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

Prolongación Paseo de la Reforma 1015, Torre A, Piso 9
Col. Santa Fe Cuajimalpa, delegación Cuajimalpa
Ciudad de México, 05348

Series "A" shares representing the corporate capital of Grupo Posadas, S.A.B. de C.V. quoted on the Bolsa Mexicana de Valores, S.A.B. de C.V. (Mexican Stock Exchange)

Ticker Code: Posadas A

The shares are registered in the National Securities Registry and quoted on the Bolsa Mexicana de Valores (Mexican Securities 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 in this Annual Report, nor does it validate those 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, 2022

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

Debt Instruments	Senior Notes Due 2027
Ticker symbol	"POSADA"
Amount	US$393,235,022
Issue Date	December 15, 2021
Maturity Date	December 30, 2027
Issue term	A single payment on December 30, 2027
Interest and calculation procedure	Step up interest rate: year 1: 4%, year 2: 5%, year 3 and 4:7%, years 5 and 6: 8% (PIK option for years 1 and 2)
Interest payment periods	Every six months, in the months of June and December
Place and method for paying interest and principal	PIK option up to 50% of interest at a rate of 6% for year one and 7% for year two. All amounts due are to be wire transferred through the "Trustee"
Amortization and early amortization	"Make-Whole" clause
Guarantee	Administrative and Guarantee Trust of: 1. Hotel Fiesta Americana Reforma 2. Hotel Fiesta Americana Guadalajara 3. Vacation property real estate: a. Grand Fiesta Americana Los Cabos b. Fiesta Americana Villas Los Cabos c. Live Aqua Residence Club Los Cabos d. Fiesta Americana Acapulco e. Fiesta Americana Cozumel f. Fiesta Americana Cancún g. The Explorean Kohunlich h. 16 apartments within the Nima Bay complex located in Puerto Vallarta 4. Account Receivables of the Company's Vacation Club products: (Timeshares, Access y Kivac) 5. Additional investments that the Company may execute. Pledge Agreement of segregated bank accounts to deposit all cash collections from the Vacation Club products and the trust rights regarding a development located in Acapulco Diamante, Guerrero.
Trustee	Banco Invex, S.A., Grupo Financiero Invex, División Fiduciaria, as Trustee of the collateral.
Rating by rating institution and its meaning*	S&P Global Ratings, "B-", *See website: www.standardandpoors.com/es,
Common representative	Citi Agency & Trust, as "Trustee", and Banco Nacional de México S.A., a member of Grupo Financiero Banamex, División Fiduciaria as "Collateral Agent"
Depositary	Citi Agency & Trust
Tax rules	Applicable withholding rate on the date of this report, regarding interest paid on Senior Notes is subject to (i) for foreign resident individuals and legal entities, for tax purposes, to a 4.9% withholding tax 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% withholdingtax. 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.
Calculation Agent	**Citi Agency & Trust**

The Issuer shall operate in accordance to its applicable corporate by-laws, legal and contractual provisions, including those provided for in the 2027 Senior Notes indenture, upon determining the reserves related to a change of control, corporate restructuring, including acquisitions, mergers, split offs and sale or encumbrance of material assets, taking into consideration the participation of the holders of the previously specified securities, to the extent attributed by such provisions.

[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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Audits of the independent auditors for 2022, 2021 and 2020, reports of the Audit Committee and Corporate Practices Committee.

a) Glossary of Terms and Definitions

TERM	DEFINITION
"BMV" or "Securities Exchange"	Shall mean Mexican Securities Exchange Market, S.A.B. de C.V.
"CNBV"	Shall mean National Banking and Securities Commission.
"Company", "Group" 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, 2019, 2018 and 2017 included in the present Annual Report.
"Fibras"	Mexican trusts principally established to develop, acquire, lease, 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
"Vacation Properties"	Company Segment responsible for marketing and operation of vacation products, i.e. time-share, and vacation plans, i.e. pre-payment and discount club.
"NPS"	Net Promoter Score: index that measures the customer´s loyalty to the brand.
Posadas System	Group of hotels that are managed under the brands of Grupo Posadas, S.A.B. de C.V., whether as owned, leased, operator or franchised hotels.

b) Executive Summary

This executive summary briefly summarizes information regarding the 2022 performance of Posadas. This information is insufficient for an exhaustive financial analysis nor to make decisions related to Posadas' financial information. Therefore, the investing public should read both the Annual Report, including the audited consolidated financial statements, as well as the corresponding notes completing and clarifying the information contained in the consolidated financial statements before making an investment decision.

Grupo Posadas, S.A.B. de C.V. is the largest hotel operator in Mexico based on the number of hotels and rooms, (Source: 2022 Posadas Chain Study with Information from Smith Travel Research Census Database to December, 2022).

As of December 31, 2022, the Company had 189 hotels and resorts operated and/or franchised under Posadas' brands, representing a total of 29,152 rooms in Mexico and the Caribbean; 87% distributed in urban destinations and the remaining 13% in beach destinations. Consequently, it serves a broad base of tourist and business travelers.

For most of 2022, out of the 189 hotels, the Company was the majority owner of 12 hotels, operated 138, franchised 24 and leased 15.

The Company has expanded through strong brand positioning and development, which ensures service consistency and client recognition. The Company operates its hotels in Mexico principally through Posadas' brands, which have been updated in diverse aspects: Live Aqua (Live Aqua Urban Resort, Live Aqua Beach Resorts, Live Aqua Boutique Resort, Live Aqua Residence Club, Grand Fiesta Americana (GFA), Curamoria Collection, Fiesta Americana (FA), The Explorean, Fiesta Americana Vacation Villas, Fiesta Inn (Fiesta Inn Express, Fiesta Inn LOFT), Gamma and One Hoteles. On April 4, 2022, Posadas opened the first IOH hotel. Additionally, the new brands Funeeq and Dayforia are soon to be launched onto the market.

Live Aqua is the 5-star Urban, Coastal and Boutique Resorts brand[1] that offers a wide variety of services and luxury rooms with avant-garde details and designs focused on creating unique and sensorial experiences, seeking to attract high economic level tourism to beach destinations and executive business travelers to city destinations focused on adults. During the last years, we have been consolidating both the service offered and experiential excellence under this brand. Our most demanding guests can find a sophisticated yet relaxed atmosphere, avant-garde design and international cuisine, to satisfy all of their needs. This is the brand with which in 2021 we initiated operations in a 347-room Beach Resort hotel in Punta Cana, Dominican Republic.

Live Aqua Residence Club (LARC) is a vacation membership offering a variety of the Live Aqua family high-level residential real properties.

Grand Fiesta Americana is the 5-star[1] luxury hotel chain located in the most important cities offering an exclusive and personalized lodging experience with superior service and quality expectations but without losing the warm hospitality that characterizes Mexico. It focuses on persons searching for an exceptional luxurious Mexican experience in a classical contemporary environment.

Curamoria Collection groups 5-star or unclassified hotels that operate under franchise, where the traveler can find original, iconic, or trendy facilities especially allocated for boutique hotels, with an emphasis on design or originality, gourmet experiences, authenticity and luxury.

Fiesta Americana is the leading 5-star[1] hotel chain in Mexico centered on creating great memories for all the family. It is designed for persons traveling for pleasure and/or business pursuing 5-star hotel complexes with all the services and amenities of large hotels. **Fiesta Americana Vacation Club** is part of this family, which is our traditional family vacation membership with properties located in the most important beach destinations of our country.

The Explorean is the Resort brand providing outdoor experiences and activities in natural environments, leaving behind the routine, and coming into contact with nature without sacrificing the comfort of a 4-star hotel[2].

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[1] Classification given according to the self-assessment mechanism regulated by the Ministry of Tourism (SECTUR)

[2] Classification given according to the self-assessment mechanism regulated by the Ministry of Tourism (SECTUR).

Fiesta Inn is the 4-star[2] Business Class chain addressed to business and/or leisure travelers. Fiesta Inn adapts to current business and/or leisure travelers' needs with an excellent location, multifunctional areas, comfortable rooms, public areas, meeting rooms, event halls and restaurants offering a balance between relaxation and work.

As a part of the Fiesta Inn brand are the Fiesta Inn **Express and Fiesta Inn Loft** variations, likewise, addressed to business and/or leisure travelers, providing a comforting and productive stay through the design, comfort, and functionality of each space. The rooms are fully equipped to be adapted for working, eating, or resting.

The **Gamma** brand is a collection of 3 and 4-star[2] hotels, under franchise, with each hotel keeping its unique architecture, decoration, design style and personality. It is directed to persons that, regardless of their reason for travelling, are looking for local traditional lodging locations and leaving aside hotel chain standardization.

One is the practical and affordable 3-star[2] hotel brand with modern design and accelerated development. It is designed for pleasure and/or business travelers searching for hotels with guaranteed fair-price and friendly service focused on self-service in a variety of destinations and key locations, but without losing the trustworthiness, comfort and cleanliness of a chain hotel.

IOH is the 4-star[2] hotel brand that merges spaces to satisfy national travelers searching for flexibility in multipurpose trips, but where design and digital solutions prevail for modern and hyper-connected guests.

Regarding new hotel development, the Company strengthened the hotel portfolio with 6 openings during 2022:

1. Huayacan Cuernavaca Curamoria Collection
2. IOH Merida MID Center
3. Gamma Villahermosa
4. Gamma Guaymas Armida
5. Celeste Beach Residences & Spa Huatulco Curamoria Collection
6. Gamma Colima Garden

The hotels that ceased to operate under our brands are:

1. One Leon Antares
2. Pug Seal Curamoria Collection
3. Casa de la Marquesa Queretaro Curamoria Collection

As of December 31, 2022, the Company continues with a development plan comprising different commitment level agreements to operate 19 new hotels with 3,219 rooms. Of the $13,399 million (US$692 million) total investment for these projects, 3% of the funding is being contributed by Posadas and 97% by independent investors. This will represent an 11% room supply increase.

These hotel openings began in the first half of 2023, and pursuant to the commitments undertaken by the owners of said properties, it is estimated that the majority will be operating by 2024. The average operating life of these contracts is more than 15 years.

Within these openings the following stand out: Live Aqua Playa Mujeres, Live Aqua Riviera Cancun, Grand Fiesta Americana Riviera Cancun, Fiesta Americana Mazatlan Zona Dorada and Grand Fiesta Americana Punta Cana Los Corales, in the Dominican Republic.

As part of the Caribbean expansion strategy, we signed a contract to operate the first hotel under the Funeeq by Fiesta Americana brand in the Dominican Republic, which opening is planned for 2025.

We continue with the project to develop 28 units in Acapulco Diamante, which operation is programmed in the next two years.

Regarding operations, despite continuing facing pandemic consequences, we observe a recovery trend. As of September 2022, state authorities ceased to publish room capacities and restrictions, and the use of masks in enclosed areas was not required anymore. However, all our properties continue with the "Travel Safely" program, which includes the necessary cleaning and disinfection measures resulting from the alliance with the ABC Medical Center and 3M Company to provide recommendations on the application of prevention, hygiene, and disinfection protocols.

In the same train of thought, digital welcome has been improved due to our Phygital program focusing on addressing the receptionist's role on guest service to check-in kiosks offering a fast, personalized experience, but above all, without any contact. Furthermore, there are other actions such as the digitization of service menus and the offer of travel insurance allowing guests lodging flexibility in our hotels.

Likewise, we continue the “Work Safely” program, which includes cleaning and hygiene protocols throughout the workplace, and the necessary protective equipment.

Today, Posadas’ portfolio has 9 hotel market brands and 4 Vacation Property market brands; the last has 21 Mexican territory sale points where our products are offered, thus being one of the major leaders in the vacation property industry.

As mentioned in 2020, the Vacation Properties area became the Loyalty, integrating our Fiesta Rewards program and forming a synergizing relationship with the clients of each product, gaining clients using digital channels and optimizing sales procedures, achieving higher margin and profitability holiday products. It is worth mentioning that this is an internal operational change; therefore, no reclassifications were made to the 2022 income statement and the results will continue to be presented in the Vacation Properties category.

In 2022, the Loyalty goal was to take advantage of the significant changes in Mexico and in the world to make us more agile, increase the sales volume with a better margin and profitability and evolve with the modernized market the product offer value.

We relaunched Fiesta Americana Vacation Club Access (FAVC Access), a 5-year vacation membership offering access to a discount club of up to 50% off the public price at hotels in Mexico and around the world and other benefits linked to the Fiesta Rewards program.

FAVC Access reached a 4% of room nights of all loyalty products, thereby growing 200% in comparison to 2021. In December, FAVC Access represented 50% of sales of all products.

We stopped selling the KIVAC product (KIVAV Xpand and KIVAC Travel Suite) to focus on higher margin and more profitable vacation products, such as FAVC Access and our new Viaja Plus product. Customers who purchased any of our KIVAC products still have the possibility to acquire more points or migrate to other products.

The Company operates the following Vacation Products:

- **Fiesta Americana Vacation Club** (FAVC) is a timeshare vacation club in which members purchase a “40 year right to use” represented by annual points related to a specific facility. FAVC points, furthermore, may be exchanged for lodging at any of the seven complexes located in Los Cabos (Villas and Resort), Baja California Sur; Acapulco, Guerrero; Cancun, Cozumel (two complexes) and Kohunlich (Chetumal), Quintana Roo and Puerto Vallarta, as well as any Company-operated hotel. Additionally, FAVC members may use their points at Resorts Condominium International (RCI) complexes and Hilton Grand Vacation Clubs, or at any affiliated complex in different parts of the world. The Company has operated FAVC for more than 21 years.

  As of December 31, 2022, there were 30,593 members.

  - **Live Aqua Residence Club** (LARC) is a timeshare vacation membership with a select option of vacation residences and high-end hotels, and travel services so that season after season members can travel with distinction and personalized attention. By acquiring this product, they buy a "40 year right to use " represented by annual points granting the right to use a specific residential facility. Moreover, points may be exchanged in other LARC brand residential developments (located in Puerto Vallarta, Los Cabos, and Huatulco), or in the Fiesta Americana family hotel complexes. They also have access to the alliance with Resorts Condominium International (RCI), Hilton Grand Vacations, Vail, and the Registry Collection through which the member can exchange their points to lodge in one of the destinations in the agreement in different parts of the world.

As of December 31st, 2022, this program had 1,495 members.

- **Fiesta Americana Vacation Club Access** (formerly “Re_SET”) is an exclusive discount membership for our clients allowing them to choose as they wish the travel moment, to destinations either in Mexico or abroad at very attractive prices.

  As of December 31st, 2022, there were 11,401 members.

- **Viaja Plus** is the online subscription platform that, in alliance with Travel & Leisure Group, offers the Mexican market an annual travel subscription allowing to travel in Mexico and abroad with rate discounts of up to 40% at more than 600,000 hotels.

Loyalty products collectively contributed 35% to hotel occupancy in the entire hotel system, obtaining 2.2 million room nights through direct channels.

The balance of the installment membership sales portfolio, as of December 31, 2022, was $6.790 million, representing an increase of 5% compared to the previous year.

During the 2022 tax year, 3,101 contracts of members with fully paid memberships who failed to pay their maintenance fee for 3 consecutive years were cancelled. This cancellation is equivalent to 11.9 million points, representing $117.1 million pesos which are returned to FAVC or LARC programs’ property inventory, as applicable.

During 2022, 500,000 new members joined the Fiesta Rewards loyalty program, achieving a total of 406,000 active members. The Fiesta Rewards mobile app continues evolving, improving the digital pre-check-in experience, allowing guests to pay for their stay and choose their room a day before their arrival.

The “Fiesta Rewards” loyalty program maintains its alliance with Banco Santander, the co-branded Santander-Fiesta Rewards credit card, through which members obtain travel-related benefits. At the close of 2022, the Santander Fiesta Rewards credit card had more than 219,500 cardholders; in the same year, 60,000 new cardholders were enrolled.

Fiesta Rewards has contributed significantly to Posadas retaining valuable customers and maintaining stable income during diverse business cycles. Fiesta Rewards members receive various benefits such as points, preferential rates, pre-sales, exclusive experiences, and exchange points for nights spent at Posadas-affiliated hotels, catalog items, airline tickets, car rentals, amongst other things. Fiesta Rewards, in terms of active members, is the most recognized loyalty program amongst hotel chains in Mexico.

Regarding the Company’s financial situation, year-end income was $9,078 million, a 23% increase in comparison to 2020 obtaining a $1,563 million peso EBITDA and a $217 million-peso IFRS net profit. The cash balance as of December 31, 2022, of $1,939 million pesos (US$100 millions) and total assets amounted to $17,949 million pesos.

