS A	1T14	2T14	3T14	4T14	1T15	2T15	3T15	4T15
Price Max.	24.70	24.12	24.70	25.50	28.80	32.50	34.00	41.50
Price Min.	23.70	23.90	24.00	22.50	27.00	30.23	34.00	34.00
Price at closing	23.90	24.02	24.00	25.50	28.80	32.50	34.00	41.50
Daily operated volumen (thousand of shares)	527.9	1,927.7	19.9	28.3	1.3	0.4	0.5	23.9

Monthly last 6 months

POSADAS A	nov-15	dic-15	ene-16	feb-16	mar-16	abr-16
Price Max.	39.00	41.50	42.90	43.00	43.00	44.50
Price Min.	35.50	40.10	41.50	42.90	43.00	43.00
Price at closing	39.00	41.50	42.90	43.00	43.00	44.50
Daily operated volumen (thousand of shares)	42.0	0.4	19.6	11.6	20.0	20.0

(Information as of April 27, 2016)

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 Issuer.

Name	Position	Institution
Ing. Jose Carlos Azcarraga Andrade	Chief Executive Officer	Grupo Posadas, S. A. B. de C. V.
Ing. Arturo Martinez del Campo Saucedo	Chief Financial Officer	Grupo Posadas, S. A. B. de C. V.
Lic. Enrique Calderon Fernandez	Hotel Business Vice-President	Grupo Posadas, S. A. B. de C. V.
Lic. Gerardo Rioseco Orihuela	Vacation Property Vice-President	Grupo Posadas, S. A. B. de C. V.
Lic. Javier Barrera Segura	Franchise Vice-President	Grupo Posadas, S. A. B. de C. V.
Ing. Jorge Carvallo Couttolenc	Real Estate Vice-President	Grupo Posadas, S. A. B. de C. V.
Dra. Olga Gutierrez Nevarez	Head of Legal Affairs	Grupo Posadas, S. A. B. de C. V.
Lic. Gabriel Elias Guzman	Corporate Comptroller and Treasury Head	Grupo Posadas, S. A. B. de C. V.
C.P. Roberto Alvarez Lopez	Head of Fiscal department	Grupo Posadas, S. A. B. de C. V.
C.P.C. Fernando Loera Aguilar	External Auditor	Galaz, Yamazaki, Ruiz Urquiza, S.C.

7) ATTACHMENTS

Audited financial statements corresponding to the corporate years ending on December 31, 2015, 2014 and 2013.

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, 2015, 2014 and 2013, and Independent Auditors’ Report Dated February 17, 2016

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

Independent Auditors’ Report and Consolidated Financial Statements for 2015, 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 position as of December 31, 2015, 2014 and 2013, and the consolidated statements of comprehensive (loss) income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, 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.

Independent 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 position of Grupo Posadas, S. A. B. de C. V. and Subsidiaries as of December 31, 2015, 2014 and 2013 and their financial performance and their 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. Fernando Loera Aguilar

February 17, 2016

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

Consolidated Statements of Financial Position

As of December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)

Assets	Notes	2015	2014	2013
Current assets:				
Cash and cash equivalents	6	$ 763,810	$ 997,792	$ 706,365
Investments in securities	7	450,000	519,073	525,351
Accounts and notes receivable - Net	8	2,496,491	2,627,080	2,251,204
Inventories		33,750	34,068	35,803
Prepaid expenses		158,797	133,311	121,866
Vacation Club inventory	9	198,485	286,968	105,996
Other current assets		62,085	27,733	35,383
Assets classified as held for sale	10	59,184	50,910	-
Total current assets		4,222,602	4,676,935	3,781,968
Non-current assets:				
Long-term notes receivable	11	2,285,534	1,726,722	1,513,309
Long-term accounts receivable	12	-	-	396,679
Vacation Club inventory in construction		403,262	303,150	239,944
Property and equipment - Net	13	6,285,962	6,267,293	6,337,625
Investment in associates	14	1,129	1,879	35,437
Other assets	15	404,920	269,362	214,415
Deferred tax assets	18	173,554	72,610	-
Total non-current assets		9,554,361	8,641,016	8,737,409
Total assets		$ 13,776,963	$ 13,317,951	$ 12,519,377

Liabilities and stockholders' equity	Notes	2015	2014	2013
Current liabilities:				
Current portion of long-term debt	17	$ 1,399	$ 1,449,957	$ 2,498
Trade accounts payable	16	438,432	400,101	348,327
Other liabilities and accrued expenses		1,100,236	805,688	769,125
Income tax payable	18	240,885	280,272	597,538
Deferred income of Vacation Club		253,639	65,822	60,875
Current portion of long-term value added tax		95,726	133,539	101,703
Liabilities directly associated with assets classified as held for sale	10	6,384	6,423	-
Total current liabilities		2,136,701	3,141,802	1,880,066
Long-term liabilities:				
Debt	17	6,242,282	4,432,316	4,555,080
Accrued liabilities	19	436,767	343,898	276,050
Value added tax payable		319,932	248,719	165,051
Deferred income of Vacation Club		703,538	508,858	394,198
Income tax payable	18	310,240	533,148	702,233
Deferred income tax	18	-	-	1,158,482
Total long-term liabilities		8,012,759	6,066,939	7,251,094
Total liabilities		10,149,460	9,208,741	9,131,160
Stockholders' equity:				
Contributed capital:				
Capital stock	22	495,881	495,937	495,937
Contributions for future capital increases		4,828	12,516	12,516
Share repurchase reserve		16,856	16,800	133,509
Shares held in trust		-	-	(3,322)
Additional paid-in capital		157,429	157,429	157,429
		674,994	682,682	796,069
Earned capital:				
Share repurchase reserve		535,556	535,556	559,371
Retained earnings		2,172,779	2,645,031	1,776,394
Other items of comprehensive income		47,424	27,244	25,982
		2,755,759	3,207,831	2,361,747
Total controlling interest		3,430,753	3,890,513	3,157,816
Non-controlling interest		196,750	218,697	230,401
Total stockholders' equity		3,627,503	4,109,210	3,388,217
Total liabilities and stockholders' equity		$ 13,776,963	$ 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 (Loss) Income

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos, except (loss) earnings per share)

	Notes	2015	2014	2013
Continuing operations				
Revenue	24	$ 6,901,221	$ 5,848,278	$ 8,550,358
Cost of sales	24	4,209,784	3,667,834	5,953,657
Gross profit		2,691,437	2,180,444	2,596,701
Administration expenses	24	815,126	745,305	703,104
Sale and development expenses	24	126,879	105,726	110,563
Depreciation, amortization, real estate leasing and impairment of assets		801,646	739,026	1,641,401
Other expenses, net		479	45,669	183,213
Interest expense		508,840	417,669	393,659
Interest income		(34,457)	(22,509)	(113,084)
Commissions and financial expenses		100,080	60,763	57,711
Exchange loss, net		708,553	427,934	29,996
Equity in losses of associates		750	12,595	4,863
		3,027,896	2,532,178	3,011,426
Loss before income tax		(336,459)	(351,734)	(414,725)
Income tax expense (benefit)	18	131,334	(1,061,257)	1,161,883
(Loss) profit from continuing operations		(467,793)	709,523	(1,576,608)
Discontinued operations				
(Loss) profit from discontinued operations		(2,612)	8,718	(181,206)
Consolidated (loss) income for the year		(470,405)	718,241	(1,757,814)
Other comprehensive income (loss)				
Exchange differences on translating foreign operations		7,516	10,844	2,049
Remeasurement of defined benefit obligation		12,664	(9,582)	8,795
		20,180	1,262	10,844
Consolidated comprehensive (loss) income for the year		$ (450,225)	$ 719,503	$ (1,746,970)