The following payments were made with the cash flow obtained:

1. Payments to the Tax Administration Service (SAT) in the amount of $561 million pesos. $174 million pesos correspond to the resolution of the 2006 proceeding and $387 million pesos to the ninth and penultimate annual payment of the conclusive agreement with the Mexican tax authorities entered into in 2017. For more details, see section 3) Financial Information, c) Material Loan Information.
2. Capital expenditure investments in the amount of $223 million pesos were made.
3. Debt service in the amount of $355 million pesos, of which $314 million pesos correspond to Senior Notes interests, and $41 million pesos to principal and interests of the Inmobiliaria del Sudeste

(Fiesta Americana hotel) secured loan.

The material transactions to highlight in 2022 are:

- An agreement to develop an apartment complex in an Acapulco Diamante land lot in Acapulco, Guerrero was signed. The project consists of the contribution of the land lot by Posadas and a third party as developer of a building with 128 apartments, of which Posadas will retain 29 units. The entire complex will operate under the Live Aqua Residence Club brand.

- On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who made an exchange request before June 14. In turn, a partial cancellation in the amount of US$5,346,298 of Non-Qualified Holders was made as a consequence of the rules established in the restructuring process. With these actions, the restructuring was concluded.

- During 2022, Live Aqua Beach Resort Punta Cana and Fiesta Americana Satelite performance guarantees were met.

- In March 2022, contracts were signed to early terminate the operating model and change to the franchise model for the following hotels: Hotel Fiesta Inn Coatzacoalcos, Hotel Fiesta Inn Poza Rica and Hotel Fiesta Inn Tampico. Furthermore, the contract for Hotel One Leon was early terminated.

- As part of the continuation of the corporate simplification process, the companies Inmobiliaria Administradora del Bajio, S.A. de C.V., Promocion y Publicidad Fiesta, S.A. de C.V. and Direccion Corporativa Posadas, S.A. de C.V. were merged into Soluciones de Lealtad S.A. de C.V., as surviving company.

- A corporate office staff reduction plan was implemented as of 2020, which resulted in significant savings in payroll costs in 2021 and 2022. In November 2022, we continued with the restructuring plan with which we expect to obtain 15% savings on the payroll cost for 2023.

On June 22, 2017, the subsidiary *Inmobiliaria del Sudeste, S.A. de C.V.*, owner of hotel Fiesta Americana Merida obtained a seven-year term secured trust loan for $210 million. The funds were used for corporate purposes including remodeling of the hotel public areas. As of December 31, 2020, the remaining balance amounted to $159 M. On August 27, 2020, the second amendment agreement was signed by which the bank granted a 12-month grace period deferring interest and principal payment starting in April 2020. The third amended agreement to the modified and restated contract, dated April 23, 2021, establishes quarterly interest to be paid until April 23, 2022, and on this same date monthly principal payments will be resumed beginning with the amount of $2,458 M. In 2022, the subsidiary paid $30 M corresponding to interest and principal. The outstanding balance as of December 2022 amounted to $136 million.

Selected Financial Information

As of January 1, 2019, the Company adopted the new international accounting standard, IFRS 16 *leases* (issued in January 2016 by the IASB) which establishes new or modified requirements related to lease accounting. Thus, eliminating the difference between operating and financial leases and requiring recognition of a right-to-use asset and the corresponding lease liability as of the beginning lease date with some exceptions.

In May 2020, the IASB issued an amended IFRS 16, - lease concessions related to COVID-19 that provides a practical resource for lessee's concessions resulting as a direct consequence of the pandemic, thus introducing an IFRS 16 practical file. The practical file allows a lessee to evaluate whether a COVID-19 related lease concession is a lease modification. The lessee making this choice must account for any lease payment change resulting from the COVID-19 concession applying IFRS 16 as if the change were not a lease modification.

As a result of the COVID-19 pandemic, the Company negotiated hotel lease discounts with lessors, which ranged from 20% to 75% of the monthly fixed rent. In 2022, discounts amounted to $6,396. For further details, *see note 2. of the audited consolidated financial statements*. The negotiation to reduce hotels lease payments concluded on September 30, 2022, and no lease discounts are foreseen for future years.

This consolidated financial information summary is presented for the years 2022, 2021 and 2020, 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 "Management Comments and Analysis of Operating Results and Financial Situation of the Company". Some figures may vary due to rounding off.

Audited Financials (million pesos) As of December 31st:			
Financial Highlights	**2022 - IFRS**	**2021 - IFRS**	**2020 – IFRS**
Total Revenues	9,078	7,406.7	5,225.7
Corporate expenses	576.5	397.2	361.7
Depreciation, amortization and real estate leasing	899.2	916.3	980.5
Operating income	684.7	455.1	(1,000.4)
Comprehensive financing cost (income)	131.9	253.1	1,431.6
Taxes	330.1	129.0	(293.9)
Net Income	222.7	57.9	2,138.0
Majority net income	217.4	63.0	(2,118.7)
Balance Sheet Data (End of period)			
Current assets	5,205.3	4,991.0	3,764.3
Property and equipment, net	3,904.4	4,187.5	4,406.9
Total assets	17,948.8	18,244.4	19,244.1
Current liabilities	4,989.9	4,226.2	12,165.4
Long-term debt	7,443.6	8,085.1	135.1
Total liabilities	16,693.8	17,232.1	18,334.8
Stockholders' equity	1,255.0	1,012.2	909.2
Other Financial Information			
EBIT / Revenues	7.5%	6.1%	-19.1%
Net Income/Revenues	2.5%	0.8%	40.9%
EBITDA	$1,556.1	$1,090.7	-$231.4
EBITDA to Revenues	17.1%	14.7%	-4.4%
Total debt to EBITDA	4.8 X	7.4 X	-34.1 X
Current assets / Current liabilities	1.04 X	1.18 X	0.31 X
Total liabilities / Equity	13.30 X	17.02 X	20.17 X

The shares representing the Company's corporate capital are listed on the Mexican Securities 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, 2022, amounted to approximately 496 M.

Series "A" shares have shown low trading according to the BMV's rating. Trading in Series "A" 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 Securities Exchange Market:

POSADAS A	2018	2019	2020	2021	2022
Maximum Price	42.00	40.00	38.00	29.75	30.35
Minimum Price	29.90	35.50	20.00	20.50	26.00
Closing Price	40.00	38.00	21.30	29.75	28.50
Daily Average Volume (Thousands of shares)	100.9	65.5	21.6	0.7	60.7

For additional information regarding share performance see section 5*) Capital Market, b) Share Performance on the Securities 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. 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 health and global economic situation and its effects on financing markets, the health and economy of the countries in which we operate, as well as the economy of our clients' countries has affected and may continue adversely affecting our businesses.

Despite observing a recovery in Posadas' financial situation and operating results, we are still suffering some effects of the global health and economic crisis derived from the COVID 19 pandemic and other global political and economic contingencies affecting Mexico, the Dominican Republic and the source markets of those destinations. We are still at risk of upticks, COVID 19 variants, or the appearance of new similar diseases, vaccine and adequate medical treatments unavailability and inequity, among others, as well as an economic deterioration and the inflation and interest rate increase will continue to decrease our services and product demand, prevent our clients from travelling or cause our clients to breach commitments undertaken with both hotels and our Vacation Property (Loyalty) products and segment. Also, it may limit the capacity of the owners whose hotels we operate to build or renovate the hotels that we have agreed to operate or that are under our franchise, put at risk maintaining ownership of said real property, make the investments required or the timely investment of the same and, therefore, impact on our results and profitability. Likewise, should travel restrictions appear again, the substantial increases in air and ground transportation and the decrease in air transportation capacity mainly due to flight reduction or consolidation may also contribute to reduced demand for Vacation Product (Loyalty) hotel rooms and villas.

The situation poses an additional negative risk in the context of a weak world economy, significant inflation and interest rates increase, wars and geopolitical, social, and commercial tensions, as well as the disparate behavior of the main travel issuing markets. It is still uncertain when the tourism sector may recover its pre-pandemic level dynamism, or the medium or long-term impact on demand in the "new normal" context such as modifications in the work travel segment, groups and conventions, or the economic impact on the markets originating our clients.

As part of the new normal, our group and convention segment return may not be correctly identified and serviced in all our locations, since most jobs continue under a hybrid scheme and in process of corporate event reactivation of both national and foreigner groups, which negatively impacts our business. Most of our hotels have events space, which due to the slow recovery, provokes hesitancy if we should reduce or allocate them to new areas within the hotel, satisfying new demands and other business segments.

Our financial results, as well as our growth, have been and may continue to be significantly affected by the continuing or a new heath and economic crisis, affecting the conditions of our businesses and liquidity. The effects of the current health and economic situation are difficult to forecast and mitigate.

Specifically, the Company has sought to mitigate this risk by (i) adopting new sanitary protocols, operating and business procedures to benefit collaborators and guests; (ii) containing capital expenditures or certain operating expenses; (iii) timely reviewing relationships with clients (hotel owners) and suppliers; (iv) restructuring of corporate personnel; (v) restructuring debt.

Structurally, the Company is seeking to increase its regional diversity, geographic markets, as well as participating in leisure or business segments, increasing its brand portfolio, promoting the franchise model, especially for hotel reconversion. Although these strategies have given stability to our past results, we cannot guarantee their success in the future as we consider the current situation constantly changes, especially in a pandemic or post-pandemic context as in 2022 we were able to observe a generalized world economic impact.

The recovery from pandemic effects and regional economic crises is "uneven and fragile". Control measures cause an adverse impact on the world and regional economies, affecting unemployment rate, discretionary expenses, consumer confidence, the granting of loans to build or remodel hotels, travel restrictions and regulations, thus they influence Company income, cost increases, supplier shortages, our ability to pay our commitments, as well as those of owners, franchisees, or members, amongst others.

Income loss has affected operating results, and cash generation during the corporate year and the use of tax losses in the future. Likewise, this situation resulted in increasing the allowance amount for doubtful accounts.

The pandemic has subjected our business, operations, and financial condition to a series of risks, including, amongst others, the following:

(i) Income and Expenses:

Income and Expenses: The company's efforts have been focused on preserving liquidity and, as a result, the December 31, 2022, cash balance was $1,939 million of which $184.9 million was restricted cash.

All operating, brand licensing and franchising contracts provide for a variable portion of the fee charges that we collect based on income or results, insofar as the latter do not materialize, no fees are accrued in our favor. It is important to note that epidemics and inflation are not a risk covered by consequential loss insurance.

(ii) Operations:

As of September 2022, state authorities ceased to publish room capacities and restrictions, and the use of masks in enclosed areas was not required anymore. However, re-openings may be partially reversed, in consequence of new variants, case increase, hospital occupation, amongst others.

(iii) Financing:

At the end of the year, we successfully concluded our comprehensive debt restructuring, exchanging 2022 Senior Notes for new notes due in 2027 in an amount of US$393,235,022, which gave us our current "B-" corporate rating assigned by S&P Global (for more details see section *3) Financial Information, c) Material Loan Information*). However, our indebtedness level increase may negatively affect our financial and operating activities or the capacity to incur additional indebtedness. Furthermore, as a result of the aforementioned risks, we may need to raise additional capital and our financing access and cost will depend on, amongst other things, global economic conditions, financing markets, availability of sufficient financing amounts, our outlook, our credit ratings, and the hotel industry outlook in general. Likewise, under the terms of the 2027 Senior Notes, the Company is bound to certain restrictions or limitations on contracting additional debt, granting guarantees, distributing dividends, selling assets, amongst other situations that may affect the ability to obtain financing or financing costs.

However, if our credit ratings are further downgraded due to any reason, or general market conditions deteriorate, we would not be able to obtain sufficient liquidity to maintain our operation and fulfill our financial commitments, or our debt maturity will be accelerated, an increased credit rating levels risk would be generated to our industry and our company. In said context, access to capital and debt financing cost would be further affected. The interest rate of existing debt instruments, including credit lines, depend on these ratings, so our debt financing cost may increase further or become inaccessible.

Some of our business agreements may require guarantees due to rating changes, as well as future debt agreements, conditions and terms may be more restrictive, including incremental guarantees, which may further limit our business operations or cause new financing unavailability due to current restrictions.

Considering the developing nature of related circumstances, such as the shortage crisis, world inflation, high interest rates, economic importance of geopolitical conflicts, Mexican governmental structural decisions and the pandemic effects, it is too early to calculate their full impact on our markets and financial situation.

We have significant indebtedness amounts which are due in the upcoming years, and we cannot ensure their refinancing or that 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 asset sales. The present situation and the restrictions in the 2027 Senior Notes indenture may negatively impact our ability to access additional short-term and long-term refinancing or financing, or to do so on less favorable terms, which would negatively impact our liquidity and financial condition.

Credit Risk

The deterioration of our financial situation has impacted and may continue to negatively affect access to financing and its costs, and conserving and obtaining new financing, including commercial loans. Downgrades by the rating agencies or the restrictions to which we have been submitted may increase our cost and/or limit financing availability which would impede availability of capital necessary to operate.

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

Income and cash flow requirements have caused and may continue to compel the Company to incur additional debt which may have or worsen the following effects: (i) limit its ability to pay its debts; (ii) increase, generally, its vulnerability to economic conditions and to industry conditions; (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 or make more expensive additional financing conditions.

The Company's ability to generate sufficient cash or foreign currency to pay its debt depends on its operating performance and refinancing ability, which may be affected by prevailing economic conditions such as those currently existing in this sector, its performance, the flexibility of debt holders, financial, reputation and other factors, many of which are beyond the Company's control. Posadas may be forced to adopt alternative strategies to fulfill its obligations, including cancelling, decreasing, or delaying investments, selling assets, restructuring or refinancing its debt, drastically reducing expenses or needing additional capital. Said activities may occur on unfavorable terms; have uncertain consequences or may not be timely carried out or not carried out.

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. These currently limit the payment of dividends to its shareholders, the carrying out of certain corporate operations, granting of guarantees, or disposing of assets, or demanding that investment of liquid resources be made in certain assets or purposes, such as debt prepayment.

Taxes

Tax legislation is frequently modified by the competent authorities. These modifications or the authority's interpretations of applicable provisions may have a material adverse effect on the Company's tax liabilities and on their compliance costs. Likewise, the authority may have an applicable criterion to apply and interpret the relevant regulations different from the Issuer.

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

In relevant tax matters, in regard to the tax liabilities corresponding to 2006 tax year, reported in the 2015 consolidated financial statements, it is reiterated that in September 2020 the proceeding that declared the tax liability partially null was finally resolved. As of April 30, 2021, consequentially a new $ 222.8 million pesos tax liability was determined.

Consequently, on March 30, 2022, the Company paid the $174.0 million pesos tax liability benefitting from article 70-A of the Federal Tax Code; thus, said matter was finally concluded. For more details see section *See section 3) Financial Information, c) Material Loan Information.*

For tax years 2010 and 2013, official audit closing letters were obtained from the Tax Administration Service (SAT). As to tax years 2007, 2008 and 2009, the Company was notified of SAT official letters ruling revocation of the determined tax liabilities and ordered issuance of new official letters which instructed payment of the surcharges derived from the Company-made corrections to these tax years. The Company may continue under the contingency and/or a fortuitous event could impact the previous agreements with the governmental authority, such as a change in administration or an administrative interpretation. For additional information about tax loans and debts, see section 3) *Financial Information*, c) *Material Loan Information*.

For the 2014 tax year, audit closing letters were obtained from the SAT, which concluded that there were no observations by the tax authority regarding the aforementioned tax year. It is important to point out that, in 2015, the tax authority did not exercise its verification powers.

On March 8, 2022, the SAT notified an official letter informing that auditing powers were initiated for the January 1 to December 31, 2016 tax year, in order to verify its tax situation. On March 2, 2023, the tax authority issued an official letter regarding the observations of the results obtained when exercising its verification powers and granting 20 business days to present evidence to appeal such observations.

In its best interest, on March 30, 2023, the Company filed a request for a conclusive agreement before the Taxpayer's Defense Attorney's Office, in order to provide sufficient documentation to refute the observations made in the corresponding official letter.

On December 15, 2022, the SAT submitted the official notice by means of which the verification powers for the tax year from January 1 to December 31, 2017 were initiated, in order to verify its tax situation. The written response to said official letter was filed on February 3, 2023, since the authority authorized a 10 additional business days extension to the 15 days originally granted. To date, the period for the authority to conclude its verification powers is elapsing.

Posadas's suppliers may be deemed as the type of taxpayers for which the SAT presumes the material inexistence of their operations, and therefore the supply of goods or services provided to Posadas may also be deemed inexistent. The elements proving existence of the supply relationship that Posadas has may, at the SAT's discretion, be insufficient to prove the existence and performance of the supply obligation, and of the affirmative and/or negative covenants of each supplier. Therefore, corresponding expenses may be considered non-deductible for Income Tax deduction purposes, as well as the impossibility of proving the transferred Value Added Tax, and potentially altering the tax basis of the correspondingly tax determined and paid during the last 5 (five) years to the date of the income tax statement. Thus, taxpayers are obligated to recalculate and pay the corresponding taxes, furthermore, if they do not prove the material existence of the operations covered in the tax receipts, these will be considered as simulated acts or contracts and possibly tax crimes.

On March 15, 2023, the Second Division of the SCJN resolved conflicting legal precedents (thus becoming binding legal precedent) determining that civil set-off is not a VAT payment method nor can it result in a request for a refundable balance payment or tax credit.

The publication of the Binding legal precedent and final decision is pending in order to determine the scope of the corresponding ruling.

On the other hand, incursion into new markets causes our operations to be subject to tax obligations, which may or may not be subject to withholdings in other jurisdictions or to benefit from exemptions provided in international treaties to avoid double taxation. In this sense, we cannot assure that the tax effects of operating in other countries may be comparable to or less burdensome than the effects of operating in national markets.

Certain tax modifications imposed since 2020 obligated our foreign technology digital platforms and media service suppliers to pay value added tax. Our suppliers may choose to transfer or not transfer the aforementioned tax, but if they do not do so, Posadas would be obligated to pay the tax and, subsequently, prove payment of the same.

During the 2021 corporate year, amendments regarding labor subcontracting and tax reform became enforceable. The amendments mandate a general subcontracting prohibition and stipulate rules under which specialized services may be subcontracted. Although the authority has issued criteria to interpret what it considers to be essential lodging activities, there are no clear criteria or certainty to determine when rendering services may be considered as subcontracting and therefore be subject to prohibition. The Company renders and receives different services that may be considered specialized. The Company has obtained its registration in the Specialized Services or Specialized Employment Rendition Registry (REPSE, due to its initials in Spanish) and in turn seeks to identify those specialized services it receives, conforming these to the new provisions. The criteria adopted by the Company to identify specialized activities may differ from the criteria of the authority, thereby incurring labor and tax consequences and penalties. Amongst the preceding are penalties, including Income Tax non-deductibility of payments made for these services, and the paid Value Added Tax would not be credited, if the information obligation to send, on the terms of the Income Tax and Value Added Tax Laws, is not fulfilled. Likewise, the authority may deem that the predicate of aggravated criminal tax fraud has been materialized.

In 2022, a new obligation became enforceable for all legal entities and entities to identify or collect information on what the tax legislation has defined as the "Controlling Beneficiary" of the above. The legal provisions may not be entirely clear and the Miscellaneous Tax Resolution interpreting them is insufficient to accurately apply identification criteria in the context of an entity whose shares are listed on the stock exchange. Regulatory provisions such as banking, fiduciary or stock market secrecy, the equity held by investment funds in the corporate capital of listed entities, the lack of, limited or imperfect obligation of shareholders to disclose information to their issuers, the time frame so that issuers obtain this information, the very logic of stock trading, may prevent the Company from being able to identify the Controlling Beneficiary with certainty, timeliness and under the same criteria used by the authority, or the Beneficiary may not provide the information required by the Miscellaneous Tax Resolution, thus being subjected to fines and other penalties provided for in the applicable provisions.

Geographic Dependency

To the 2022 corporate year closing, Company operations are concentrated mainly in Mexico, with 189 hotels operated under our brands in this country. Although inventory in Mexico is diversified to service beach and city destinations as well as vacation and business travelers, groups, or individuals, etc., the Company is significantly dependent on its operations in Mexico, market in which it already has a high penetration. If these Mexican operations do not work according to Company-designed plans and strategies, this may have a significant adverse effect on the operations, financial situation, or operating results of the Company in general.

As part of its Caribbean expansion plan, the Company signed a contract in 2017 to operate a hotel under the Grand Fiesta Americana brand, another in 2019 to operate a hotel under the Live Aqua brand, and in 2022 another under the Funeeq brand, for 15-year terms, located in Punta Cana, Dominican Republic. In February 2021, the Live Aqua 347 room hotel began to operate. In order to perform its hotel operator obligations in said country, the Company incorporated an affiliate in December 2019, same which is already operating.

Posadas' ability to operate and grow in the Dominican Republic and other Caribbean destinations may also be affected by commercial barriers, currency fluctuations, currency exchange controls, political situations, inflation, taxes, and current and future legislative amendments in said countries, operating with new tools or adapting existing tools, mainly marketing in other markets, and adapting to mechanisms stipulated by the owner and the country's system. This may have a material adverse effect on Company operations, financial situation, or its overall operating results.

In the pandemic context, Posadas, and the owner of the managed properties in the Republic of Cuba agreed in May 2020 to terminate the operating contracts of two hotels: Fiesta Americana Punta Varadero and Fiesta Americana Holguin. The delivery-reception process has been concluded. Posadas will incur certain yet to be established termination costs, which are not considered significant.

Concentration in one industry

The Company's operation is principally concentrated in one industry –hotel and tourism service industry- and the current strategy consists of staying focused on this industry and other related business, such as Vacation Products, and other lodging service sale modalities and contact centers. The Company has also undergone an ownership consolidation process of the hotels under its operation. To December 31, 2022, only three investors own 16 hotels, another investor is the owner of 68 hotels with 10,089 rooms that represent 35% of the total hotels managed by Posadas. This concentration and dependency risk may affect, among others, the Company's negotiation and operating capabilities pursuant to policies freely established by the Company and sacrifice its operating margins.

This concentration level may adversely affect future contract negotiations, renewals and modifications, as well as a systemic termination of current contracts may cause a negative impact in the Company's cash flows. In the same manner, it may affect the owners' investment capacity to bear maintenance or investment expenses, thus affecting the competitiveness of the properties and eventually the fees the Company receives from their operation.

Foray into new related industries

As part of consumer trend and available inventories of temporary housing arrangements changes (lodging platforms or rental of apartments and houses), as well as participation in designing capital requirements for new real estate investments by third parties in this sector, the Company returns to the residential properties segment. This is to offer brand licenses, condominium management services and other services related to residential or mixed complexes, mainly destined to tourism, under Posadas's standards and brands.

It is not possible to ensure attainment of Company plans, consumer acceptance of developments and services, or that these will be profitably operated by the Company, or that the present or future regulations for this activity makes its operation unfeasible. Moreover, the implementation and development of these businesses may distract the management and divert resources, or the benefits foreseen may be less or not fully obtained.

Growth Strategy

The Company has designed a growth strategy for its hotel, Vacation Product, and other service businesses in Mexico and the Caribbean, primarily based on the execution of hotel operating or leasing agreements related to third party realty, the execution of franchise contracts regarding third-party operated hotels, and the determination of some buildings allocated to Vacation Products (FAVC and LARC) and the sale of prepaid vacation plans or discount clubs (*FAVC Access and Viaja Plus*). The Company is also venturing into residential lodging management. The Company's expansion ability depends 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 or convert existing properties for the Company to operate and/or lease, or to enter into franchise contracts concerning such properties, the selection and availability of new hotel and residence locations, and the creation and acceptance of new hotel brands or vacation products, the successful operation by Posadas in other jurisdictions, the owners and the Company's scarce capacity to manage limited operating flow, including financing availability and the ability to face competitors. The growth strategy may be impacted by circumstances such as generalized inflation, high interest rates, geopolitical conflict consequences, health, and safety matters, or by other national scenarios. The overcoming of difficulties will be very important to reactivate economic activity and the transportation of persons in general, particularly to urban and business tourism, and especially in and on the markets where we operate, or guests originate. Generalized inflation, interest rates increase, and exchange rate may seriously impact our margins and those of the hotels we manage to the extent that we cannot prevent price increases or transfer the incremental amount to the hotel rate, or the fact that the owners are unable to obtain funds for building or remodeling, or that investments in financial products are more attractive. There can be no assurance that Company expansion plans will be achieved, or that new brands or hotels or Vacation and Residential Product development will have consumer acceptance or be operated profitably in all jurisdictions. In this same manner, the Company continues to offer certain contact center services to third parties, and in the near future, the management of residential condominiums.

As part of its growth strategy, to this report issuance, 7 projected hotels in Mexico have been paused. The latter is mainly due to increasing reference rates both in the United States and Mexico, making these projects financing more expensive. Likewise, related inflation construction prices delay the construction and remodeling projects commencement.

As part of its development strategy, the Company has been carrying out and is obligated to invest in different acquisitions, construction, and refurbishment of its owned and leased properties. However, multiple factors such as the liquidity crisis or investment return expectations, financing, regulatory, or climatological events may delay the latter's timely completion, or the amortization term for said investment. This may adversely affect the Company's financial condition. Furthermore, Company growth plans in new hotel, residential and Vacation Product areas may be affected.

As part of its Caribbean expansion plan, the Company signed 15-year contracts to operate three hotels in the Dominican Republic under the Grand Fiesta Americana, Live Aqua, and Funeeq brands. The Live Aqua hotel opened its doors in February 2021. Management and operation in said country depends on global economic, political, commercial, governmental, tax and employment factors as well as on market knowledge and acceptance. Likewise, the suppliers that meet our brands' standards may not be able to operate in these countries, therefore the selection of new suppliers may generate additional expenses moreover failure to fulfill the same standards may affect Company profitability and brand.

The risks applicable to our ability to successfully operate in the current markets also apply to our ability to operate in new markets where operation and legislation are unknown, or which require that authorities of other countries or that third party countries authorize entry. The Company may not obtain these authorizations given the discretionary nature of that country's government administrative legislation interpretation, or our interpretation may be contrary to that of the authorities, or our suppliers could not obtain the necessary permits, or these may be revoked. Additionally, the Company would incur additional expenses and may not have the same knowledge or familiarity levels of the new markets' dynamics and conditions and regulations, which may affect its growth or operating ability in said markets, thereby affecting its profitability.

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 both 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 better distribution capacity than the Company. Said operators may operate under recognized international or Mexican brands. In addition to competing for guests with other Mexican resorts, the Company (and the national industry) also competes for guests with resorts in other countries. International competitors and other country destinations may benefit due to greater national support policies of their government, representing, if applicable, possible competition advantages for competitors and destinations.

The intensity of our competition varies depending on urban or beach hotels, family or individual trips, amongst others. In this last market of individuals, travelers seek substitutes and any other trend that reduces costs and offers a variety of options, thus the participation and competition of platforms offering residential lodging or different from traditional hotel lodging such as "Airbnb" has been growing, with competitive rates and electronic communication means that may add another competitive dimension to the industry. The latter are not regulated in the same manner as the hotel industry and do not need to transfer or absorb the investments and expenses inherent to the industry, in this manner perhaps negatively affecting our business, operating results or financial condition. Furthermore, during pandemic, travelers' perception of higher exposure to contagion in public spaces, such as hotels, may lead them to choose that type of lodging options, substituting traditional hotel lodging.

The Company has attempted to mitigate this risk by keeping regional leadership and developing competitive operating, marketing, and distribution advantages such as its brand recognition and new brand creation responsive to market trends and technology changes (involving less contact, such as digital check-in), as well as diversifying and marketing its Vacation Property (Loyalty) segment. Up to now, these measures have been sufficiently successful, but we cannot guarantee that they will be effective in the future within the international hotel business consolidation framework.

Although all lodging establishments were required to maintain special hygiene and sanitation protocols during a public health threat, by the end of 2022 and as of this report issue date, the protocols and sanitary measures have been significantly eased, including the use of masks, we are not exempt from upticks, new variants or other diseases that could again imply putting in place stricter protocols than those in force, occupancy capacity limits, amongst other measures. This could further increase the operating expenses required to comply with new measures and stand out amongst the different markets and offers.

The group and convention and the business travel markets continue to be impacted by the pandemic, which has modified and may modify for a longer term, the dynamism of these guest segments compared to performance and trends prior to the pandemic phenomenon and therefore the results of our hotel brands.

Competition for operating agreements

When the Company seeks growth through adding new hotel properties by the same, it competes against other entities seeking the same opportunities. The Company competes against others that have greater financial resources or that have international brands to enter into operating contracts with hotel owners. In addition to competing for new opportunities, the Company also competes against other hotel chains when its existing operating contracts expire. Therefore, the Company cannot ensure that it will successfully continue entering into or renewing its operating contracts or that it will do so under similar or more satisfactory economic terms or characteristics. Generally, competition may 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, where 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. Likewise, the Company has been put in the situation of offering leasing contracts with lease amounts aligned to the profits or sales of the hotel business, undertaking the obligation of paying minimum rents or for mandatory terms.

Competition for franchise agreements

The Company has resolved to also grow by granting franchises, based on novelty brands supported by traditional brands. In 2019, it launched onto the market the Curamoria Collection brand focused on boutique hotel collection franchises, specially aimed at hotels which intend to preserve their own brands and characteristics but using our reservation channels. This means a foray into a new market as regards different hotel brand franchises under a collection and in which Posadas is not a leader. Therefore, the Company cannot guarantee success in the execution and operation of these 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.

Currently, Gamma, One, Fiesta Inn, The Explorean and Curamoria Collection are franchisable brands.

Management Contracts and Brand Licensing

As of December 31, 2022, the Company had 138 managed hotels, that the Company carries out by executing hotel operating and brand licensing contracts. The Company management and financial condition may be adversely affected to the extent that hotel management and brand licensing contracts which are about to expire are not renewed or are renewed on less favorable terms, or otherwise, if new managed hotels and brand licensing contracts cannot be executed. Furthermore, under certain management contracts, the Company binds itself to pay key money, minimum revenue to the hotel owner that may cause Posadas to distribute un-budgeted and un-recoverable amounts, otherwise the owner may cancel the contract if determined hotel performance standards are not achieved. However, this does not mean that the Company breached the operating contract.

All Brand operating and licensing contracts stipulate variable fee charges based on the income or revenue; insofar as these benchmarks are not attained, no fees will be accrued in our favor.

Owners may assert the right to terminate operating contracts, even if agreements provide otherwise. When terminations occur due to these or other reasons, we may assert our right to damages due to breach of contract and related claims, which may cause us to incur significant legal fees and expenses. Any damages finally collected may be less than the projected future value of the fees and other amounts that we would have otherwise collected under the management or operating agreement. The significant loss of agreements due to early terminations may harm our financial performance or our ability to make our business grow.

Although under our management and lease agreements the owner cannot transfer, convey the hotels, or assign the rights over said hotels to a third party, we cannot assure that said transfer or conveyance will not be carried out, nor that the third party to whom the property or the rights are transferred will continue to be bound by said contracts. To date, no transfer of rights has significantly 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.

In special cases, Posadas has provided key money to ensure the signing of operating contracts. This key money is amortized during the contractual term; therefore, if the contract terminates beforehand, Posadas may not recover the proportional part of said contribution.

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

The effects of acts of God or force majeure resulting in hotel operating restrictions may materialize the Company's ability to earn revenues or collect expenses, or to limit or adjust payment of certain performance guarantee obligations. However, and despite this possibility, the Company may choose the latter possibility, it has historically chosen to negotiate with the owners, and such negotiations may give the Company fewer advantages than those derived from application of acts of God or *force majeure* provisions.

During 2022, the Company stopped operating the One Leon Antares, Pug Seal Curamoria Collection, Casa de la Marquesa Queretaro Curamoria Collection hotels.

For additional information regarding main assets see section *2) The Company, x) Description of its Main Assets.*

Leasing contracts

Of the Company operated hotels to December 31, 2022, 15 operated under a leasing arrangement. The Company's operating and financial conditions have been and may continue to be adversely affected to the extent that income and operating profits are insufficient to make the minimum lease payments stipulated in the lease agreements. This is much more probable in an abnormal limited operation context or limited occupancy derived from social distancing or similar measures.

Likewise, non-performance of the lessors' obligation under the leasing agreements may adversely affect the operation and, ultimately, the Company's profitability.

All lease agreements stipulate a fixed rental income portion that we pay regardless of the income or revenue. Due to the COVID-19 pandemic, the Company negotiated with the lessors 20%-75% discounts on monthly fixed hotel rents. The negotiation to reduce leased hotel rent payments concluded on September 30, 2022, and no rent discounts are foreseen for future years.

To December 31, 2022, we were current in rental payment for all leased hotels.

There are no present occupancy restrictions; however, in an upturn of cases, new variants, illnesses or other measures, the operating restrictions ordered by the authorities may be resumed resulting in the Company's inability to limit or adjust the payment of certain leasing obligations or enable early termination of leasing contracts.

In the 2019 corporate year, the IFRS 16 modifications became effective. Posadas decided to adopt this norm under the modified retrospective method for hotel (and car) leasing that to 2019 closing are represented as operational leasing, sacrificing comparison with previous years. This norm will impact financial leverage and interest hedging ratios; therefore, it eventually may limit the manner how the Company obtains income through this operating mechanism. The initial liability entry for leased hotels, including transportation equipment decreased to $3,017 million as of December 31, 2022, compared to $3,260 million as of December 31, 2021.