(Continued)

	2015	2014	2013
Consolidated (loss) income for the year attributable to:			
Controlling interest	$ (470,208)	$ 716,817	$ (1,753,264)
Non-controlling interest	(197)	1,424	(4,550)
Consolidated (loss) income for the year	$ (470,405)	$ 718,241	$ (1,757,814)
Consolidated comprehensive (loss) income for the year attributable to:			
Controlling interest	$ (450,028)	$ 718,079	$ (1,742,420)
Non-controlling interest	(197)	1,424	(4,550)
Consolidated comprehensive (loss) income for the year	$ (450,225)	$ 719,503	$ (1,746,970)
(Loss) earnings per share:			
From continuing and discontinued operations -			
Basic and diluted (loss) earnings per common share (in pesos)	$ (0.95)	$ 1.45	$ (3.57)
From continuing operations -			
Basic and diluted (loss) earnings per common share (in pesos)	$ (0.94)	$ 1.43	$ (3.20)
Weighted average shares	495,929,856	495,937,601	492,496,017

(Concluded)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015, 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
Beginning balance as of January, 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)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(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	-	-	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(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
Repurchase of shares	(56)	-	56	-	-	-	(2,044)	-	-	(2,044)
Partial payment of convertible debt	-	(7,688)	-	-	-	-	-	-	-	(7,688)
Change in the value of non-controlling interest	-	-	-	-	-	-	-	-	(21,750)	(21,750)
Consolidated comprehensive loss	-	-	-	-	-	-	(470,208)	20,180	(197)	(450,225)
Balance as of December 31, 2015	$ 495,881	$ 4,828	$ 16,856	$ -	$ 157,429	$ 535,556	$ 2,172,779	$ 47,424	$ 196,750	$ 3,627,503

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, 2015, 2014 and 2013
(In thousands of Mexican pesos)

	2015	2014	2013
Cash flows from operating activities:			
Consolidated (loss) income for the year	$ (470,405)	$ 718,241	$ (1,757,814)
Adjustments for:			
Income tax expense (benefit)	131,334	(1,061,257)	1,161,883
Depreciation, amortization and asset impairment	414,677	409,265	1,314,888
Equity in losses of associated	750	12,595	4,863
Loss (income) on sale of fixed assets	88,134	-	(565,170)
Interest income	(34,457)	(22,509)	(110,875)
Unrealized foreign exchange loss	984,461	586,751	23,789
Discontinued operations	-	-	181,206
Interest expense	508,840	417,669	393,659
Change in the value of non-controlling interest	(21,750)	-	-
	1,601,584	1,060,755	646,429
Transactions in working capital:			
Accounts and notes receivable - Net	(442,161)	(192,610)	(326,828)
Inventories	318	1,735	8,572
Prepaid expenses	(25,486)	(11,445)	(44,496)
Vacation Club inventory	88,483	(180,972)	(35,601)
Other assets	(184,766)	(81,940)	(98,034)
Trade accounts payable	38,331	51,774	(33,028)
Other liabilities and accrued expenses	484,463	176,246	(203,615)
Deferred income of Vacation Club	382,497	119,607	154,001
Income taxes paid	(466,581)	(595,188)	(268,946)
Net cash generated by (used in) operating activities	1,476,682	347,962	(201,546)
Cash flows from investing activities:			
Purchases of property and equipment	(612,400)	(437,373)	(1,154,237)
Investments in securities	69,073	6,278	(477,241)
Interests collected	33,066	22,509	76,672
Sale of property and equipment	5,664	-	-
Cash flow from sales of non-strategic properties	-	26,197	2,326,298
Net cash (used in) generated by investing activities	(504,597)	(382,389)	771,492

	2015	2014	2013
Cash flows from financing activities:			
Cash received from debt issuance	1,219,441	740,159	88,134
Debt payment	(1,542,844)	-	-
Interest paid	(573,282)	(427,114)	(375,654)
Debt issuance costs	(339,538)	-	-
Repayment of convertible debts	-	-	(900,000)
Partial payment of convertible debt	(7,688)	-	(7,177)
Repurchase of shares	(2,044)	-	-
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 (used in) generated by financing activities	(1,245,955)	314,535	(1,297,237)
Net (decrease) increase in cash and cash equivalents	(273,870)	280,108	(727,291)
Cash and cash equivalents at the beginning of the year	997,792	706,365	1,431,867
Effects of exchange rate changes on the balance of cash held in foreign currencies	39,888	11,319	1,789
Cash and cash equivalents at the end of the year	$ 763,810	$ 997,792	$ 706,365

See accompanying notes to consolidated financial statements.

(In thousands of Mexican pesos)

1. Activities

Grupo Posadas, S. A. B. de C. V. (Posadas) and Subsidiaries (the Entity) are primarily engaged in the operation and management of hotels as well as to the purchase and sale of real estate within the tourism industry. The Entity mainly operates hotels under its Fiesta Americana, Fiesta Inn, One Hotels and Gamma brands.

The Entity enters into long-term management contracts with all the hotels that it operates, which for purposes of these consolidated financial statements, these hotels are referred to owned, leased and managed hotels. The number of hotels and rooms operated by the Entity at December, 31 are:

Hotels	2015	2014	2013
Owned	17	17	17
Leased	14	14	15
Managed	110	96	78
Total hotels operated	141	127	110
Total rooms operated	23,259	21,094	18,795

Posadas receives fees pursuant to the long-term management 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 on the high-income 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, as well in some properties operated by third parties.

Since 2012, the Entity began restructuring its business with a focus towards ownership of strategic assets and the growth of its hotel management business and FAVC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Notes 2f and 2h), and the date of the consolidated financial statements, the Entity continues with the organizational restructuring to significantly reduce the number of legal entities that compose it.

The hotel industry is seasonal and particularly sensitive to macroeconomic and social changes, leading to volatility in revenues and the related 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.

The corporate offices of the Entity are located in Prolongación Paseo de la Reforma 1015 Piso 9, Torre A, Col. Santa Fe, Mexico City.

2. Significant events

a. *Issue of "Senior Notes 2022 "*

On June 30, 2015 the Entity completed a debt issue for US$350 million in notes known as "Senior Notes 2022" through the Luxembourg Stock Exchange. The initial intention was to substitute the issue of US$310 million known as "Senior Notes 2017" which the Entity held as of December 31, 2014 and for which US$1,060 was offered for each US$1,000 of the previous issue.

As a result of the offering it was possible to buy back US$271.7 million of "Senior Notes 2017", equivalent to 87.63% of principal, and the remaining balance of this program decreased to US$38.3 million, while the notes representing the remaining balance were held outstanding; also, the funds that were not used for such buyback were applied by the Entity mainly for the payment of the commercial euro paper at maturity. The "Senior Notes 2022" generate interest of 7.875% a year with maturity of principal on June 30, 2022. The interest is payable semiannually in the months of June and December, beginning as of December 30, 2015.

The amount of the issue expenses was $339,538, which is being amortized based on the life of the new issue using the effective interest rate method, which includes US$16.1 million of premium for prepayment of the previous issue.

b. *Additional issue of "Senior Notes 2017" and payment of "Senior Notes 2015"*

On February 20, 2014 the Entity completed an additional issue of US$35 million of the "Senior Notes 2017" program at a rate of 7.875% a year, maturing in 2017. The "Senior Notes 2017" were issued based on a private swap for US$31.6 million of the principal amount of certain notes denominated "Senior Notes 2015". With the additional issue, the "Senior Notes 2017" reached a total amount of US$310 million. As previously discussed, a significant portion of the "Senior Notes 2017" were repurchased during 2015.