During 2020 and 2021, the Company adopted in advance the practical resource for accounting of discounts received as a direct consequence of COVID-19. This allows the lessee to not determine if a temporary discount on leases is or is not lease modification, allowing to account it as if the discount was not a modification. (In this regard, see note 3 of the audited Financial Statements).

Franchising Contracts

The Company has also resolved to grow through Gamma, One, Fiesta Inn, The Explorean and Curamoria Collection brand franchising. This is entering a market in which Posadas is not a leader; therefore, the Company cannot ensure that it will be successful in executing and operating franchising contracts in new formats. This new operating method implies that the owner or a third party other than the Company will manage the hotel's operation under our brands and distribution channels. These products mean that Posadas must invest in creating, adapting and maintaining a franchise system specific to each brand to support the services offered to system users. Moreover, it implies that third parties' hotels outside of Posadas' control will operate under their unauthorized brands and distribution platforms and that the collection of royalties, commissions and other concepts may not be successful. We cannot guarantee that Posadas will succeed in its franchising business, or that it will soon be successful, nor can we guarantee that its franchisees under this new segment will succeed, or that their operating format does not negatively impact Posadas and its brands.

All franchise contracts stipulate a variable portion of fee charges based on the income or revenue, insofar as these contracts are not attained, no fees will be accrued in its favor.

Owners may assert the right to terminate franchise contracts, although agreements provide otherwise. If terminations occur due to these or other reasons, we may assert our right to damages due to breach of contract and related claims, which may cause us to incur significant legal fees and expenses. Any damages finally collected may be less than the projected future value of the fees and other amounts that we would have otherwise collected under the franchise agreement. A significant loss of agreements due to early terminations may harm our financial performance or our ability to make our business grow.

Finally, the economic and financial capacity of hotel owners may affect preservation of brand standards under which the hotels operate, or the upkeep of the hotels owned. 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. To December 31, 2022, 24 hotels were operated under franchise. In March 2022, contracts were signed to early terminate operation contracts and change them to the franchise contracts for the following hotels: Hotel Fiesta Inn Coatzacoalcos, Hotel Fiesta Inn Poza Rica and Hotel Fiesta Inn Tampico.

Cash flow generation derived from franchise hotels depends on fulfillment of the obligations undertaken by the franchisees due to the lack of administrative control of the liquid resources as occurs more frequently in an operating contract. Therefore, the credit risk of franchise agreements is greater than that which Posadas typically incurs for operating agreements.

The loss of the right to commercially exploit the operated and franchised hotels implies termination of the corresponding contract with Posadas.

For further information regarding main assets, see section: *2) The Company, x) Description of the Company's Principal Assets.*

A high percentage of the hotels we manage are luxury hotels or they are in locations impacted by the current economic slowdown or by the perception of violence or guests come from places affected by said contingencies. The preceding may have a material 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. Luxury hotels generally command higher room rates. In an economic downturn, these hotels are susceptible to decreased revenues since hotels in this segment generally target the business and high-end vacation travelers as compared to hotels in economy categories.

Likewise, national, and international perception of violence, as well as alerts issued by other countries regarding states in the Mexican Republic or areas of the Dominican Republic, may adversely affect travelers' decisions to travel to or to keep lodging plans at our hotels at certain Mexican or Dominican Republic locations or to keep their lodging plans and events in our hotels.

Currently, Mexico does not have restrictions to receive travelers in the destinations where we operate and other countries travel restrictions have been lifted, so a significant arrival recovery is observed in the second semester of 2022, although not necessarily at the expected rates. However, we do not know how long these more favorable conditions will remain, which may subsequently affect our inventory and forecasts.

Fibra Hotel and other fibras[T:N.]

To December 31, 2022, 43% of our hotels are owned by the Fibras (REITs). Of the total hotel rooms operated by the Company, 35% are owned by of one of the Fibra´s trading in the Mexican Stock Exchange which at some moment may face operational or liquidity problems in maintaining its operations or hotels in optimum conditions which could affect the brands operated by Posadas and its results. Likewise, these operational problems may affect the hotels' operational continuity and consequently Company operations, or the lack of liquidity could affect the payment of fees and expenses in favor of Posadas.

Vacation Product Sales

We develop and operate Vacation Product resorts by marketing memberships granting the right to use. Most of the time, to pay the price of the memberships, interest-accruing monthly payments are granted. The applicable related provisions grant the purchaser the right to rescind the purchase contract without justification

[T:N.] These are the initials in Spanish for an investment instrument similar to a Real Estate Investment Trust.

in a five-business day term counted from the signing of the contract. The operation and sale of said memberships is subject to Mexican legal provisions, which we believe to have fulfilled or are in the process of fulfillment. Changes to these legal requirements (an amendment to the regulating Official Mexican Standard imposing increased requirements, restrictions, and costs was published in 2022) or a perception of non-compliance by the authorities may adversely affect our business and the manner in which we operate our Vacation Products.

At present, we bear the risks derived from purchase contracts for Vacation Product memberships, for a 40 year right to use, evidenced in a yearly assignation of Vacation Product points. We typically charge an initial payment between 10% and 30% of the total membership price and offer monthly installment payment plans that comprise both capital and interest payments on the outstanding balance of the purchase price. We recognize as income the entire value of a contract when 10% downpayment. Our policy is to cancel, against the corporate year's profits, those memberships that unsuccessfully passed through all recovery collection proceedings. If a purchaser executes a Vacation Product installment purchase contract, the possible default on said sale is covered by a reserve. However, our reserve could be insufficient to offset contract breaches and negatively affect our financial statements.

Also, historically, our Vacation Product sales have been substantially denominated in U.S. dollars. Due to financial crisis, a significant portion of our Vacation Product revenues have been recalculated upon request of members facing liquidity difficulties, to mexican pesos, albeit at a higher interest rate. The great majority of mexican members that wanted to convert or agreed from the onset their installment payment obligations from U.S. dollars to mexican pesos have been able to do so. We expect to continue to offer peso-denominated payment plans to mexican residents.

Notwithstanding our currency redenomination of a significant portion of our Vacation Product receivables portfolio, many installment Vacation Product 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 our exposure to exchange rate fluctuation risk. Traditionally, we have not executed hedging transactions for this exposure.

Nowadays, our Vacation Products have signed exchange agreements with RCI, Hilton Grand Vacations Club, The Registry Collection, Save on Resorts, and the selfsame Posadas hotels. However, said agreements may terminate or not be renewed, which would decrease the sale quality of Vacation Product memberships, thereby affecting sale and consequently affecting profits.

Vacation Product members pay annual maintenance fees that are allocated to operate and maintain time-share resorts. Failure to pay maintenance fees by the members results in cancellation of the pertinent contract, thus freeing inventory for a new sale. With respect to our members who paid 100% (one hundred percent) of their membership, failure to pay maintenance fees entitles the member to terminate the right to use, or the company may rescind the contract by paying a compensation discounted for their membership. However, the preceding breaches of obligation may cause the Company to allocate funds to cover said expenditures.

Substantial investments must be made by the Company to obtain this inventory and require lengthy time periods to complete its implementation and availability. Lack of inventory to sell time-share arrangements could negatively impact sale possibilities of Vacation Product memberships.

The Company has developed other Vacation Products in addition to timeshare memberships, seeking to adapt to new preferences and the possible shortage of inventory destined and allocated for said purpose. These products generally entail access to closed and preferential lodging services marketing arrangements and other tourist services provided by the Posadas System or by un-related third parties, shorter validity terms, more moderate sale prices, amongst other characteristics. Posadas may not be successful in maintaining the attractiveness or diversity of the underlying offer of said products or its marketing effort may not be efficient, despite palliative measures.

Posadas hired a third-party advertiser for its Dominican Republic vacation products to offer our products in said market so that potential clients have access to execute international electronic market transactions. Although the resources that the supplier allocates to carry out this advertising are theirs and under its direction, the labor and tax authorities of said country may consider that Posadas or the hotels where the promotion is done constitute a direct Company activity in said country, impacting various aspects such as employment, tax, administrative and consumer protection.

Service businesses may not be successful and affect our hotel business

The operation of certain services businesses, such as Konexo and Conectum, represent, on a consolidated basis, less than 10% of the Company's total revenues to December 31, 2022, 2021 and 2020. These businesses have evolved from our hotel business and have a varying degree of independence from the hotel business, but there are no assurances that said businesses will perform in accordance with their established expectations within the architectural business structure of Posadas. Furthermore, the implementation and development of these businesses may distract our executive officer team and detour funds, or the anticipated benefits may be less or none; decision to cease operations of some of these businesses as related to third parties 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, Vacation Products customer service, the Posadas System 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 results, operations and financial condition may be adversely affected.

Investments and remodeling

Asset and/or remodeling investments ceased in 2020, due to prioritization of operating expenses, to ensure business continuity, resulting from the significant COVID-19 related deterioration of the Company's operating income and cash flows. The deferred maintenance needs may be materialized based on necessary repairs for correct hotel management or to maintain the hotel's sector competitiveness in the location.

In 2022, the Fiesta Americana Villas Acapulco hotel pool was remodeled, and Phase II of the Villas and Spa remodeling of the Grand Fiesta Americana Golf & Spa Los Cabos hotel began.

Developing projects of this kind may imply greater leverage, which may not be as successful and profitable or their development may be delayed or not materialized, or the corresponding or expected financing or returns may not be obtained.

Disinvestment and Sales

The Company has carried out diverse disinvestment operations, conveying assets on which it has granted guarantees typical of sellers of operating assets. The presence of hidden defects, allegations of better third-party rights, the impossibility of obtaining either the real property or operating status may have adverse effects due to indemnity obligations and other expenses which may be incurred.

On September 29, 2021, we transferred our 12.5% interest in the Rivera Maya development project investment trust. This transaction complemented the termination of the hotel operation contract in said project announced on July 8, 2021. As a result of these transactions, Posadas received the sale value, return of the Key Money advanced, reimbursement of certain project expenses incurred and the recognition value of its participation in its development. A low-price balance remains as a guarantee should there occur circumstances that are not under the Company's control, so it is possible that said balance will not be received. The Company considers that it has complied with the regulations applicable to this transaction; however, an authority may demand additional requirements or consider that there is a breach.

In 2022, an agreement to develop an apartment complex on a land lot located in Acapulco Diamante in Acapulco, Guerrero, was signed. As a result, Posadas contributed the plot of land to a trust and a third-party developer will build 128 apartments, of which Posadas will keep 29 units, which it intends to allocate as timeshare inventory. The project is expected to be completed in 2024; however, construction may be delayed or not completed due to reasons beyond third-party developer's control or attributable to it, or Posadas may not receive authorization under the current indenture to use the properties it receives as timeshares.

Holding Company Structure

The Company nowadays may be defined as a holding company which principal assets consist of the shares of its subsidiaries, entitlement to the right to use and full ownership of various real properties, ownership of its Vacation Programs portfolio, ownership of the Company's main brands, and the hotel operation, brand licensing, franchising, condominium management and vacation residence contracts, as well as the employer of the employees of owned and managed hotels and of the executive committees of managed hotels, condominiums and residences. By virtue of the foregoing, the revenues of the Company primarily depend on the collection of dividends and fees arising from hotel operating, brand licensing, franchising condominium management and vacation residence contracts. Part of the real properties will be held by the Company's subsidiaries. This regrouping of assets and operations also encompasses consolidation of contingent liabilities and obligations, and moreover considers economic capacity and the recurrence of penalties, especially administrative, taking into consideration a larger capital group.

The Issuer has a current financial contractual restriction on dividend payment. Even though at present almost all the subsidiaries are not contractually limited in the payment of dividends to the Issuer, any financing or other agreement that may restrict the subsidiaries' ability to pay dividends, to directly exploit owned or leased hotels or to 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. Joint liabilities between the group corporations to third parties are not limited to financial liabilities, and these may extend to other liability types, such as those resulting from real property sale agreements or leasing agreements amongst others. During its 2027 Senior Notes term, all current or future Posadas' subsidiaries (except those expressly excepted) are or will be guarantors in the payment of that issue.

Since the Company is a holding and operating company, the possibility that the Issuer may satisfy the demands of its creditors depends, to a certain extent, firstly on its ability to participate in its subsidiaries' dividends, and subsequently on the distribution of the assets 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

In the past, operations consolidation processes have been carried out mainly through mergers where the issuer is the merging entity. Corporate movements reported by the Company that are the object of the information brochures and other similar acts that, due to authorization thresholds, did not require this formality, are eminently internal in nature, that have their own associated risks. The entity considers that in the future, it may continue to carry out corporate movements according to future asset consolidating interests, eliminating inactive subsidiaries or for other efficiency reasons leading to these adjustments, which could be subject to certain risks. Said risks are described hereinbelow but are not the only factors that may affect completion of the corporate restructuring or the Company's performance. Any additional risks currently unknown to the Company or those which at this time may be deemed insignificant may adversely affect the outlined restructuring plan, 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 or its subsidiaries' corporate restructuring has been conducted by executing various mergers and do not contemplate any agreement to pay, prior to the due date, all debts of the corporations to be merged, or to deposit the above amount or to obtain all 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 or its subsidiaries, including its clients, suppliers, financial creditors, employees, or tax authorities, may oppose the merger or split-off of any subsidiaries from other subsidiaries or from the Issuer. The creditor's opposition may result in suspending the various mergers, until a final judicial ruling is issued, payment is made to those creditors which judicially and timely opposed the merger or split off or an agreement is reached with the creditors. Due to the above, neither the Issuer nor its subsidiaries may guarantee that the Company's or its subsidiaries' various corporate movements may be completed, within the deadline foreseen or that they will not result in a disbursement of funds to pay creditors, all of which may adversely affect Posadas' financial situation or operating results, or the attainment of efficiencies sought.

ii) Governmental authority authorizations

The corporate movements of some of the Issuer's subsidiaries need, in the preliminary stage, authorization from some governmental agencies, including the tax authorities, amongst others. Likewise, and in order to comply with the various applicable norms, such as consumer, employment and administrative protection rights, specific governmental authorization may be required to conduct our usual operations, as adjusted to the new corporate format resulting from the restructuring or relatively significant costs due to executing the above operations. The Issuer cannot ensure if in its subsidiaries' authorization obtainment process, there will be no delays nor impediments nor disbursements that make it unable to obtain authorizations relevant to completing corporate restructuring or normally operate or, if applicable, attain the efficiencies expected.

iii) Changes to proposed corporate movement plan and different effects

Posadas continues to study and analyze certain aspects of the explained corporate restructuring projects which may affect the proposed restructuring or produce diverse effects or of any other nature other than those set forth in the informational leaflets or the corporate acts authorizing the latter. Therefore, Grupo Posadas cannot guarantee that such restructuring takes place in the manner planned, nor can it guarantee that it will not have effects of a nature other than those foreseen, such as additional costs or expenses, or any other expenditure, that the Company or its subsidiaries would have to disburse thereby.

iv) Foreign legal provisions

Although Posadas consults foreign legal counsel regarding corporate movements in other jurisdictions, neither the Company nor its subsidiaries can ensure that in jurisdictions other than Mexico no obstacles or additional requirements delaying or preventing the planned completion of the corporate restructuring may occur.

v) Share price fluctuation

The corporate restructuring may generate price fluctuations in 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 be incurred thus causing a material adverse effect or that the tax authorities may have a different tax interpretation regarding such restructuring.

Following the binding legal precedent enabling companies to distinguish between accounting and tax effects and full effects could generate a series of misunderstandings and antinomies that may result in differentiated opinions with third parties or authorities.

vii) Opportunity

Due to the complexity and number of corporate operations contemplated by 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.

viii) Minority interests

The Company holds some minority interests in companies that were operative or were aimed at developing business lines aligned with the tourism or vacation recreation industry. The implementation of these companies may require equity holders' contributions that may divert funds from Posadas or not all equity holders may contribute or devalue or total loss of these investments.

Dependence on Key Employees

Several of the Company's executives have vast operating experience, industry knowledge, market recognition and these qualifications are acknowledged by the market. The Company depends on its executive staff to define strategy and manage its business, and it considers their intervention 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. For additional information see section *4) Management, c) Management and Shareholders.*

The Company may not be able to save on costs and successfully obtain determined operating efficiencies.

In the process of operating more efficiently, the Company makes investments or strategies 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, which could negatively affect its performance and, in the applicable case, its effects and the costs to mitigate these.

Risk of outdated room distribution technology.

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

This demand may imply important technology and content investments, as well as high distribution costs that may make less profitable the marketing of our products. Furthermore, due to the lack of investment, or 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.