As a result of the cancellation of the "Senior Notes 2015" which were swapped, the remaining principal amount of "Senior Notes 2015" was US$51.7 million, which was paid at maturity on January 15, 2015 with the resources obtained from the commercial euro paper as discussed in the following subsection.

c. *Issuance of Euro-Commercial Paper*

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 matured on November 18, 2015. On November 17, 2015, the Entity made the payment of the commercial euro paper for the amount of US$50 million, which includes principal and interest accrued as of that date.

d. *"Gamma" brand*

During 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.

e. *Hurricane Odile*

Due to the land fall of hurricane "Odile" on the Baja California peninsula during September 2014, the facilities 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 hotels were reopened on November 15, 2014, after having been totally repaired and remodeled for operations.

On December 17, 2015, the Entity received the payment for the claims submitted with the insurance company for an amount, net of the deductible, of US$10.6 million, of which US$8.6 million refers to damages to real estate property and US$2 million to consequential losses.

f. ***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 was subject to certain conditions established in the agreement, which were not totally fulfilled by October 2015; consequently, the sale of the real property was not completed. At the date of the consolidated financial statements, the Entity remains in negotiations with different investors to carry out such transaction.

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 held for sale" in the consolidated statements of financial position as of December 31, 2015 and 2014, which amount $59,184 and $50,910, respectively. Also, the liabilities and the effects of deferred taxes related to these assets have been presented as "liabilities directly associated with assets held for sale", because they are directly related to the assets that will be transferred, which amount to $6,384 and $6,423, respectively.

Furthermore, given that the hotel available for sale 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 statements of comprehensive (loss) income.

g. ***Acquisition of minority interest***

During 2014, based on a share purchase-sale contract, the Entity acquired the non-controlling interest in the capital stock 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 these investments have always been consolidated.

h. ***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 the remaining $102,000 was received between January 15 and December 15, 2015, accruing interest at TIIE plus 5%.

Because of the sale, the Entity recorded an impairment in the value of the Chemuyil land of approximately $763,869, in the 2013 consolidated statement of comprehensive (loss) income.

This transaction resulted in a loss which was recorded in the 2013 consolidated statement of comprehensive (loss) income as follows:

Selling price	$ 677,000
Less -	
Net book value of the plot of land in Chemuyil	(535,875)
Working capital to repay (i)	(143,395)
Other	(281)
Loss	$ (2,551)

(i) The working capital was paid to the buyer on January 7, 2014.

The Chemuyil land was acquired in 1998 through the execution of an Irrevocable Trust contract with 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 until 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 as of December 31, 2012 the Entity had contributed 8,799,000 Series "A" to cover the contractual penalty amount.

On June 30, 2013, the IPAE considered that the commitments had not been fulfilled by the Entity, and the guarantee trust sold 5,803,976 shares for $138,488 of which $6,510 is recorded as common stock and $131,978 as additional paid in capital. The trust paid the IPAE $127,321 as a contractual penalty. Consequently, the Entity recorded in 2013 an expense of $144,225, which includes related costs under "other expenses" in the consolidated statement of comprehensive (loss) income.

i. ***Tax effects of 2013***

i. Up to December 31, 2012, there were several tax lawsuits originated from 2004 to 2008, in which Posadas and its subsidiaries acted as plaintiffs or defendants, whose outcomes could not be assured as of that date. The tax authorities alleged the non-payment of federal taxes, mainly income tax, value-added tax, and asset tax. The amount claimed added up to $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 applied for 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 amounts claimed in exchange for a sole payment of $142,908, of which $125,585 is recorded in the consolidated statement of comprehensive (loss) 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 taxes. 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, Posadas became obligated to pay the deferred tax up to December 31, 2013, during the following five years beginning in 2014. This tax on deconsolidation was determined by the Entity's management and recognized in the consolidated statement of comprehensive (loss) income as of December 31, 2013, under the heading of income tax expense, for the amount of $882,262; also, the short and long-term liability as of December 31, 2015 is $219,650 and $310,240, respectively. The determination of such tax is subject to review by the tax authorities.

iii. Similarly, the 2014 LISR eliminates the incentive that allowed for the contribution of 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 were 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. Due to a series of additional analyses and considering the tax attributes of the Entity, during 2014 tax losses of $304,090 were carried forward. As of December 31, 2015, the liability derived from this gain is $1,006,396 (see Note 18c.)

j. ***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 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 12 hotels.

Prior to the sale of the three hotels the Entity acquired, through a share purchase and sale contract, the percentage relative to the non-controlling interest in the equity of those entities, for the amount of $101,893. This transaction generated a spread between the book value of the shares and the purchase price of $6,137, which was recorded in the consolidated statement of changes in stockholders' equity, because these investments were already being consolidated.

k. ***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 US$14.9 million and a book value of $86,226 at the selling date, resulting in a favorable difference of $108,169.

l. ***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 completed, upon fulfillment the conditions. 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 possible damages as a result of the sale, 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, had 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 position.

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 previously released. Such revenue was recorded as income from discontinued operations in the consolidated statement of comprehensive (loss) income. Of the US$32 million in the guaranteed deposit account, the Entity recovered approximately US$22 million, and the difference was released to Accor.

3. Application of new and revised International Financial Reporting Standards

a. ***Application of new and revised International Financing Reporting Standards (IFRS or IAS) 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, 2015.

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

The Entity has applied the amendments for the first time in the current year. Prior to the amendments, the Entity accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Entity to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Entity recognizes the reduction in the service cost in the period in which the related services are rendered.

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

Annual Improvements to IFRS 2010 - 2012 Cycle and 2011 - 2013 Cycle

The Entity has applied the amendments to IFRS included in the *Annual Improvements to IFRS 2010-2012 Cycle* and *2011 - 2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating Segments*.

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

b. ***New and revised IFRS in issue but not yet effective***

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

IFRS 9	*Financial Instruments*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IFRS	*Annual Improvements to IFRS 2012-2014 Cycle*[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Entity will begin in 2016 assessing the effects on its consolidated financial statements the adoption of these will and revised IFRS.

c. ***Presentation of the consolidated statement of comprehensive (loss) income***

The consolidated statements of comprehensive (loss) income for the years ended December 31, 2014 and 2013, have been modified to conform to the 2015 presentation based on their function, according IAS 1 *Presentation of financial statements*.

4. Significant accounting policies

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with IFRS released by IASB.

b. ***Basis of preparation***

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 of the entities which controls. Control is achieved when Posadas:

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

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

When Posadas 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. Posadas considers all relevant facts and circumstances in assessing whether or not the Posadas' voting rights in an investee are sufficient to give it power, including:

- The size of Posadas' holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by Posadas, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that Posadas 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 Posadas 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 comprehensive (loss) income from the date Posadas gains control until the date when it 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 Posadas' accounting policies.

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

Entity	2015 and 2014	2013
Promotora Inmobiliaria Hotelera, S. A. de C. V. and Subsidiaries	100	100
Controladora de Acciones Posadas, S. A. de C. V. and Subsidiaries	100	-
Administración Digital Conectum, S. A. de C. V. and Subsidiaries	100	100
Posadas USA, Inc. and Subsidiaries	100	100
Hoteles y Villas Posadas, S. A. de C. V.	100	100
Inversora Inmobiliaria Club, S. A. de C. V.	100	100
Gran Inmobiliaria Posadas, S. A. de C. V.	100	100
Soluciones de Lealtad, S. A. de C. V.	100	100
Konexo Centro de Soluciones, S. A. de C. V.	100	100
Inmobiliaria del Sudeste, S. A. de C. V.	51	51

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

<u>Changes in the Entity's ownership interests in existing subsidiaries</u>

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 at FVTPL.

2. Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of 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 or contingent consideration that may be paid by an acquirer as part of a business combination may be designated at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity'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 at 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 (loss) 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. ***Cash, cash equivalents and investments in securities***

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.

g. ***Inventories***

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

h. ***Vacation Club inventory***

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 buildings 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.

i. ***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 the components of property and equipment are:

	(%)
Buildings - Construction	1 to 5
Buildings - Installation, finishing and improvements	5 to 10
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% for buildings, 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.

The assets held under capital lease are depreciated based on their estimated useful life, in the same way as owned assets. However, when there is no reasonable certainty that ownership will be obtained at the end of the lease, the assets are amortized in the shorter of the effective lease term and their useful life.

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.

j. ***Other assets***

This item includes all direct costs, primarily commissions on Kívac sales, which are reflected in other assets and recognized in the consolidated statement of comprehensive (loss) 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.

   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.

k. ***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.

l. ***Assets classified as held for sale***

Non-current assets and groups of assets for disposal 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, or a longer period as it keeps the selling effort.

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).

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

m. ***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 between 20% and 50% of the voting rights are held. The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

n. ***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.

- The Entity as lessee

  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.

o. ***Foreign currencies transactions***

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.

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.

p. ***Employee benefits***

Retirement benefits costs from termination benefits

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 position 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.

<u>Short-term and other long-term employee benefits</u>

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.

<u>Statutory employee profit sharing (PTU)</u>

As result of the tax reform, as of December 31, 2015 and 2014, PTU is recorded in the results of the year in which it is incurred and is presented in administration expenses line item in the consolidated statement of comprehensive (loss) income.

As result of the 2014 Income Tax Law, as of December 31, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 10 of such Law.

q. ***Income taxes***

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

1. <u>Current tax</u>

   Current income tax (ISR) is recognized in the results of the year in which is incurred.

2. 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.

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.

3. 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.

4. Effect of income tax due to the tax reform of 2010

On December 7, 2009, amendments were published to the Income Tax Law (LISR) applicable from 2010 in which it was established 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.

5. ISR effect as a result of the 2014 Tax Reform

Given that the LISR in effect up to December 13, 2013 was repealed, the tax consolidation regime was eliminated, so Posadas is required to pay the deferred tax determined as of that date during the five subsequent years beginning in 2014.

6. 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 position in the deferred taxes line item.

r. ***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.

s. ***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 the 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. Financial liabilities

Financial liabilities are classified as either financial liabilities “at FVTPL” or “other financial liabilities”.

4. 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.

5. 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.

t. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 21c.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

u. ***Revenue recognition***

The Entity recognizes its revenues as follows:

i. From the hotel operation, which includes the operation of proprietary hotels and leased hotels, are recognized as the hotel services are rendered to the guests, which include the rental of guestrooms and rooms for events, sale of food and beverages, etc.;

ii. From the operation of the Vacation Club, are recognized as leasing revenue, where the rental which refers to the land is recognized as a deferred liability, and the part allocated to the construction is recognized as revenue from capital leasing;

iii. From the sale of Kívac points, are recognized once the hospitality service is rendered, plus an estimate of those points which will not be used by the program members at their expiration date. The amount of the unused services contracted is presented under the heading "Deferred income of Vacation Club", as short-term and long-term in the consolidated statement of financial position;

iv. From management and brand fees, are recognized as they are accrued based on a percentage of the revenues and the profit from hotel operation, as established in the respective contracts; and

v. Revenues derived from loyalty programs with third parties, are recognized when the management service of the programs is rendered or due to the redemption of prizes in conformity with the contracts signed.

v. ***Classification of costs and expenses***

Costs and expenses presented in the consolidated statements of comprehensive (loss) income were classified according to their function.

w. ***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 financing activities and interest and dividends received are usually classified as investing activities.

x. ***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 liabilities and accrued expenses" in the consolidated statement of financial position.

y. ***(Loss) earnings per share of the controlling interest***

Basic (loss) earnings per share are calculated by dividing the net (loss) attributable to the controlling interest by the weighted average shares outstanding during the period. The diluted (loss) earnings per share is determined by adding 1) to the net (loss) earnings 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 shares based on the conversion factor established in the convertible loan agreements. As of December 31, 2015, 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 determined an estimate at the date of the consolidated financial statements that could have a significant impact on the carrying amounts of assets and liabilities during the subsequent financial periods:

i. The reserve for doubtful accounts and returns related to the Vacation Club
ii. Revenue recognition of Vacation Club
iii. The presentation of deferred revenues and other Kívac assets, short and long-terms
iv. Financial projections for asset impairment
v. The use of tax losses
vi. The effects of the contingencies faced by the Entity
vii. Labor obligations
viii. Redemption of loyalty program points
ix. The useful life and residual value of properties
x. Classification criteria of the operating segments of the Entity
xi. The estimated amount of investments in securities other than cash equivalents

6. Cash and cash equivalents

	2015	2014	2013
Cash	$ 109,345	$ 85,792	$ 137,917
Cash equivalents:			
Overnight investments	654,465	912,000	150,000
Dual structure notes investments	-	-	418,448
Total	$ 763,810	$ 997,792	$ 706,365

7. Investments in securities

	2015	2014	2013
Trading:			
Overnight investments	$ 450,000	$ 487,294	$ 479,060
Others	-	31,779	46,291
	$ 450,000	$ 519,073	$ 525,351

8. Accounts and notes receivable

	2015	2014	2013
Notes receivable from Vacation Club	$ 1,218,342	$ 1,022,035	$ 824,516
Other receivable from Vacation Club	279,720	250,742	86,748
Clients and agencies	624,403	531,821	659,397
Other taxes recoverable, net	401,983	805,284	629,092
Account receivable from sale of non-strategic assets	-	102,000	185,000
Others	204,640	156,795	108,738
	2,729,088	2,868,677	2,493,491
Less - Allowance for doubtful accounts	(232,597)	(241,597)	(242,287)
	$ 2,496,491	$ 2,627,080	$ 2,251,204

a. Notes receivable from Vacation Club

The sale of memberships of Vacation Club is normally recognized when at least a 10% deposit is received and five-year financing is granted for the remaining portion, 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

	2015	2014	2013
Maturity of notes receivable from Vacation Club-			
Less than 90 days	$ 100,703	$ 311,336	$ 331,156
Between 91 and 330 days	597,692	334,537	290,211
Between 331 and 365 days	519,947	376,162	203,149
	$ 1,218,342	$ 1,022,035	$ 824,516

	2015	2014	2013
Clients and agencies-			
Less than 90 days	$ 552,853	$ 410,312	$ 400,525
Over 90 days	71,550	121,509	258,872
	$ 624,403	$ 531,821	$ 659,397
Allowance for doubtful accounts-			
Clients and agencies	$ (122,902)	$ (120,340)	$ (129,704)
Notes receivable from Vacation Club	(109,695)	(43,123)	(34,449)
Others	-	(78,134)	(78,134)
	$ (232,597)	$ (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 2015, 2014 and 2013 the Entity identified and wrote-off $2,122, $9,364 and $67,710, respectively, of the reserve for doubtful accounts, since it was determined that such amounts did not have possibility of being recovered.