The Company has implemented actions to mitigate this risk, amongst which are:

(i) Alliances with external suppliers to maintain a hybrid distribution network. The Company currently has the following alliances: alliance on websites with Amadeus TravelClick, alliance for rate distribution, availability and content to wholesalers through IBS (HBSI) and Omnibees, alliance with Duetto to have dynamic rate optimization capabilities and "open price".

(ii) Internal development of central functionality connected to market leaders in each of the interfaces and channels.

(iii) We will continue adapting and investing to have a modern and state-of-the-art service in our properties. Specifically, we will be strengthening lodging experience digitalization through our Fiesta Rewards application and introducing new options for our clients, such as the launch of our digital Concierge.

If these measures are successful, they would allow us to ensure that the systems and their architecture are updated in technology and according to trends, while the Company would maintain control of the central and strategic pieces.

Stoppages or failures in information systems

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

To mitigate information loss and operating failures in its systems, the Company stores its technological platform on a hybrid cloud and with high availability programs pursuant to best industry practices, complemented with the best security control and information protection; however, said measures may be insufficient.

Information security and computer system hacking

The Company safeguards the correct functioning of computer and analogous security controls designed to reasonably guarantee the trustworthiness, compliance, confidentiality, integrity, and availability of the information which it possesses and that is under its safekeeping. It seeks to identify, evaluate, and mitigate risks, vulnerabilities and threats that may adversely impact the information, databases, systems and the continuity of operations, including the risk existing from the departure of personnel.

Likewise, information management systems and procedures for the use and preservation of the same are exposed to failures derived from fires, flood, loss of electrical energy, theft of information or infra-structure, telecommunication breakdowns, imperfections in the selfsame systems, theft, loss, or misuse of information amongst other reasons, or to interpretative guidelines by the authorities, different from those applied by the Company administration.

The Company keeps a system access control registry to prevent any unauthorized access to information systems and/or equipment, as well as informational misuse, through a strict control of assignment and use of information access privileges.

The business units' management of personal and/or sensitive information is regulated by the Federal Law for the Protection of Personal Information in the Possession of Private Parties, referencing or making available to clients or third parties from the first contact by means of a clear and verifiable privacy notification regarding protection of their personal information. The privacy notification should state, amongst others, the principal purpose for compiling, utilizing, and disclosing the information pertaining to clients or third parties.

The Company analyzes in detail the legal requirements to be fulfilled in order to implement control mechanisms that guarantee the privacy of clients' or third parties' sensitive information under its safekeeping.

The Company has diverse policies to mitigate these risks:

- Corporate Information Security Policy
- Computer Equipment Renewal
- Resource Monitoring Policy
- Departure information Backup Policy

The foregoing is bolstered by formulation of an annual internal audit plan integrating data and information protection control processes that defines formal, continuous, and timely review mechanisms, including specific organizational areas, persons and systems. The latter to comply with the normativity established by the Technology Division. Likewise, the Audit area informs its audit results to the CEO office and monitors action plans compliance.

The occurrence of any breakdown, intentional or negligent acts, insufficient measures, uncontrolled processes or difference in interpretative guidelines may affect the operations of Posadas, perhaps having a negative impact on its sales and/or operating costs, maybe resulting in litigation and its implicit costs and eventually penalties and indemnities, in addition to the loss of goodwill. Although some plans exist to reduce the impact of these breakdowns, said plans may not be sufficiently effective. Although the Company considers that it carries out sufficient activities and efforts to mitigate these risks, these measures may be insufficient or ineffective and adversely affect the operation of systems and/or have a negative impact on information use or disposal.

Contracts with third parties to provide some products or services essential to our business.

We have entered into agreements with third parties to provide certain product or services essential to our operations, such as call center services, distribution and technological services, catering, food and beverage supplies, advertising, security, transportation, among others. The loss or termination of these agreements or our inability to maintain or renew these agreements or to negotiate new agreements with other suppliers at comparable rates may damage our business and operating results. Additionally, our reliance on third parties to provide essential services on our behalf gives us less control over the costs, efficiency, timeliness, and quality of those services.

Negligence, inexperience, or intentional acts of a contractor may compromise our investments, services and/or our guests' security, this would have a significant adverse effect on our Business and reputation. The Company has a supplier selection process, as well as Supplier certification by an external company, allowing us to make a better supplier selection decision, including detecting and eliminating relationships with companies that do not respect human rights, use child labor, discriminate in any manner, affect the environment, have harmful practices towards fauna, etc. However, we cannot ensure that this certification mitigates non-compliance or regulatory non-compliance risks, or that these policies will be applied to all cases, nor can we ensure that the Company will not decide to contract suppliers without this prior certification.

As a result of the subcontracting employment amendment, the Company is required to identify when a service provision may be considered subcontracting and therefore be subject to legal prohibition or compliance with amendment requirements. The Company receives different services that could be considered specialized. The criteria adopted by the Company to identify specialized activities may differ from the criteria of the authority, in which case, it could be subject to labor and tax consequences and sanctions, including non-deductibility of payments made for these services.

On the other hand, we always seek to obtain for the Company the best terms to pay consideration to our suppliers. In some situations, the payment terms may not be satisfactory to our suppliers, and the supply or procurement of goods or services may be terminated or withdrawn, or their payment may be judicially claimed.

Contractors may breach obligations to develop real properties or commissioned works

The Company contracts with third parties: the rendering of design, construction work, coordination, supervision, and equipment services for owned and leased hotels, it also entrusts the creation of intellectual property works under the guidelines and standards of the Company to third parties. Even though the Company signs agreements regarding quality standards, price and services and compliance with regulatory provisions for the finished products, and the performance of said services, the Company cannot ensure that the professionals and service providers hired will comply with said obligations or do so timely. This may cause risk related operating circumstances adverse to the Company's economy, legal position, and reputation.

Operations with related parties

The Company has entered into and may continue to carry out operations with related parties under some limitations. These types of transactions are regulated by the Related Party Transactions Policy issued by the Board of Directors, some agreements with private parties and the applicable regulations. The report on material transactions and related party transactions is submitted periodically to the Corporate Practices Committee. Although these transactions are considered to be of an insignificant nature and are considered to have been carried out under market conditions, the Company's shareholders or creditors, or any third party that considers it has a stake, could challenge these transactions seeking their nullity or questioning whether they were appropriate or necessary, were carried out under market conditions and were duly authorized and executed.

Any failure in the creation and protection of 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 and restricting the unauthorized use of our intellectual property is difficult, expensive, 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 we could be forced to allocate funds to said purposes and this 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 in order 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 create and protect our trademarks in Mexico and other countries will be sufficient, since 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 activities, third parties may consider that Posadas violates or infringes their industrial or intellectual property rights. Although Posadas intends to implement measures that mitigate possible exposure to these claims, these measures may be insufficient or ineffective or differ in interpretation. In the future, it may be necessary to use litigation proceedings to defend the use of intellectual or industrial property rights, including copyrights such as the rights to audiovisual or musical works, images, amongst others, in order to determine the validity and scope of third-party intellectual property rights. Litigation of this nature may result in substantial costs and obligate us to allocate funds for said purposes, which may result in counterclaims or other lawsuits against the Company, distract the attention of company directors, impact our reputation, and may significantly affect the results of our operations. Perhaps we may possibly be formally requested to pay royalties to the copyright or industrial property holders or their representatives, which would represent increased operating expenses or modification of our standards.

The offer of hotel products is in constant renewal, the trend being to establish new brands by segments, individualizing the types of service, travel experiences, target markets, amongst others. Posadas has been investing in research and the creation of new hotel products and concept brands. The launch, positioning, and acceptance of these new brands by the market is uncertain, thus these efforts may represent investments and expenses that do not necessarily represent successful products, perhaps adversely affecting our business.

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 various government levels, and such laws and legal provisions may be amended from time to time. The effects of these amendments on our activity, on our market and countries where we operate or to whose rules our activities may be subject, on 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 or make our activity less profitable. Moreover, such controls and procedures may not be mitigated, or they may modify or restrict the manner in which the company is currently or competitively operating with other regions.

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.

Costs of compliance with labor 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 administration contracts, collective bargaining agreements or individual contracts terms, as well as the performance terms of certain specialized service contracts executed with third parties rendering recurring or temporary services in our facilities, as applicable, the employees at our managed hotels or third-party hotels are employed by the hotel owners or third parties, nevertheless these 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 could occur in franchised hotels.

We also have a large number of outsourcing, construction work, security, promotion or intermediation services suppliers, among other service providers, whose employees or auditing authorities such as the IMSS or INFONAVIT[1] may, despite all precautions, file lawsuits against us or make us jointly and/or alternatively responsible. Under such circumstances, if our defense is not successful, employment or labor or administrative obligations may be imposed on us.

During the 2021 corporate year, amendments regarding labor subcontracting and tax reform became enforceable. The amendments mandate a general subcontracting prohibition and stipulate rules under which specialized services may be subcontracted. However, the Ministry of Labor and Social Security has issued guidelines regarding the understanding of essential activities in lodging services; it has not yet issued guidelines for other activities, so there is uncertainty as to determine when rendering services may be considered as subcontracting and therefore be subject to prohibition. The Company renders and receives different services that may be considered specialized. The Company has obtained its registration in the Specialized Services or Specialized Employment Rendition Registry (REPSE, due to its initials in Spanish) of the Ministry of Labor and Social Security and has followed the formal contracting procedures to contract these services. In turn the

Company seeks to identify those specialized services it receives, conforming these to the new provisions. The criteria adopted by the Company to identify specialized activities may differ from the criteria of the authority, thereby incurring labor and tax consequences.

Practically the majority of the employees engaged in the activities of the Company's corporate purpose are hired by the company, including the staff of the own and leased hotels, sales and administrative staff of the vacation package sales rooms, our call center staffs (Konexo) and accounting processing shared services center (Conectum), as well as the executive committees (senior management) of the hotels we manage, all of them under our subordination and as dependents. The Company oversees for itself and for those hotels that it manages should these use third party services that may be considered as under the subcontracting rules, that said services are performed by entities that have the corresponding registration and continue to comply with their periodic tax and employment obligations. Notwithstanding this monitoring, it is expected that even when the service beneficiary had contracted with a registered provider and had received from them the documents that could prove the periodic fulfillment of their obligations, the risk of non-fulfillment any manner by any of the above would constitute a joint obligation that the State transfers to the service beneficiary, despite the trust placed on the registry and that it is the State that has the authority to supervise and enforce the applicable provisions. Additionally, the payments made to these contractors would no longer be considered a deductible expense for Income Tax purposes and the value added tax paid would not be credited. This would apply if the information requirement of delivering said information and imposed on the service provider is not satisfied, pursuant to the terms of the Income Tax and Value Added Tax Laws. Likewise, the authority could interpret that the criminal predicate of aggravated tax fraud has materialized.

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 expiring contracts may result in labor strikes or disruptions which could adversely affect our revenues and profitability or harm our client relationships.

Employment costs, generally, including those related to indemnity and payments under employment, administrative and tax laws are significant, and may escalate beyond our expectations which could have an adverse effect on our operating margins. Recently, amendments were made in the area of administration of employment justice and union membership sector. However, and notwithstanding the result, the application criteria of said amendment by the administrative and judicial authorities are still unknown and may have an adverse effect on the Company or its subsidiaries. Likewise, new worker and central unions have appeared which may dispute with the present worker unions regarding collective bargaining contracts at our work centers and potentially cause that labor conflicts transcend to the operation and profitability of our business and the third-party businesses that we manage.

Violations to applicable anticorruption, money laundering, and other applicable unlawful activities laws

Our business operations in Mexico and abroad are subject to anticorruption laws which generally prohibit enterprises and their intermediaries from making inappropriate payments to government officials or to any other person in order to obtain or hold onto business, obtain government authorizations, non-application of the law; or carry out operations with unlawful persons or proceeds, and to periodically report operations denominated "vulnerable" as well as to compile files thereof.

The Company has implemented policies and procedures to identify vulnerable activities and comply with the policies provided for in the Federal Law for the Prevention and Identification of Operations with the Proceeds of Unlawful Activities (LFPIORI, due to its initials in Spanish). However, we cannot guarantee that our interpretation of vulnerable activities coincides with that of the authority or that reporting format limitations may result in a situation contrary to the provisions. Likewise, we are subject to the information and final beneficiary information provided by our counterparties and beneficiaries, therefore it is possible that our files are being updated, or that the information received is incomplete or inaccurate, or we should not carry out operations with third parties because we lack information. This would affect operating results.

The Company has policies applicable to our employees, managers, and directors regarding compliance with anticorruption and money laundering laws, we consider that 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 regulations and thus violate these provisions.

Likewise, the Company provides services to the general public, and it is legally prohibited from discriminating employees, customers or suppliers for any reason or refusing to provide service to the public, unless a judicial order exists to the contrary. Consequently, it is possible that persons charged as probably responsible for committing unlawful activities by Mexican or foreign authorities are unidentified users of our services.

The Company makes reasonable efforts within a legal and preventive framework to deter criminal conduct in its installations and its operated hotels, but it cannot ensure success. However, employees, guests or clients using the installations may furtively, unperceivably, or threateningly carry out other unlawful or violent conduct that may represent an all-around risk to the Company, its employees and guests, or hotel owners.

In case of contravention of the applicable normativity, the corresponding administrative, civil, and criminal penalties would be applicable, which would affect operating results, financial conditions and cash flow, as well as the Company's image.

Non-compliance with requirements to keep securities 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 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 result in the application of the corresponding penalties.

Proceedings and claims

To 31 2022, the Company is a party to various judicial and administrative proceedings, derived from the ordinary course of business, both as plaintiff and as defendant. Although none of the judicial or administrative proceedings in which Posadas is a party and has knowledge of may be considered to have the characteristic of "material" in terms of the General Provisions Applicable to Securities Issuers and other Securities Market Participants, due to their incipient procedural status, the indeterminate amount, or the merits of the proceeding.

As we have referred in other communications, in 2017, Posadas, and other relevant defendants were the subject of a labor proceeding by two *Compañia Mexicana de Aviacion* unions. The company has presented its defense and, procedurally, these proceedings have not progressed significantly.

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

The Company and its executives may be subject to proceedings of various types in Mexico or abroad, which would cause the Company to allocate resources to respond to said proceedings and, if applicable, to comply with the outcome of said proceedings. Said proceedings may be related to the collection of the Company's obligations resulting from its non-compliance with administrative provisions, ownership of assets or rights. Also, to employment, criminal or consumer protection proceedings.

The Issuer had a minority investment in a project under development on the Riviera Maya. Since 2017, said project is in the possession of and managed by the consortium's other investor. Some environmental organizations have recently brought proceedings against development of the project, and criminal proceedings against persons and entities that are and were part of the project. We consider that during the management and possession of the land lot under the Company, there were no activities or omissions that would result in said liabilities since we have no information that said proceedings have advanced enough to estimate the impact of a negative result on the Company's investment project.

The Company has been sued in some administrative and judicial proceedings for having allegedly breached different legal or contractual provisions, such as lease contracts, image use rights, violations of Consumer Protection provisions, among others. The Company is defending these proceedings in good faith but considers that some of these contingencies against it could materialize, and they could even result in modifying its current operating manner.

On the other hand, the Company has initiated several collection proceedings regarding accounts receivable in its favor, or proceedings challenging the applicability or legality of several norms. Although, the Company believes that it has all the legal elements to obtain a favorable ruling, a contrary interpretation of the same may result in a loss of expected collections or these may result in the implementation of determined controls and procedures that may imply costs to the Company or change the Company's current operational structure.

For more details, see section *xi) Judicial, Administrative or Arbitral Proceedings*.

We are exposed to currency exchange rate risks on our debt and derivatives contracts.

Historically, the majority of our indebtedness has been denominated in U.S. dollars. As of December 31, 2022, 98% of our total interest-bearing 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.

So as to lessen our exposure to highly volatile Mexican peso interest rates, we attempt to maintain a significant portion of our debt in US dollars. Generally, if there exists the possibility of placing debt on markets that do not trade in US dollars, we execute derivative instruments with financial institutions so as to balance and align our debt with our revenues. At present, we have not contracted derivative financial instruments to cover volatility risks from currency exchange rates or interest rates, but this does not mean that we may not recur to said instruments in the future.

Likewise, the night/room rates of certain Mexican hotels are typically quoted in U.S. dollars, as well as is the sale and financing of Vacation Product memberships, nevertheless we have observed a greater tendency to set most of these debts at a fixed currency exchange rate or fixed rate agreed upon at the moment the operation is executed. As such, these operations are denominated in mexican currency. However, the Company in the future may use derivative financial instruments for interest rates and currency exchange rates so as to mitigate risks.

In this same manner, 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. However, our derivative positions or our decision to not cover with derivatives may be insufficient to lessen our risks.

We do not usually enter into derivative financial instruments for any purpose other than those already stated; however, these are limited in amount and frequency, and we may so enter in the future. The types of derivative instruments that we have executed encompass, principally, cross-currency swaps, in which we generally pay United States dollar amounts based on fixed interest rates and receive mexican peso amounts at floating interest rates and dollar sales on 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 of our derivative transactions with our indebtedness flows, 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 could affect our cash flow position, the availability of cash for our operations, as well as our financial condition and operating results.

Our derivative instrument 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 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.

As of December 31st, 2022 , approximately 65% of our cash was denominated in dollars. At present, we do not have any derivative contracts in our books.

Our insurance coverage may be insufficient to cover potential losses.

We carry insurance coverage for general civil liability, damage to property, business interruption resulting from damages, terrorism, and other contingencies with respect to our owned and some leased hotels; likewise, the owners of managed, leased and franchised hotels are contractually bound to have the same coverage for the same risks. However, the owners may fail to hire and maintain such insurance or policy coverage exemptions may apply.

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 foresee 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 policy terms. 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 by 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 affecting 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 claim type, 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 insurance payout amount 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; the insured amounts are based on Probable Maximum Loss studies.

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 health (such as COVID-19) and 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 (such as unlawful conduct) or for which carrying insurance coverage is cost prohibitive.

Obtaining indemnity payments from insurance providers for 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 hotel. In that event, we might nevertheless remain bound to any lease payments, or any other financial obligations related to the hotel, or that a third party consider that the corporation is liable for criminal negligence or negligence of our personnel and decides to hold us responsible for the actual or consequential losses.

When we contract 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 are affected by situations for which the insurance or bond retained is unenforceable or that events arise that may be deemed or considered to fall outside coverage of the insurance or bond policies, or that are uninsurable.

Damages that occur to our guests and their assets and rights are frequently covered by our civil liability policies, however, not all risks to which they are exposed in our facilities, such as unlawful acts perpetrated by third parties, such as other guests or Hotel employees are not covered by civil liability insurance, especially those derived from intentional or grossly negligent acts, as well as damages to guests resulting from breaching building regulations in force at the time of the property construction. Service standards or authority and judicial decisions can hold hotels to be responsible for or, if they are not, to compensate the guest for their damage or loss. This fact may affect the hotels performance and results, regardless of whether the measures implemented to mitigate them are sufficient or effective.

A draft modification to the official Mexican standard has recently been published, and which regulates the requirement that lodging facilities have a civil liability insurance policy. There are some change proposals that are not yet clear. Amongst the most significant is the liability attributed to lodging service providers to verify that third parties that provide services offered in or subcontracted by hotels have a policy of this nature. The lack or insufficiency of said policy by third parties could make lodging establishments be held responsible.

Despite the relevant government authorizations are in place, insurance companies verify in each event the possible materialization of a coverage exemption based on a particular assessment not contrasted with the authority on measure compliance, such as construction and civil protection rules, and an exclusion may be materialized at the insurer's discretion.

Almost all of our assets are pledged as collateral for our financial liabilities.

The refinancing terms and conditions of our 2027 Senior Notes debt include the granting of (i) a security interest in substantially all of our real estate assets or rights representing them, the portfolio of the different Vacation Products and their collection, (ii) the granting of a personal guaranty –joint and several obligation– by the subsidiaries. This represents a limitation on the availability of the company's assets, as well as the possible foreclosure of such assets in the event of an actual or claimed default by the holders of such collateral, in which case the company would be unable to continue operations and receive the associated revenues related to the collateral.

Reputation Risk

Some of the events previously mentioned and others that may not be mentioned in this report and/or that may be beyond our control, may affect the reputation of one or more of our properties, of the hotels that we manage or franchise or, in general, affect the reputation of our brands. Many other factors can also influence our reputation and the value of our brands, including service, food quality and hygiene, safety of our guests and members, availability and management of limited natural resources, supply chain management, diversity, human rights, environment, our economic and financial situation among others.

Reputational value is also based on perceptions, and broad access to social media makes it easy and invites anyone to post information and/ or comments that may influence perceptions of our brands and our hotels. Negative advertising may be difficult to control or manage effectively, regardless of whether the information is true or not. It can be difficult to effectively control or manage negative publicity, regardless of whether the information is truthful or not. It is important to mention, that presently, a reputation is even more important and attractive due to users' capacity to create and transmit information rapidly. In addition to the latter, our industry is one of the most sensitive to clients' opinions and comments. While reputation can take decades to build, negative incidents can quickly erode trust, especially if they result in adverse publicity on social media and any other communication medium, including resulting in government investigations or penalties, or proceedings.

Both the Company and third parties use our brands for the sale of our Vacation Products, our Loyalty Program is linked to a bank credit card, as well as for lodging in owned and leased, managed and franchised hotels. Likewise, in the residential products scheme, Posadas licenses its brand to a developer that sells properties developed or to be developed under a promise or expectation of scope and time. Both we as well as third parties interact directly with guests and under our brand and trade names, if there is a failure to maintain or act according to law and norms, brand standards, contract compliance, accidents or incidents on our properties, including any informational incident involving guests' or employees' information or a circumstance affecting a member, guest, collaborators or suppliers, both as to health or safety; or project a brand image incompatible with our standards, norms and values, our image and reputation may be tarnished. In the same manner, public perception of construction management by our partners on the Riviera Maya development project has led some third parties to file legal proceedings against said development or against us, against the Company or its employees, which significance is still unknown.

Incidents or negative perception could have tangible adverse effects on our business, including loss of sales, participation in our Loyalty Program, drop in the sales or payment rate of our vacation programs, decreased access to our websites and reservation systems, deterioration in our investments, loss of development opportunities or difficulties in employee retention and recruitment, amongst others. Any decline in the reputation or perceived quality of our brands or corporate image may affect our market share, business, financial condition, or operating results.

Risks Related to the Hospitality Industry

We are subject to all operating risks common to the hotel and vacation products business industries (Loyalty), and the residential lodging activity.

These risks include the following:

- Changes in general economic conditions, including the timing and robustness of recovery from the current economic downturn;
- Impact of the perception of violence, wars and terrorism activities on travel desirability;
- Obligation to fully or partially close hotels due to health or general regulations of any nature at the state and federal level in Mexico and the Dominican Republic;
- Limitations or extraordinary departure or return requirements for the source markets of tourists from Mexico and the Dominican Republic;
- Domestic and international political and geopolitical conditions including civil unrest, war, expropriation, nationalization and repatriation;
- Travelers' and personnel's fears of exposure to contagious diseases such as the present COVID-19 and its variants pandemic;
- Decrease in demand or insufficient inventory for the sale of vacation properties, or increase in the overdue portfolio of accounts receivable from installment sales of these products or of the related maintenance fees;
- Impact of Internet intermediaries on pricing and continuing reliance on technology;
- Climate change, natural disasters.
- Restrictive changes or interpretations of laws and regulations, as well as any other governmental actions, related to zoning and land use, tourism, financial aspects, health, security, employment, the environment, operations, taxation, and immigration;
- Changes in travel patterns;
- Weakness of the markets which originate tourists relevant to our geography;
- 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;
- Fees or disputes relating to the right to use patents and brands and other industrial or Intellectual property rights;
- Availability of capital to fund construction, remodeling and other investments;
- Currency exchange fluctuations;
- Personal accidents or incidents that may result in claims brought by our clients or third parties in general;
- The legal-operational and financial condition of the owners whose properties we operate.
- The financial condition of the airline industry and its impact on the hotel industry.
- The lack or untimeliness of national and international promotion and publicity of the destinations where Posadas operates hotels.
- Shortage or lack of relevant supplies, affecting those zones in the country where the Company operates hotels, negatively impacting the effective rate.
- Inflation increase.

The Hotel Industry is Cyclical

The hotel industry is cyclical by nature. Of the 29,152 hotel rooms that the Company operated as of December 31, 2022 (including Vacation Products), 12% are located in coastal destinations where the cyclical aspect are more pronounced in contrast to business hotels. 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. In 2022, the Resort occupancy behavior was very outstanding even if compared to that before the pandemic in contrast to the urban hotels. We cannot ensure that this trend will continue in the future or that it is unaffected by diverse factors such as the reopening of other competitor tourist markets and products.

General Real Property Investment Risks

The Company is subject to the risks inherent in real property ownership and operation. Profitability from 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. All of these may significantly affect operating cost and capacity.

Lack of Real Property Liquidity

Real property 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 any of its properties should it deem 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 the Company's original investment amount. The assets allocated to time-share are registered with a real property lien in the corresponding Public Registry of Property in favor of the holders of the time-share for the period of their vested right (40 years), consequently, the rights of the holders of the time-shares are enforceable against or have a preference with respect to the persons entitled to said real properties. Practically all the real estate assets have been granted as real property guarantees of the Company's financial debt. Under such terms, the net result of the sale of assets title must be used to pay said debt.

Natural Disasters (Acts of God)

The properties operated by the Company are subject for events of force majeure, such as natural disasters and, specifically in those locations where we have a property or where we operate various hotels. Some of these events may be hurricanes, earthquakes, epidemics, terrorism, and environmental circumstances (for example, the unusual presence of bladder wrack) and not all can be insured, or the insurance would be very costly with significant deductibles for the Company. Although the company policy is that said realty has an "All Risk" insurance policy", the damages that may be caused by these types of events or that the real properties have not been correctly insured by their respective owners or that there is a coverage exemption, or the insurance proceed is specifically allocated to pay financial liabilities of owners represent a risk factor that may have a significant adverse effect on the operation of the real properties and on the income derived from the same, on the financial situation or the operating results of the Company. Likewise, once the damage has occurred, rebuilding may be compromised by unusual supply and labor requirements, or other requirements imposed by the authority.

Since there may be more than one hurricane at the same time in the same region, we may be exposed to greater risk depending on the region. The Company operate 23 hotels in beach locations (Resorts and other hotels) and of these 11 are situated in Cancun, Cozumel, and the Riviera Maya, same which are subject to hurricanes and that may be affected by loss of business due to a decrease in activity in the hurricane zone. Likewise, our hotels in the Caribbean will be exposed to these same weather phenomena.

Epidemics and Pandemics

The hotel industry is also susceptible to any sanitary contingencies that may directly affect 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.

The spread of contagious diseases in places where we own, operate, lease or franchise properties and/or different parts of the world from which a large number of guests come, may continue or worsen in the future to some extent and during periods we cannot predict.

These events can reduce general lodging demand, limit the prices we can obtain or increase our operating costs and affect our income.

The tourism sector is one of the most affected by the COVID-19 outbreak, with repercussions on both travel supply and demand. The situation poses an additional negative risk in a context of a weak world economy, and geopolitical, social and commercial tensions, as well as the disparate behavior of the main travel issuing markets.

Environmental Regulations and other Regulations

We are subject to municipal, state, and federal laws, ordinances and regulations relating to, among other things, taxes, environmental regulations, the preparation and sale of food and beverages, handicap accessibility, use and disposal of water and waste, 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, amongst other exhaustive regulations. Hotel owners and managers are also subject to compliance with laws governing employment and social security. Compliance with and monitoring these laws may be complex and costly. Failure to comply with the preceding laws may substantially and adversely affect our operating results. The Company currently faces a beach club closing located in Cozumel. For additional information see section *"(2) The Company, xi) Judicial, administrative or arbitration proceedings.*

Environmental laws, ordinances, and regulations in the various jurisdictions in which we operate may make us liable, amongst others, for the costs of removing, cleaning up or eliminating unhealthy, 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, materials containing asbestos, 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 and Dominican 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.

The creation of new environmental protection laws or the execution of existing environmental protection laws may affect or impose operating or economic costs on our operations. Our compliance with the latter may be challenged by the authority. Accordingly, there can be no assurance that further tightening of existing laws and regulations or the adoption of additional legislation, or our enforcement criteria, would have a material effect on our business and financial (or other) conditions or budgets.

<u>Risks Relating to Mexico</u>

Mexican Economic Conditions and Government Policies

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

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 international tourists to our country. In 2020, 2021 and 2022, the GDP growth was 8.5%, 5%, and 3% respectively, mainly due to an increase of 2.8% GDP growth in primary activities, 3.2% in secondary activities, and 2.7% in tertiary activities.

Most of the Company's debt is US dollars denominated, however, during 2022 the peso appreciated by 5.9% while in 2021, it depreciated 3.2%.

Countries invest important amounts of funds in promoting and publicizing to attract tourists to their country. The decision by the Federal government to cancel the Tourism Promotion Council of Mexico and the reassignment of the Mexico tourism brand promotion and its destinations to the Ministry of Foreign Affairs may have as a consequence a fall in demand by foreign visitors for our national territory.

Currency exchange fluctuations

As of December 31, 2022, 98% of our total indebtedness was denominated in U.S. dollars, while the majority of the Company's sales (approximately 70%) are peso (mexican currency) denominated. An important portion of the accounts receivable are denominated in US dollars (see Notes 8,11 and 17 in the Company's audited consolidated financial statements included in this Annual Report as Attachment). The peso has been subjected to significant past depreciations and may be depreciated in the future. The devaluation of the peso would negatively affect the Company's results and financial condition due to the increase in financing costs that this would imply. This because the peso 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 2022 was $19.3615 pesos per United States Dollar that represented a 5.9% appreciation during the corporate year. To December 31, 2022, the Company did not have any financial derivative instrument signed.

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 and in the managed hotels, such as in food and beverages. Inflation may affect the purchasing power of our customers and thus adversely affect demand for hotel rooms and Vacation Products memberships. Inflationary fluctuations could have a material impact on the Company's financial condition and results of operations. The annual inflation rates, in accordance with the National Consumer Price Index ("INPC", due to its initials in Spanish) measurements published by Banco de Mexico have been 3.2%, 7.4% and 7.8% for 2020, 2021, and 2022, respectively. Mexico had not presented such high inflation in the last 20 years, affecting from basic staples products to gasoline, which, as previously stated, may have an adverse effect on the Company's operation, supply chain and guests, among others.

Likewise, the supply inflation impact may cause a Company operating margin decrease, as well as its managed hotels and from which our income or guaranteed profit is calculated, to the extent that the strategy and cost containment savings or the failure to transfer this impact to our hotel rates is not successful, which may constitute a strategy trying to not affect the demand that is beginning to recover. This may become unsustainable in a long term.

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 directly affect the Company's integrated financing results, thereby increasing its financing costs, in the event its bank debt is contracted at a floating rate. However, the recently experienced interest rates fall on international markets has reduced the Company's financial risk. Average interest rates on 28-day CETES (Mexican Treasury Bills) for 2020, 2021 and 2022 are: 5.3%, 4.4% and 7.6% (at the corporate year closing 10.10%), respectively.

<u>Risks Related to a Downturn in Economic Activity and High Inflation in the United States of America or Other Countries</u>

The risk of an economic downturn or high inflation 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 or in the inability to increase rates at the Company's hotels, specifically those beach destinations with greater influx of tourists from the United States, such as Cancun and Los Cabos.

The economic problems associated with the European armed conflict may affect travelers from the United Kingdom, the third originating market for Mexico; in South America, the economic crisis in Argentina, and the macroeconomic weakness of Brazil (fourth and fifth originating markets for Mexico, respectively) may have as a consequence less flow of tourists from these alternative international markets in the zone where our country has influence.

However, the main risk arises from the effects of the Russian invasion of Ukraine and the economic consequences of this war. The growing export restrictions for countries in conflict imply the rising of inflationary pressures associated with raw materials (gas and wheat, among others) and global supply chains shortages (chips, containers) resulting in turn from the imbalance between the composition of the demand for goods and services caused by the pandemic. This may lead to an increase in interest rates, which could detract from the growth recovery.

Risks related to Competitive Advantages of Surrounding Countries for the Same Markets

The countries that compete for the surrounding originating markets of North America, South America and Europe, such as the Dominican Republic or Costa Rica, are attempting to attract tourist flow by means of public investment in publicity, promotion and communication. Likewise, some of said countries are willing to grant tax credits or benefits to tourism investment or activity. These governmental decisions may give competitive advantages in relation to the present conditions in Mexico. If these investments or subsidies are successful, the Mexican tourism market may lose opportunities to retain or increase international travelers entering the country as regards those countries, or the impossibility of offering tourism products at more competitive prices, that may displace or limit our country's quota growth of the international tourism market or international competitors may more comfortably face the challenges confronted by the global sector in contrast to the national industry.

This same effect may present itself once the global economic activity is gradually reactivated. Currently, Mexico has benefited from the few entry restrictions to enter the destinations where we operate, however, this may only be temporary, as restrictions are lifted, travelers can change their travel patterns and destinations to more attractive destinations according to their interests and economy.