9. Vacation Club inventory

	2015	2014	2013
Vacation Club inventory	$ 177,397	$ 268,552	$ 89,342
Villas and residential lots	21,088	18,416	16,654
	$ 198,485	$ 286,968	$ 105,996

Vacation Club inventories recognized in cost for sale of memberships during the period in respect of continuing operations was $87,923, $83,453 and $75,893 at December 31, 2015, 2014 and 2013, respectively.

10. Assets classified as held for sale

	2015	2014
Assets classified as held for sale in Holiday Inn Laredo transaction:		
Cash and cash equivalents	$ 2,642	$ 5,595
Accounts and notes receivable - Net	1,046	1,193
Inventories	259	154
Prepaid expenses	359	288
Property and equipment - Net	54,878	43,680
Total assets classified as held for sale	$ 59,184	$ 50,910
Liabilities directly associated with assets held for sale:		
Other liabilities and accrued expenses	$ (6,384)	$ (6,423)

11. Long-term notes receivable - Net

The balance corresponds to the long-term portion of accounts receivable from sales of Vacation Club memberships, as follows:

	2015	2014	2013
Long-term notes receivables:			
Vacation Club membership	$ 2,211,196	$ 1,556,054	$ 1,346,394
Kívac	108,309	247,156	221,701
	2,319,505	1,803,210	1,568,095
Less:			
Allowance for doubtful accounts of Kívac	(33,971)	(76,488)	(54,786)
Total	$ 2,285,534	$ 1,726,722	$ 1,513,309

The maturities of the long-term notes receivable at December 31, 2015 are as follows:

To collect during	Amount
2017	$ 759,524
2018	602,851
2019	441,231
2020 and thereafter	515,899
Total long-term notes receivable	$ 2,319,505

12. Long-term accounts receivable

	2015	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

	2015	2014	2013
Buildings	$ 6,603,406	$ 6,563,629	$ 6,653,027
Furniture and equipment	1,227,058	1,481,450	1,422,265
Computers	417,977	433,202	435,244
Vehicles	30,132	35,139	37,236
	8,278,573	8,513,420	8,547,772
Less - Accumulated depreciation	(4,375,084)	(4,511,623)	(4,285,629)
	3,903,489	4,001,797	4,262,143
Land	1,837,597	1,837,597	1,853,792
Construction in progress	544,876	427,899	221,690
	$ 6,285,962	$ 6,267,293	$ 6,337,625

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost							
Beginning balance as of January, 2013	$ 2,783,231	$ 6,681,311	$ 1,466,370	$ 385,210	$ 24,796	$ 124,706	$ 11,465,624
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	1,853,792	6,653,027	1,422,265	435,244	37,236	221,690	10,623,254
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	1,837,597	6,563,629	1,481,450	433,202	35,139	427,899	10,778,916
Additions	-	74,703	113,194	13,736	5,058	305,597	512,288
Transfers from construction in progress	-	109,943	78,546	131	-	(188,620)	-
Disposals	-	(144,869)	(74,613)	(7,913)	(4,677)	-	(232,072)
Derecognition of depreciated assets	-	-	(371,519)	(21,179)	(5,388)	-	(398,086)
Balance as of December 31, 2015	$ 1,837,597	$ 6,603,406	$ 1,227,058	$ 417,977	$ 30,132	$ 544,876	$ 10,661,046
Accumulated depreciation and impairment							
Beginning balance as of January, 2013	$ -	$ (2,820,068)	$ (962,305)	$ (345,360)	$ (19,748)	$ -	$ (4,147,481)
Impairment losses recognized in profit or loss	(763,869)	(130,962)	-	-	-	-	(894,831)
Disposals of assets	763,869	141,678	207,376	10,535	4,010	-	1,127,468
Depreciation expense	-	(162,691)	(161,522)	(39,996)	(6,576)	-	(370,785)
Balance as of December 31, 2013	-	(2,972,043)	(916,451)	(374,821)	(22,314)	-	(4,285,629)
Depreciation expense	-	(208,270)	(134,751)	(27,163)	(4,438)	-	(374,622)
Reclassified as held for sale	-	106,793	41,648	-	187	-	148,628
Balance as of December 31, 2014	-	(3,073,520)	(1,009,554)	(401,984)	(26,565)	-	(4,511,623)
Depreciation expense	-	(178,648)	(189,558)	(26,659)	(4,956)	-	(399,821)
Disposals of assets	-	54,189	73,799	6,655	3,631	-	138,274
Derecognition of depreciated assets	-	-	371,519	21,179	5,388	-	398,086
Balance as of December 31, 2015	$ -	$ (3,197,979)	$ (753,794)	$ (400,809)	$ (22,502)	$ -	$ (4,375,084)
Total property and equipment - net	$ 1,837,597	$ 3,405,427	$ 473,264	$ 17,168	$ 7,630	$ 544,876	$ 6,285,962

14. Investment in associates

	Activity	% interest at 2015	2015	2014	2013
Inmobiliaria Hotelera Las Animas, S. A. de C. V.	Hotels in Xalapa	25.0	$ -	$ -	$ 27,571
Inmobiliaria Hotelera de Yucatán, S. A. de C. V.	Hotels in Merida	9.2	1,129	1,129	6,450
Others		-	-	750	1,416
			$ 1,129	$ 1,879	$ 35,437

15. Other assets

	2015	2014	2013
Kívac's sales commissions	$ 317,852	$ 215,970	$ 144,407
Guarantee deposits	44,537	39,719	56,110
Development expenses and others	42,531	13,673	13,898
	$ 404,920	$ 269,362	$ 214,415

16. Suppliers

The Entity has lines of credit contracted with Banco Santander (México), S.A., BBVA Bancomer, S.A., Banco Monex, S.A. and Banco Actinver, S.A. up to the amount of $70,000, $70,000, $50,000, and $95,000, respectively. The purpose of these credit lines is to carry out financial factoring transactions with Entity´s suppliers over a maximum payment term of 180 days. For each financial factoring transaction, interest is accrued at a fixed rate agreed between the Entity and the financial institutions.

As of December 31, 2015, 2014 and 2013, the amount of the invoices of suppliers which agreed to for the financial factoring is composed as follows:

	2015	2014	2013
Banco Santander (México), S.A.	$ 65,249	$ 59,373	$ 94,292
BBVA Bancomer, S.A.	57,578	33,386	-
Banco Monex, S.A.	36,297	25,923	43,645
Banco Actinver, S.A.	14,229	2,438	282
	$ 173,353	$ 121,120	$ 138,219

17. Long-term debt

a. Long-term debt is as follows:

	2015	2014	2013
U.S. dollar-denominated:			
"Senior Notes 2022", fixed rate of 7.875%	$ 5,593,072	$ -	$ -
"Senior Notes 2017", fixed rate of 7.875%	649,210	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 variable rates average of 3.32%	1,399	2,261	2,498
	6,243,681	5,882,273	4,557,578
Less - Current portion	(1,399)	(1,449,957)	(2,498)
Long-term debt	$ 6,242,282	$ 4,432,316	$ 4,555,080

The maturities of long-term debt at December 31, 2015, are as follows:

Payable during	Thousands of American dollars
2017	38,332
2022	350,000
	388,332
Equivalent in thousands of Mexican pesos	$ 6,681,835
Less - debt issuance costs	(439,553)
	$ 6,242,282

b. On June 30, 2015 the Entity completed a debt issue for US$350 million in notes known as "Senior Notes 2022" through the Luxembourg Stock Exchange. The intention was to substitute the issue of US$310 million known as "Senior Notes 2017" held by the Entity as of December 31, 2014, for which US$1,060 was offered for each $1,000 of the previous issue.