As of December 31, 2022, approximately 87% of the Company's rooms were located in urban destinations, and the remaining 13% are coastal hotels.

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 Computer Science, the World Tourism Organization, the National Tourism Business Board, amongst others. Likewise, the Company has utilized a series of public information sources, including among others, the Banco de Mexico. Information which is not source-based has been prepared in good faith by the Company, based on its industry knowledge 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 of 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, Company decisions and 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 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 future plans, 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, according to its initials in Spanish) under the National Banking and Securities Commission (CNBV, according to its initials in Spanish) so as to trade on the BMV. In our opinion, the Issuer has fully, timely and substantially 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 Securities Exchange 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 Securities Exchange, as well as to the common legal representative of said securities holders.

Based on the applicable regulations, neither the "2027 Senior Notes" nor related documents thereto 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, the financial, economic, accounting, administrative and legal information that is described hereinbelow, based on the text of the "Generally Applicable Provisions to Securities Issuers and other Securities Market Participants". During the last three corporate years, the Company considers that, on general terms, it has fully and timely delivered this information, or any other information requested by the authorities.

I. Annual Information:

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

1. Reports and opinion mentioned in article 28, section IV, of the Securities 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 corporate capital increases and decreases.

4. A statement related to fulfillment of professional requirements and independence that since Audit initiation that there is documentation evidencing implementation of a quality control Report system and consent so that the External Auditor may be included in the Annual Report or the prospectus, as mandated under the Generally Applicable Provisions to Entities and Issuers supervised by the National Banking and Securities Commission for those entities and issuers that contract external auditing services for basic financial statements (CUAE), article 39.

(b) Publication no later than April 30 of each year:

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

Publication no later than May 31 of each year:

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

II. Quarterly Information:

Within twenty business days following the end of each 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 results 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) Pursuant to the Generally Applicable Provisions to Entities and Issuers supervised by the National Banking and Securities Commission those aforementioned entities that contract external auditing services for basic financial statements (CUAE), the issuer should carry out diverse evaluation, review and information procedures on them (amongst others):

a. The results of the evaluation regarding compliance by the Firm and by the Independent External Auditor with the independence requirements stipulated in article 6.
b. The results of the review of the External Audit Report and the Basic Financial Statements attached thereto, as well as the communications and opinions of the Independent External Auditor demanded by article 15.
c. The mention and follow-up of the implementation of the preventive and corrective measures derived from the observations of the External Auditor.
d. The results of the performance evaluation of the External Independent Auditor.
e. Information regarding the measures adopted due to the claims made by shareholders, directors and others related to issues with the External Audit.

(c) The business day immediately following the shareholders 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 allocation 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.

(d) Within 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 minutes of the meetings of bondholders or other security holders, accompanied by the attendance list signed by the ballot inspectors appointed for such purpose, indicating the number of securities corresponding to each bondholder and, if applicable, by whom he is represented, as well as the total number of securities represented.

(e) At least six business days before each one of the acts referred to, the following notifications:

1. Notification to the shareholders for exercising the corresponding preemptive right due to a corporate capital increase, and the subsequent issuance 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, stating 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.

(f) On June 30 every three years, the formalization of the general shareholders meeting which approved verification of the Company's corporate by-laws or the certification that the same have not been modified.

IV. <u>Purchase of own shares</u>:

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 Shareholdings:
The Company is obligated to present no later than June 30 of each year a report containing disclosed shareholding information related to material directors and officers and the holders of significant percentages of the Issuer's shares.

VI. Material events

The Company is obligated to inform the BMV of its material events, in the manner and on the terms stipulated by the Securities 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 National Securities Registry.

Since 2014, the stated corporate capital without withdrawal rights 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 number of share in the repurchase fund amounts to 16,855,600 shares, therefore, 495,881,988 Series A shares are circulating in the open market.

On March 28, 2023, the Issuer's Ordinary General Shareholders Meeting was held, which amongst other things, resolved on the 2022 corporate year annual results and reports and ratified the members of its board of directors.

On April 5, 2022, the Ordinary General Shareholders Meeting of the Issuer was held, which amongst other things, resolved on the 2021 corporate year annual results and reports as well as on the members of its board of directors.

During 2021 tax year, two Company's bylaws were amended, as recorded in public deed instrument 48,591 dated December 2, 2021, attested to by Juan Jose Barragan Abascal, Notary Public 171, who formalized the resolutions modifying eighth clause subsection (a) (of the bylaws) of the Extraordinary Shareholders' Meeting of November 30, 2021, to read as follows:

*"**Eighth.** The corporate capital shares shall be subject to the following stipulations:*

*(a) Each share shall confer equal rights and obligations to its holders; **therefore, the issuance of shares without voting rights shall be prohibited.***
(b) …"

(the rest of the clause remains the same)

And public deed instrument 47,358 dated July 21, 2021, containing the amendment of the Fifth Clause of the corporate bylaws, corresponding to the corporate purpose of the Company.

On June 25, 2020, the Issuer's ordinary general shareholders' meeting took place, which, amongst other things, resolved on the annual results and reports, as well as ratification of the members of its board of directors.

f) Public Documents

The information contained in this Annual Report, may be consulted or expanded with the investor relations area of the Company by calling (52 55) 5326-6757, or directly at the Company's domicile located at Av. Prolongacion Paseo de la Reforma 1015, Torre A. Piso 9, Torre A, Col. Santa Fe Cuajimalpa, Ciudad de México, 05348, Del., Cuajimalpa de Morelos, as well as on the Exchange's website at www.bmv.com.mx, where the Code of Best Corporate Practices will also be available for consultation..

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 in Mexico, Federal District on April 18, 1967, under the original corporate name of Promotora Mexicana de Hoteles, S.A., with a corporate life of 99 years. The Company´s address is Prolongacion Paseo de la Reforma 1015 Piso 9 Torre A, Col. Cuajimalpa, Ciudad de México, 05348. Telephone 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 Hoteles, S.A. de C.V., a Mexican company created to manage hotel properties. The first Fiesta Americana hotel opened in 1979 in Puerto Vallarta; currently it is operated by the Company.

The subsequent new Company 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 undergoing a saturation period and the Company realized that management of third-party hotels reported more reservations than those that 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 Securities Exchange. In 1993, it began to address 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 its 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 Products 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, close to the archeological zone of Kohunlich and in Cozumel.

In 2003, the Company established Conectum, the management services center, 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” [T.N. 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 Securities 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 launched the product “Kivac” which consists in the sale of points effective for 5 years exchangeable for lodging at any of the Company’s hotels, and 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 IFC, thereby acquiring full control over the South American business.

In 2011, the Company allied itself with Santander bank to issue the shared brand credit card Santander-Fiesta Rewards, with which clients accumulate points exchangeable in the company’s loyalty program operating under the same “Fiesta Rewards” Brand.

In 2011, the Fiesta Inn concept was re-launched. The Company exercised the share purchase option right from third parties regarding one of its subsidiaries, indirect owner of one of its beach hotels, the Fiesta Americana Condesa Cancun. In 2017, this hotel was sold to Fibra Hotel.

From the corporate viewpoint, in 2011, Jose Carlos Azcarraga Andrade was appointed Director General of the Company, and the shareholders meeting agreed to unify Series L shares (shares with limited vote) into Series A. This was executed in February 2013.

On July 16, 2012, Posadas announced that it had reached an agreement with Accor, S.A. (Accor), to sell its operations in South America. On October 10, 2012, the sale was officially completed.

In 2012, the Company acquired 47.8% of the corporate capital of SINCA, which was the holding company for a company group that owned 10 hotels that were sold to FibraHotel.

In 2012, Posadas sold 12 real properties and hotel equipment to FibraHotel, located in central and northern Mexico, operated under the Fiesta Inn and One hotel brand. In mid-2013, the Company sold three additional “Fiesta Inn” hotels to FibraHotel, and in 2014 sold 2 more Fiesta Inn and One brand hotel. Posadas was the majority owner of all of these hotels. Regarding all the hotels conveyed to Fibrahotel, the Company has signed contracts to keep operating them.

In April 2013, Posadas created The Front Door, a new luxury brand in the Vacation Products Business intended to offer a select portfolio of residential and hotel properties at exclusive destinations. That same year, the Company acquired 16 luxury apartments located in Puerto Vallarta (Marina Vallarta) allocated to the time-share business. In 2016, The Front Door became Live Aqua Residence Club (LARC). In December 2015, the Company acquired a land lot in Los Cabos, Baja California Sur, to allocate to constructing villas for the Live Aqua Residence Club product. During 2016, the first construction stage of these villas continued, which concluded in 2017 with 109 rooms and a total investment of $434 million pesos.

In connection with our traditional Fiesta Americana Vacation Club, in 2013 we allocated the Fiesta Americana Cozumel hotel to the timeshare system. Finally, in 2013 and 2014, Phase III of our time-share facility allocated to Vacation Products in Los Cabos, Baja California Sur, was finalized. Both projects are estimated at an approximate investment of $450 million.

In 2013, Posadas acquired two lots of land that it intended to use for Vacation Products, one of them located in Bucerias, Nayarit (Nuevo Vallarta), and the other in Acapulco, Guerrero. On February 24, 2020, we concluded the sale of the Nayarit land lot for $240 million pesos and for this 2022 corporate year it is planned to contribute the real property to a real property development.

In 2013, we contributed to a trust (as a sale vehicle) the last land lots to which Posadas is entitled in Porto Ixtapa. We expect that economic development at that location will result in a successfully concluded 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 which contained its Corporate Offices located at Reforma 155 and enter into a mandatory ten-year term lease agreement. Subsequently, Posadas terminated the lease contract for the Reforma 155 corporate offices and entered into a mandatory 10-year term lease contract with the same party related to offices located at Av. Prolongacion Paseo de la Reforma 1015, Torre A.

On August 30, 2013, the sale of the property located on Costa Maya, Quintana Roo, was agreed upon. This transaction was executed in 2014.

During 2014, the Vacation Product segment offer was broadened by reopening the hotels Fiesta Americana Cozumel All-Inclusive and The Explorean Cozumel which were remodeled for an approximately $300 million investment.

As part of its product renovation strategy, during 2014 Posadas developed and launched the new “Fiesta Americana” and “Grand Fiesta Americana” concept, an integral renovation, encompassing image and logotype including public areas and rooms. Likewise, the Fiesta Inn Express and Fiesta Inn Loft brand expansion to respond to travelers’ needs.

In 2015, with the creation of the Gamma brand the Company started its Franchise operations. Based on this brand, Posadas markets its services through franchising, thus recognizing that there are business opportunities in good quality Mexican hotels, with market presence but which however lack new systems and distribution channels. Therefore, these hotels are not market-competitive for the principal corporate accounts and need better marketing tools to increase market share. The foregoing most of the time allows the owners of said hotels, or those legally entitled to freely convey them, to preserve their operation, increase quality standards and, at the same time, take advantage of the Franchisor’s distribution channels infrastructure. At present, Posadas has franchises for Gamma, one, Fiesta Inn, The Explorean and the Curamoria Collection brands.

In May 2015, the Company approved and ratified before the Taxpayers’ Defender Office the partially conclusive agreement signed with the Tax Administration Service in the amount of $67 million regarding the Turistica Hotelera Cabos XXI, S.A. de C.V. subsidiary. Under said conclusive agreement, the Company has made 9 payments out of 10 installments corresponding to the tax credit.

As part of the activity and service consolidation process, the Company has been focusing on the hotel business industry. Therefore, the company has maintained service businesses: (i) Conectum, the administrative service center, responsible for the administrative control of the owned, leased, and 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 and Compras 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 internal service areas for the corporate offices and for the hotels operating under our brands.

During 2016 Live Aqua presented the Live Aqua Urban Resort, Live Aqua Beach Resorts and Live Aqua Boutique Resorts.

In 2018, Posadas sold the Ramada Laredo Civic Center hotel, the last of its US properties.

Regarding our growth strategy outside of Mexico, the Company entered into the following operating contracts in Punta Cana, Dominican Republic:

- September 2017: 15-year operating contract, under the Grand Fiesta Americana brand, with 554 rooms. This local investment project is estimated to be operating in 2020.
- August 2019: 15-year operating contract under the Live Aqua brand with 347 rooms. This project opened in February 2021.
- February 2022: 15-year operating contract, under the Funeeq brand with 498 rooms.

As part of our diversification strategy, in 2022 Posadas developed a new residential lodging product consisting of the licensing to third party residential real estate developers that would be acquired by different individuals and companies, and the sale of these properties would be promoted among its database. Posadas would carry out the management activities of the condominium administration, as well as the management of the lodging in the residences that adhere to the scheme. The real estate brands that would be used for this purpose are Live Aqua, Grand Fiesta Americana, Fiesta Americana and Curamoria Collection.

In the financial, corporate and realty field, the following activities stand out from 2020 to publication date of this report:

- On June 30, 2015, the Issuer carried out a debt issue for US$350 M dollars in notes known as “2022 Senior Notes” by way of the Luxemburg Securities Exchange. The intention was to substitute the US$310 M dollars issue 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 prior issue.

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

- In connection with the Senior Notes issue 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 add-on issue was made in such a manner that the issue due in 2017 totaled the 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 November 2016, the US$38.3 million balance was pre-paid since the Company made an add-on issue on May 16, 2016, of US$50 M dollars of the "Senior Notes 2022" program at an annual 7.875% rate due in 2022. With the add-on issue, the "Senior Notes 2022" program amounted to US$400 M dollars.

- On February 20, 2019, pursuant to the Indenture of the 7.875% Senior Notes Due 2022, the Company announced to the market through the BMV the Offer ("Offer to Purchase for Cash") to prepay and settle up to $515 million of its debt due 2022. The term of the offer expired on March 20, 2019, and was settled on March 22, 2019, with a payment of US$7.4 representing the sum of the consideration to the holders of the repurchased Notes and the payment of accrued interest on such Notes. After the Offer to Purchase for Cash, the balance of the 7.875% Senior Notes Due 2022 was US$392,605,000.

- To ensure business continuity, as a result of the significant COVID-19 related deterioration in the Company's operating income and cash flows, as well as the then uncertain impact that COVID-19 would have on the Mexican tourism industry, we were obligated to default on interest payments of approximately U.S.$15.5 million each, payable on June 30 and December 30, 2020, and June 30, 2021, with respect to the 7.875% Senior Notes due 2022. We also negotiated the terms of most of our relationships with suppliers, lessors and landlords.

- In 2021, we successfully completed the comprehensive restructuring of our debt, exchanging the 2022 Senior Notes for new notes due 2027 in the amount of US$393,235,022 (including a premium payable in capital). This was done through a complex process in which an agreement was established with a representative group of holders of the old notes, which was offered to the rest of the holders of the issue and binding through a judicial proceeding called "prepackaged Chapter 11", processed with the courts of the United States of America. Substantially all of the company's real estate assets and the vacation program portfolio and collection proceeds have been pledged as collateral for the performance of this obligation. The negative and positive covenants represent more restrictive situations than the last issue in effect.

- On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who made an exchange request before June 14. In turn, a partial cancellation in the amount of US$5,346,298 of Non-Qualified Holders was made as a consequence of the rules established in the restructuring process. With these actions, the restructuring was concluded.

- On May 2, 2016, the Company announced the lease and future sale of the Fiesta Americana Hermosillo hotel with 220 rooms, which will continue under Posadas' operation. On January 31, 2020, we received $108 million from said sale.

- In 2017, the Company acquired 6% of a trust to develop a hotel project on the Riviera Maya, ("Tulkal"), where two hotels will be built: A Fiesta Americana with 515 rooms and a Live Aqua with 340 rooms; both to be operated by Posadas. In 2018, Posadas began construction of this development and from 2018 to 2021 Posadas made several contributions. Posadas had signed a contract to operate said properties under the Live Aqua and Fiesta Americana brands. In July 2021, Posadas signed a termination agreement for the aforementioned operating contracts and in September 2021, it sold its 12.5% investment trust shareholding in the development project.

- On June 22, 2017, the subsidiary Inmobiliaria del Sudeste, S.A. de C.V., owner of the Fiesta Americana Merida hotel contracted a seven-year term secured trust loan for $210 million. The funds will be used for corporate purposes including refurbishment of hotel public areas. The Company has made the following payments: 1) January 23, 2018, the Company prepaid $10 M, reducing the outstanding balance to $200 M. 2) As of July 2018, monthly payments of $1,872. As of December 31, 2020, the remaining balance amounts to $159 million. As a result of COVID, the company obtained from Citibanamex a grace period beginning on April 23, 2020, to give time for the recovery of demand for Fiesta Americana Merida hotel, measured per occupancy factor. The third modification agreement to the modified and restated contract, dated April 23, 2021, establishes that interest will be paid quarterly until April 23, 2022, and on this same date the monthly principal payments will be resumed beginning with the amount of $2,458. In 2022, the subsidiary made payments in the amount of $30 M towards interest and principal. The outstanding balance to December 31, 2022, amounted to $136 million.