As a result of the offering it was possible to tender US$271.7 million of the "Senior Notes 2017", equivalent to 87.63% of principal. The "Senior Notes 2022" generate interest at the annual rate of 7.875%, with principal maturing on June 30, 2022. The interest is payable semiannually, beginning on December 30, 2015.

c. On November 28, 2014, the Entity obtained US$47.2 million through a program known as "Euro-Commercial Paper", which bore annual interest at a rate of 6% and matured on November 18, 2015. Interest was recognized in the consolidated statement of comprehensive (loss) income as accrued, and was paid on November 18, 2015, due date of the principal.

d. 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 an annual 7.875% fixed rate. On November 30, 2013, the Entity issued a supplement for US$50 million of "Senior Notes 2017", with the same characteristics mentioned above, resulting in a total debt of US$275 million.

On February 20, 2014, the Entity made an additional issue of "2017 Senior Notes" for US$35 million, which mature on November 30, 2017 and bear interest at an annual 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. As a result of the issue of the notes known as "Senior Notes 2022", the outstanding balance was decreased, and as of December 31, 2015 represented US$38.3 million.

e. 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 bore interest at an annual rate of 9.25%, with semiannual coupons. The remaining balance of the program was reduced by the additional issue of "Senior Notes 2017", resulting in a total debt of US$51.7 million at December 31, 2014, which was paid at maturity.

f. The most significant restrictions and obligations contained in debt agreements at December 31, 2015, 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, 2015, restrictions and obligations have been satisfied.

g. Below is detail of key financial items of the Entity and the subsidiary guarantors of the "Senior Notes 2022":

	2015 Guarantors	2015 Non-guarantors	2015 Total consolidated
Total revenues	$ 6,247,866	$ 653,355	$ 6,901,221
Depreciation and amortization	359,332	55,345	414,677
Lease expense	386,969	-	386,969
Consolidated (loss) income	(622,716)	152,311	(470,405)
Total assets	12,257,339	1,519,624	13,776,963
Total liabilities	$ 9,011,409	$ 1,138,051	$ 10,149,460

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

	Guarantors			Non-guarantors			Total consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Total revenues	$ 6,676,420	$ 5,553,097	$ 5,589,003	$ 224,801	$ 295,181	$ 2,961,355	$ 6,901,221	$ 5,848,278	$ 8,550,358
Impairment, depreciation and amortization	365,943	370,047	1,217,558	48,734	39,218	97,330	414,677	409,265	1,314,888
Lease expense	386,969	329,761	326,513	-	-	-	386,969	329,761	326,513
Consolidated (loss) income	(442,520)	926,686	(1,162,965)	(27,885)	(208,445)	(594,849)	(470,405)	718,241	(1,757,814)
Total assets	13,347,403	12,829,671	12,023,808	429,560	488,280	495,569	13,776,963	13,317,951	12,519,377
Total liabilities	$ 9,438,168	$ 8,409,564	$ 7,965,883	$ 711,292	$ 799,177	$ 1,165,277	$ 10,149,460	$ 9,208,741	$ 9,131,160

18. Income taxes

The Entity is subject to ISR, which current rate is 30%

The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2013 Tax Law, the tax consolidation regime was eliminated, and Posadas has 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 entities to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated entities that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when within the Entity include both profit and loss entities in the same period), which can be deferred over three years and paid, as updated, at the filing date of the tax return corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries elected to join the new scheme, so determined income tax for the year 2015, as it was described before.

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 tax 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 was eliminated, allowing under certain conditions to recover 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.

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 associates, amortization of deferred credits and amortization of prior year losses.

a. Income tax (benefit) recognized in profit or loss:

	2015	2014	2013
Current tax -			
Current ISR	$ 120,397	$ 169,835	$ 416,308
ISR previous years	111,881	-	-
Long-term ISR tax deconsolidation	-	-	882,262
Expense tax amnesty	-	-	125,585
	232,278	169,835	1,424,155
Benefit deferred -			
ISR	(100,944)	(1,231,092)	(262,167)
IETU	-	-	(105)
	(100,944)	(1,231,092)	(262,272)
Total income tax (benefit)	$ 131,334	$ (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 income taxes, is:

	2015	2014
Statutory rate	30 %	30 %
Less:		
Effect of activation of tax loss carryforwards	53 %	304 %
Reserve of individual tax loss carryforwards	(70) %	-
Effects of permanent differences and effects of tax inflation	(52) %	(21) %
Effective rate	(39) %	313 %

The effective rate for the year 2013 differs from the statutory rate, mainly due to the effects of deconsolidation described in Note 2i.

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

	2015	2014	2013
Notes receivable	$ (732,510)	$ (266,234)	$ (397,128)
Allowance for doubtful accounts	88,811	95,425	92,475
Real state inventory	(59,339)	(73,097)	(16,594)
Property and equipment	(156,132)	(230,681)	(265,057)
Other assets	(54,088)	(127,735)	(157,832)
Reserves and deferred income	651,687	341,961	327,708
Benefit of tax loss carryforwards	2,820,609	2,363,880	1,883,246
Reserve of tax loss carryforwards	(1,389,165)	(1,030,229)	(1,309,717)
Recoverable IMPAC	-	3,528	3,528
Tax benefits (Conacyt)	10,077	(10,876)	(21,689)
Tax effect of SIBRAS	(1,006,396)	(993,332)	(1,297,422)
	$ 173,554	$ 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, 2015, 2014 and 2013, the tax loss carryforwards amounted to $9,402,030, $7,879,600 and $6,277,487, respectively.

e. Tax loss carryforwards

Expiration dates and restated amounts of tax loss carryforwards as of December 31, 2015, for which an asset for deferred tax has been partially recognized, are:

Year	Amount
2016	$ 48,736
2017	61,411
2018	102,308
2019	2,644,105
2020	536,079
2021	143,397
2022	1,807,876
2023	113,977
2024	766,591
2025	1,479,808
2026	1,697,742
	$ 9,402,030

f. Tax consolidation

ISR liability as of December 31, 2015 related to the effects for benefits and tax deconsolidation is being paid as follows:

Year	Amount
2016	$ 219,650
2017	159,143
2018	151,097
	529,890
Less - current portion	(219,650)
	$ 310,240

19. Long-term accrued liabilities

	2015	2014	2013
Return reserve for Vacation Club	$ 157,394	$ 144,307	$ 132,464
Employee benefits	66,924	58,840	16,290
Other accrued liabilities	212,449	140,751	127,296
	$ 436,767	$ 343,898	$ 276,050

In "other liabilities and accrued expenses" in the consolidated statement of financial position a current portion of the return reserve for Vacation Club has been recorded, amounting as of December 31, 2015, 2014 and 2013, $81,739, $69,780 and $81,623, respectively.

20. Employee benefits

The net period cost for obligations under the pension plan and related seniority premiums amounted to $22,357, $17,131 and $16,089 as of December 31, 2015, 2014 and 2013, respectively. Other disclosures required by accounting rules are not considered material.

21. 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.

a. *Capital risk management*

The Entity manages its capital to ensure that it will continue as a going concern, while maximizing the return to stockholders through the optimization of debt and equity structure. The overall strategy of the Entity has not been changed compared to 2014 and 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 stockholders. 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 of the business plan to the Board of Directors and stockholders 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 Corporate Law.

Debt index

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

	2015	2014	2013
Debt (i)	$ 6,243,681	$ 5,882,273	$ 4,557,578
Cash, banks and investments in securities	1,213,810	1,516,865	1,231,716
Net debt	5,029,871	4,365,408	3,325,862
Stockholders' equity (ii)	$ 3,627,503	$ 4,109,210	$ 3,388,217
Index of net debt to equity	1.39	1.06	0.98

(i) Debt is defined as long and short-term borrowings in foreign currency, as described in Note 17.

(ii) Stockholders' equity includes all capital stock and reserves that are managed as capital.

b. ***Categories of financial instruments***

	2015	2014	2013
Financial assets			
Cash	$ 109,345	$ 85,792	$ 137,917
Held for trading	1,104,465	1,399,294	1,047,508
Investments held to maturity	-	31,779	46,291
Account and notes receivable	4,380,042	3,548,518	3,135,421
Financial assets held for sale	3,688	6,788	-
Financial liabilities			
Amortized cost	7,455,990	6,772,772	5,681,277

c. ***Market risk***

The activities performed by the Entity expose it mainly to financial risks due to variations in the exchange rates. Periodically, depending on prevailing market conditions, the Entity subscribes financial derivatives to handle its exposure to exchange risk, including foreign currency forward contracts to cover the exchange risk derived from liabilities in foreign currency with short-term maturities. As of December 31, 2015, the only financial derivative is presented under the heading "Cash and cash equivalents" in the consolidated statement of financial position.

The characteristics of the forward contracted as of December 31, 2015 are shown in the following table:

	Notional amount (thousands of American dollars)	Agreement date	Due date	Notional amount	Fair value
Forward	US$ 14,000	15/Dec/15	11/Jan/16	$ 242,788	$ 1,391

There were no changes in the Entity's exposure to market risks or in the way that these risks are managed and valued.

d. ***Foreign currency risk management***

The Entity believes that the risk is material because as of December 31, 2015, 100% of its debt is in US dollars. Considering the net monetary position in US dollars as of December 31, 2015, a 10% appreciation (or appreciation) of the Mexican peso against the US dollar would cause an exchange loss or (gain) in results and in the stockholders' equity of the Entity of approximately $470,966.

The current exchange rates in Mexican pesos are as follows:

	December 31,			February 17
	2015	**2014**	**2013**	**2016**
Pesos per U.S. dollar	$ 17.2065	$ 14.7180	$ 13.0765	$ 18.8148

e. ***Interest rate risk management***

The Entity is exposed to low market risks related to fluctuations in interest rates, because their securities and bank loans at December 31, 2014 bear interest at a fixed rates, therefore, the increase in interest rates not could cause a higher risk to the provided maturity date. As of December 31, 2015, the 2022 and 2017 Senior Notes issued in US dollars represent practically 100% of the debt of the Entity, and bears interest at fixed rate.

f. ***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 position.

g. ***Liquidity risk management***

It does not exist a liquidity risk over short-term debt of the Entity as of December 31, 2015. The Entity liquidated debt maturing shorter-term with the resources obtained through of program known as "Senior Notes 2022".

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´s management is responsible for liquidity, 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-terms, 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.

The following tables detail the Entity's contractual maturities for its financial assets and liabilities, considering the reimbursement and payment periods agreed. The table was designed based on the undiscounted nominal cash flows of the financial assets and liabilities according to the date that the Entity must make the collections and payments.

The amounts included in the debt with credit institutions refer to fixed interest rate instruments.

As of December 31, 2015	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875 %	$ -	$ -	$ 1,399	$ 659,560	$ 6,022,275	$ 6,683,234
Suppliers	-	438,432	-	-	-	-	438,432
Other liabilities and accrued expenses	-	334,324	-	-	-	-	334,324
Total		772,756	-	1,399	659,560	6,022,275	7,455,990
Cash, cash equivalents and investments securities	-	1,213,810	-	-	-	-	1,213,810
Accounts receivable and other receivables	-	653,556	71,550	1,335,431	1,362,375	957,130	4,380,042
Total		1,867,366	71,550	1,335,431	1,362,375	957,130	5,593,852
Net		$ 1,094,610	$ 71,550	$ 1,334,032	$ 702,815	$ (5,065,145)	$ (1,862,138)

As of December 31, 2014	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875 %	$ 760,450	$ -	$ 697,490	$ 4,562,580	$ -	$ 6,020,520
Suppliers	-	400,101	-	-	-	-	400,101
Other liabilities and accrued expenses	-	352,151	-	-	-	-	352,151
Total		1,512,702	-	697,490	4,562,580	-	6,772,772
Cash, cash equivalents and investments securities	-	1,516,865	-	-	-	-	1,516,865
Accounts receivable and other receivables	-	721,648	121,509	902,151	1,043,077	760,133	3,548,518
Total		2,238,513	121,509	902,151	1,043,077	760,133	5,065,383
Net		$ 725,811	$ 121,509	$ 204,661	$ (3,519,503)	$ 760,133	$ (1,707,389)

As of December 31, 2013	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875 %	$ -	$ -	$ 2,498	$ 1,088,893	$ 3,596,038	$ 4,687,429
Suppliers	-	348,327	-	-	-	-	348,327
Other liabilities and accrued expenses	-	645,521	-	-	-	-	645,521
Total		993,848	-	2,498	1,088,893	3,596,038	5,681,277
Cash, cash equivalents and investments securities	-	1,231,716	-	-	-	-	1,231,716
Accounts receivable and other receivables	-	731,681	258,872	576,773	1,039,047	529,048	3,135,421
Total		1,963,397	258,872	576,773	1,039,047	529,048	4,367,137
Net		$ 969,549	$ 258,872	$ 574,275	$ (49,846)	$ (3,066,990)	$ (1,314,140)

The amounts included in debt with credit institutions are represented for instruments of a fixed interest rate.

The Entity expects to fulfill its obligations with the cash flows from operations and any resources received from the maturity of financial assets. Additionally, as of December 31, 2015 the Entity has access to a committed line of credit with an undisposed balance of $200,000.

h. ***Fair value of financial instruments:***

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 position, approximate their fair value to be short-term.

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

		2015		**2014**		**2013**
Thousands of US dollars:						
2022 Senior Notes	US$	320,655	US$	-	US$	-
2017 Senior Notes		320,655		272,164		243,637
2015 Senior Notes		33,627		51,668		80,360
Euro-Commercial Paper				42,335		-
	US$	354,282	US$	366,167	US$	323,997

Financial derivatives - As of December 31, 2015, a portion of the Entity's revenues, generally around 25%, has been directly or indirectly denominated in US dollars. This is because the prices of the guestrooms in the beach hotels (principally Cancún and Los Cabos) maintain rates in US dollars and also because, historically, a portion of the sales and financing of the Vacation Club memberships have been expressed in US dollars.

Given that some of the revenues are denominated directly or indirectly in US dollars, to minimize the exposure to exchange rates in Mexican pesos, the Entity's policy has been to maintain a significant portion of the debt in US dollars. This has been achieved through loans obtained in US dollars when market conditions so permit.

22. Stockholders' equity

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

	Number of shares		
	2015 Serie "A"	**2014 Serie "A"**	**2013 Serie "A"**
Authorized capital	512,737,588	512,737,588	576,888,619
Less -			
Repurchase of shares	(16,855,600)	(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)
	(16,855,600)	(16,799,600)	(80,951,031)
	495,881,988	495,937,988	495,937,588

b. At December 31, 2015, the share capital is composed solely of Series "A" free subscription.

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

d. During a Stockholders' Extraordinary General Meeting held on March 19, 2014 the cancellation of repurchase fund of 2,099,099 ordinary nominative shares was approved, representing Series "A" shares of the Entity, because the Entity's management had no plans to re-place such shares.

e. During a Stockholders' Extraordinary General Meeting held on March 19, 2014 it was approved to cancel the Trusts which were right holders of 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 any obligations guaranteed with shares of the Entity, which were part of the assets of the aforementioned Trusts. As a result of the cancellation of the Trusts, a remanent was generated for the Entity in the amount of $10,991, which is presented as earned capital.

f. As discussed in Note 2h, 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.

g. 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.

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 "dividend paid to non-controlling interest" of $43,608.

i. At December 31, 2015, 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.

   Dividends paid from profits generated from January 1, 2014 to residents in Mexico and residents abroad, could be excisable of an additional profit income (ISR) of to 10%, which must be retained by the Entity.

23. Balances and transactions in foreign currency

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

	2015	2014	2013
Thousands of US dollars:			
Current:			
Monetary assets	62,918	80,238	57,470
Monetary liabilities	(11,078)	(107,107)	(10,087)
	51,840	(26,869)	47,383
Long-term:			
Monetary assets	62,859	87,762	86,657
Monetary liabilities	(388,413)	(310,000)	(358,271)
	(325,554)	(222,238)	(271,614)
Net liability position	(273,714)	(249,107)	(224,231)
Equivalent in thousands of Mexican pesos	$ (4,709,656)	$ (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.

24. Revenue, cost of sales and operating expenses

a. ***Revenue:***

	2015	2014	2013
Hotel operation	$ 3,103,775	$ 2,691,647	$ 2,673,704
Vacation Club	2,619,816	1,996,686	1,894,629
Administration fee, brand and other expenses	1,123,243	1,107,921	1,200,437
Sales of non-strategic properties	-	26,197	2,781,588
Other income	54,387	25,827	-
	$ 6,901,221	$ 5,848,278	$ 8,550,358

b. ***Cost of sales:***

	2015	2014	2013
Hotel operation	$ 1,106,447	$ 1,004,529	$ 1,007,563
Vacation Club	1,993,289	1,520,736	1,429,250
Administration fee, brand and other expenses	1,110,048	1,116,372	1,300,426
Sales of non-strategic properties	-	26,197	2,216,418
	$ 4,209,784	$ 3,667,834	$ 5,953,657

c. ***Administration expenses:***

	2015	2014	2013
Salaries, defined benefits and others	$ 399,619	$ 354,390	$ 319,429
Electricity	149,763	159,352	160,266
Maintenance	88,538	75,587	77,856
Professional fees	39,395	36,252	43,240
Credit card commissions	35,841	34,115	33,723
Property taxes and duties	33,063	24,778	25,363
Office rentals	22,273	9,572	5,182
Services and supplies	14,469	16,130	13,525
Insurance and bonds	11,813	13,242	11,627
Equipment leasing	6,175	5,346	5,170
Doubtful accounts	3,759	-	146
Others	10,418	16,541	7,577
	$ 815,126	$ 745,305	$ 703,104

d. ***Sale and development expenses:***

	2015	2014	2013
Salaries, defined benefits and others	$ 59,516	$ 50,729	$ 53,201
Marketing and publicity	52,754	43,279	45,103
Travel expenses	10,259	10,179	10,443
Subscriptions fees	2,651	60	219
Others	1,699	1,479	1,597
	$ 126,879	$ 105,726	$ 110,563

25. Related party transactions

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

	2015	2014	2013
Short and long-term benefits	$ 101,543	$ 91,643	$ 102,911
Termination benefits	$ 2,092	$ 5,574	$ -

26. Information by business segments

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

Information by reportable segment for the year ended December 31, 2015 is as follows:

	Hotel operation	Vacation Club	Hotel management, brand and other	Corporate	Total	Eliminations	Total consolidated
Statement of comprehensive (loss) income:							
Total revenues	$ 3,133,685	$ 2,619,816	$ 1,948,043	$ 54,387	$ 7,755,931	$ (854,710)	$ 6,901,221
Cost and general expenses	2,626,431	2,080,891	1,365,002	-	6,072,324	(854,710)	5,217,614
Corporate expenses	-	-	-	321,144	321,144	-	321,144
Depreciation, and amortization	-	-	-	414,677	414,677	-	414,677
Other expenses, net	-	-	-	479	479	-	479
Operating income (loss)	$ 507,254	$ 538,925	$ 583,041	$ (681,913)	$ 947,307	$ -	947,307
					Financial expenses and other expenses net		(1,283,766)
					Loss before income taxes		$ (336,459)

Information by reportable segment for the year ended December 31, 2014 is as follows:

Statement of comprehensive (loss) income:	Hotel operation	Vacation Club	Hotel management, brand and other	Corporate	Sale of non-strategic assets	Total	Eliminations	Total consolidated
Total revenues	$ 2,746,820	$ 1,970,489	$ 1,822,798	$ 25,827	$ 26,197	$ 6,592,131	$ (743,853)	$ 5,848,278
Cost and general expenses	2,350,664	1,565,046	1,394,370	-	26,197	5,336,277	(743,853)	4,592,424
Corporate expenses	-	-	-	256,202	-	256,202	-	256,202
Depreciation and amortization	-	-	-	409,265	-	409,265	-	409,265
Other expenses, net	-	-	-	45,669	-	45,669	-	45,669
Operating income (loss)	$ 396,156	$ 405,443	$ 428,428	$ (685,309)	$ -	$ 544,718	$ -	544,718
					Financial expenses and other expenses net			(896,452)
					Loss before income taxes			$ (351,734)

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

Statement of comprehensive (loss) income:	Hotel operation	Vacation Club	Hotel management, brand and other	Corporate	Sale of non-strategic assets	Total	Eliminations	Total consolidated
Total revenues	$ 2,708,706	$ 1,776,043	$ 2,043,439	$ -	$ 2,781,588	$ 9,309,776	$ (759,418)	$ 8,550,358
Cost and general expenses	2,351,678	1,440,589	1,597,414	-	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	$ 335,454	$ 446,025	$ (1,745,258)	$ 565,171	$ (41,580)	$ -	(41,580)
					Financial expenses and other expenses net			(373,145)
					Loss before income taxes			$ (414,725)

27. Commitments

a. At December 31, 2015, 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, 2015, 2014 and 2013, lease expense was $386,969, $329,761 and $326,513, respectively. The minimum rent estimated for the following years is shown below:

Years	Amount
2015	$ 370,682
2016	366,286
2017	373,126
2018	379,422

b. At December 31, 2015, 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, 2015, 2014 and 2013, rental expense amounted to $60,128, $54,767 and $45,937, respectively. The estimated rental payments for the following years is shown below:

Years		**Amount**
2016	$	49,236
2017		29,408
2018		13,561
2019		3,158

28. Contingencies

a. There is a tax lawsuit 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 at the date of issuance of the consolidated financial statements, it is not possible to determine a result for the Entity. The tax authorities have alleged nonpayment of ISR, 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 is engaged in a series of legal actions in the regular course of its operations. Given their current status and the difficulty of determining a probable contingent amount, no reserves have been established in this regard.

c. As of December 31, 2015, 2014 and 2013, the Entity has established a reserve to cover contingencies, which is recorded under the long-term liability heading "Accrued liabilities" in the consolidated statement of financial position.

29. Authorization to issue the financial statements

The consolidated financial statements were authorized to be issued on February 17, 2016, by Ing. Arturo Martínez del Campo Saucedo, Corporate Chief Financial Officer and the Audit Committee; consequently they do not reflect events after this date, and are subject to the approval of the Ordinary Stockholders Meeting of the Entity, who may modify them in accordance with the provisions of the General Corporate Law.

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