- In 2017, the Company agreed to the sale and subsequent leasing of the Fiesta Americana Condesa Cancun hotel with 507 rooms to FibraHotel ("FIHO"), for a total sale price of $2,892 million. The Company and FIHO agreed to invest approximately $60 million each, for the renovation of public areas during 2017 and 2018, without affecting hotel inventory. In January 2018, as part of the sale agreement, Posadas as lessee and FIHO as lessor executed a leasing contract for a total term of 15 years, by virtue of which the Company would continue to operate the Hotel. During 2018, Posadas agreed to increase its remodeling investment commitment to reach $75 million for each of the parties, said remodeling to conclude in 2020. As a temporary measure for corporate years 2020 and 2021, the Company obtained discounts and rent payment and other obligation deferrals from the lessor.

- On April 30, 2019, the Company early terminated the operation and license agreement for the Fiesta Americana Grand Puerto Vallarta hotel with Parks Operadora Hotelera, S. de R.L. de C.V. ("Parks") and simultaneously signed a mandatory 10-year lease on said property as of May 1, 2019. On August 15, 2021, the Grand Fiesta Americana Puerto Vallarta hotel lease contract was early terminated.

- On February 24, 2020, we concluded the sale of a land lot in Nuevo Vallarta, Nayarit for $240 million pesos.

- In March 2021, we executed the sale of the Fiesta Americana Hacienda Galindo hotel, receiving $156 million, also previously announced.

- In September 2021, we signed a contract subject to condition precedent in order to contribute a plot of land in Acapulco to a mixed-use real property development trust. Consequently, in 2022 we signed a trust whereby, as trustor and trustee, Posadas contributed the land lot and will receive 29 apartments to be used for its vacation products. Likewise, Posadas will grant a brand license and manage the condominium.

- In relevant tax matters, in connection with the tax liabilities corresponding to 2006 tax year, reported in the 2015 consolidated financial statements, it is informed that in September 2020 the proceeding that declared the tax liability partially null was finally resolved, and on April 30, 2021 a new $222.8 million pesos tax liability was determined. The Company filed a nullity proceeding against the new tax liability, as well as a complaint, both of which were withdrawn. On March 30, 2022, the Company paid the tax liability in the amount of $174.0 million pesos benefitting from article 70-A of the Federal Tax Code; therefore, the matter has been definitively concluded. For further details see section: *3) Financial Information, c) Material Loan Information*.

- Payments were made to the SAT for $561 million pesos. $174 million pesos correspond to the resolution of the 2006 proceeding and $387 million pesos to the ninth and penultimate annuity of the conclusive agreement with the Mexican tax authorities entered into in 2017. For further details see section: *3) Financial Information, c) Material Loan Information*.

The 2022 detailed corporate year closing financial situation is presented in the Financial Statements to this report and demonstrates, duly explained, and classified, the Corporation's profit and loss during the corporate year. Likewise, it presents the financial situation changes during said year, and evidences the 2022 corporate year changes in the entries that comprise the corporate net worth. The necessary notes complementing and clarifying the information contained in the financial statements are also detailed in the Independent Auditors Report and the 2022, 2021 and 2020 consolidated financial statements of Grupo Posadas S.A.B. de C.V. and Subsidiaries, issued by Galaz, Yamazaki, Ruiz Urquiza S.C., (Deloitte).

Principal Investments 2020-2022

During past years, the Company strategy has been to continually grow through hotel management contracts, and now hotel franchise contracts. This implies allocating limited capital expenses to determined expansion projects and focus investing in maintaining already existing properties.

The following details the principal investments that the Company has made from 2020 to 2022:

For 2020, the consolidated annual capital expenses totaled $335 M:

- 66% was used for the maintenance and remodeling of hotels, specifically the Grand Fiesta Americana Chapultepec hotel in Mexico City.
- 18% was used for Vacation Properties.
- The remaining 16% was used for corporate and technological purposes.

For 2021, the consolidated annual capital expenses totaled $268 M:

- 41% was used for maintenance and remodeling of hotels, specifically the Grand Fiesta Americana Chapultepec.
- 22% was used for Vacation Properties (Loyalty)
- The remaining 37% was used for corporate and technological purposes.

For 2022, the consolidated annual capital expenses totaled $223 M:

- 28% was used for the maintenance and remodeling of hotels.
- 52% was used for Vacation Properties (Loyalty).
- The remaining 20% was used for corporate and technological purposes.

b) Business Description

i) Business Description

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 Urban Resort, Live Aqua Beach Resorts, Live Aqua Boutique Resort, Live Aqua Residence Club, Grand Fiesta Americana, Fiesta Americana, Curamoria Collection, The Explorean, Fiesta Americana Villas, Fiesta Inn, Fiesta Inn Express, Fiesta Inn Loft, Gamma and One Hotels. On April 4, 2022, the Merida MID-Center hotel under the IOH brand was opened.

Since 1999, it operates a time-share 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 Acapulco, Guerrero, and under the "Live Aqua Residence Club" brand in Puerto Vallarta and Los Cabos. For the operation of the above, it has formed alliances with Hilton Grand Vacations Club, The Registry Collection and Resort Condominiums International (RCI); furthermore, it has international reservation access through Save on Resorts, which has allowed it to penetrate foreign markets with greater force.

The Company operates sale of membership products under brands such Fiesta Americana Access, tourism services discount clubs.

In 2014, Posadas made an incursion into the hotel franchising market under the Gamma brand and in 2018 signed its first One Hotel brand franchise contract. Since then, it has increased the number of franchisable brands with The Explorean, Curamoria and Fiesta Inn.

Posadas' income evidence 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 19 additional hotels with 3,219 rooms, the majority of these projected to be operating in 2024. This will represent a 11% room offer increase and, of this, 29% corresponds to economy and business formats, including the Gamma brand. Of this hotel total, 4 will operate as Live Aqua, 1 as Live Aqua Residence Club, 1 as Grand Fiesta Americana, 1 under the Fiesta Americana brand, 2 under the Curamoria brand, 1 as Funeeq, 2 under the Fiesta Inn Brand, 5 under the three-star hotel chain "one", and 2 under the Gamma brand. In line with the Company's strategy of operating a larger number of hotels with minimal investment, the Company plans to be the operator or franchisor of said rooms through franchising, management, and leasing contracts with third party investors. The Company estimates total investment for the aforecited Mexican development plan at approximately $13,399 million (US$692 million) of which Posadas contributed 3% of the resources and 97% was contributed by outside investors.

Additionally, there is a project to develop 28 apartments in Acapulco Diamante which will be used for vacation products to start operating in the following two years.

Furthermore, in 2022 Posadas laid the groundwork to venture into the residential lodging product. Through this plan, the Company intends to obtain income from any of the following activities: (i) extend our 5-star [premium] and standard brands to third party housing developments, (ii) promote their sale with our clients, (iii) manage the condominium administration and (iv) manage residential lodging. To date we have two contracted projects, one in the Acapulco Diamante area and the other in Tulum.

Posadas is an important purchaser of a broad spectrum of goods and services in the Mexican hotel industry. During 2022, 3 sectors were developed:

Negotiations:

Amongst the important negotiations we have had this year are: the Global Distribution System, backoffice platforms, collaboration platform, redundant links, new white standard for midscale hotels and towels for Live Aqua and urban solid waste collection.

Processes:

Procurement process was redefined, giving more authority to the business units to execute local purchases, concentrating the efforts of the Corporate Purchasing area in negotiations corresponding to 80/20 of expenditure.

Sustainability:

As part of our supply process, we share with our potential suppliers certain practices that govern us in different areas such as our Code of Ethics and Conduct and environmental sustainability.

Since 2021, the Company has implemented ESG (Environment, Social and Governance) compliance measurements for suppliers through an external certification and encouraged less sophisticated suppliers with action plans to increase their compliance level and promote their development and quality. Our supply chain will increase its level of sustainability as much as we can impact and transfer our culture to our suppliers. This year we were able to increase our suppliers' ESG rating by two figures in comparison to 2021.

During 2022, still due to the pandemic and other economic effects, a supply crisis and increases in raw materials continued to be a constant and the strategy taken to ensure meeting brand promise and standards was to broaden our supplier portfolio, having more than one corporate supplier per key supplies, as well as alternative products.

Supply variations due to exchange rates and inflation have been partially controlled by substituting imported products with national similar quality products. Likewise, supplier centralization has resulted in better terms and conditions.

Some of our principal suppliers during this year were: Sigma Food Service Comercial, Travelclick Inc, Accenture, Si Vale, Sabre, Six Sigma Networks Mexico, Beta Procesos, among others. It should be mentioned that the Issuer is not dependent on any supplier.

Since the Company sustains its development on hotel management, the price volatility of the principal hotel construction and equipment raw materials would indirectly affect it. Raw material price volatility for hotel operations would directly affect operating expenses. During tax year 2022, the increase in the prices of food and beverages, some fruits and vegetables, meat, and hygiene products, were significant for 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 qualities and characteristics.

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, and subsection c) Risk Factors, Concentration in One Industry in this Annual Report*.

During 2019, the Company entered into a global agreement in which various owned and managed hotels would participate in the corporation Cogeneracion del Altamira, S.A. de C.V. and enter into self-supply contracts for minimum volumes and 5-year terms. However, various political, bureaucratic, and normative issues have hindered obtaining the necessary authorizations, so that the programs enter into force. According to information from the company Cogeneracion del Altamira, S.A. de C.V., at present it is currently litigating the omissions of the authorities and various norms issued by the Congress of the Union or the administrative authorities in this area. To this moment, there is no certainty as to the result of the above. This situation affects not only the cogeneration entity of which we are partners, but also the electric power cogeneration industry. We are currently evaluating self-generation projects in certain hotels.

For the Company's financial information according to business line and geographic zone, see section *3) Financial Information 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 *1) General Information c) Risk Factors, part Natural Disasters and Environmental regulations.*

ii) Distribution Channels

The Company considers investment in new systems and technology as 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 system which the Company uses to market and sell hotel rooms 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 center located in Morelia, Michoacan, global distribution systems (GDS), travel agencies, Internet intermediaries, and the Company's own web site.

In the same manner the company strengthens its distribution channels, we are also strengthening technology in the service sector, which is linked to customer satisfaction and experience. Although, it is applied to organization or internal process improvement, all the benefits result in providing operational optimization and better services.

The Company Loyalty program "Fiesta Rewards" maintains, in alliance with Santander Bank, a credit card under the shared brand Santander-Fiesta Rewards, with which the clients obtain travel benefits. To 2022 corporate year closing, the Santander Fiesta Rewards credit card has more than 219,000 card holders, in the same year 60,000 new cardholders were affiliated.

Fiesta Rewards has significantly contributed to Posadas' retention of valuable clients and maintain stable income during different business cycles. The Fiesta Rewards members receive varying benefits such as points, preferential rates, advance sales, exclusive experiences and point exchanges per night of accommodation in the Posadas affiliated hotels, catalogue items, airplane tickets, automobile rental, amongst others. Fiesta Rewards is the best-known loyalty program as between the Mexican hotel chains in regard to active members.

The Fiesta Rewards mobile app continues evolving by adding the loyalty point sale program function and improving the digital pre-check-in experience allowing guests to pay for their lodging and chose their room a day before their arrival.

The domestic, United States and Canadian markets are the main objectives of our market efforts abroad, which are mainly allocated to resorts promoted under the "The Collection" brand. Part of this work is done from our subsidiaries in the United States.

With the renovation of all our websites, we increased the number of users. With a new architecture and improved user experience attributes, we closed the year with 69% of bookings made through our own channels.

The timeshare marketing system differs from hotel room distribution channels. It is mainly based on the implementation of a promotional system by launching campaigns to attract potential clients to the Vacation Products experience, providing them with complementary passes, and through a local sale program and showroom network. Vacation Products sales cost around 35%. Along with timeshare membership, the client becomes an exchange club member in which the client may use their points to travel to other Company destinations allocated to timeshare, to hotels operating under Company brands or to third party hotels. This flexibility presupposes an additional reservation channel for hotels affiliated in the system.

With respect to Vacation Products and Fiesta Americana Access sales, the Company usually offers its clients an average five-year deferred payment plan for both programs. Most sales are made through this method and the customers pay a financing cost.

Committed to our different loyalty product members and understanding the evolution of this changing world, we relaunched *Fiesta Americana Vacation Club Access (FAVC Access).* A 5-year term vacation membership that offers access to a discount club offering up to 50%-off public price at hotels in Mexico and around the world, including other benefits in addition to Fiesta Rewards. FAVC Access reached a 4% share of room night production of all loyalty products, growing 200% in comparison to 2021. During December, FAVC Access represented a 50% share of all products sales.

For their part, the products Live Aqua Residence Club (LARC) and Fiesta Americana Vacation Club (FAVC), closed 2022 with 1,495 and 30,593 active members, respectively.

The Company has an online reservation tool for specially negotiated rates, denominated “Corporate” for Corporate and Local Agreements, Consortiums, Agencies, Wholesalers, Exchanges, and Grupo Posadas Employees. Amongst the most important corporate accounts are the following:

1. Univision (USA)
2. Representaciones de Hoteles de Mexico S.A. de C.V.
3. Yazaki (USA)
4. Cerveceria Cuauhtemoc Moctezuma S.A. de C.V.
5. Finvivir S.A. de C.V. SOFOM ENR.
6. Carso Eficentrum S.A. de C.V.
7. Aerovias de México S.A. de C.V.
8. Ferrocarril Mexicano S.A. de C.V.
9. Abarrotera del Duero S.A. de C.V.
10. Comercializadora Eloro S.A.

During 2022:
- We had 3.7 million reservations (7.15 reservations per minute).
- We achieved 24% growth in comparison to 2021.
- Room income grew by 53.48% for 2022 in contrast to 2021.
- Our own channels (including groups) maintain a contribution of 67.5% of the bookings.

The VOICE channel and OTAS remained the most important channels generating the largest number of reservations, representing, respectively, 18.9% and 24% of the reservations.

- The *Website* channel grew 41% in room nights in 2022 vs 2021, 82.19% in revenue for 2022 vs 2021, and 31.78% in bookings in 2022 vs 2021.
- The distribution cost per booking remains below $10 USD.
- GDS channel grew 53% in room nights in 2022 compared to 2021 and increased 61% in bookings in 2022 vs 2021.

The number of reservations and room nights received in 2022 shows a significant growth compared to 2021. Additionally, the negotiations with our suppliers continued as well as our channel optimization allowing us to keep our competitive advantage at a distribution cost lower than $10 USD.

iii) Patents, Licenses, Brands and Other Contracts

The Company operates its hotel business under four principal models: (I) owned hotels and leased hotels commercially exploited to the benefit of Posadas; (ii) third party hotels managed by Posadas to the benefit of said third parties; (iii) hotels leased from third parties but managed by Posadas to the benefit of the lessors and (iv) franchised hotels. In 2022, we ventured into the residential lodging segment.

The Company considers that its hotel operator experience, having its very own reservations system, technological investments as well as a loyalty reward system are the principal attributes through which it adds value for independent hotel owners. For the purpose of increasing yield on invested capital, in recent years the Company strategy has concentrated on selling hotel and residence management and operating services by signing management contracts with local partners to develop new properties and by converting already existing properties to the Company brands. Additionally, the Company has a system to provide franchising services under the Gamma, One Hotels, Curamoria Collection, Fiesta Inn and The Explorean brands. The Live Aqua, Grand Fiesta Americana, Fiesta Americana and Curamoria Collection brands will be used within our residential lodging business.

In order to continue 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 not belonging 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 and residences pay royalties to Posadas. Royalties are calculated as a percentage of each hotel or development's total sales or from other services marketed under Company brands. The Company is the holder of diverse industrial and intellectual property rights it has created and developed throughout the years, such as: Live Aqua and its derivatives, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn and its derivatives, Gamma, One Hotels, IOH, Curamoria Collection, Fiesta Americana Vacation Club, Fiesta Rewards, Conectum, and Konexo, amongst others. These brands are protected in different jurisdictions, subject to the terms and conditions each jurisdiction stipulates.

We implemented the Net Promoter Score (NPS) as the fundamental indicator to measure hotel performance based on guest appreciation, appealing to our customer-centric philosophy.

To December 31, 2022, the average life of the Company's hotel management contracts (except its owned hotels) was 11 years. Detailed per brand, it was: 11.3 years for Live Aqua, 7.2 years for Grand Fiesta Americana, 9.9 years for Fiesta Americana, 10.0 years for Fiesta Inn, 17.4 years for Fiesta Inn Loft, 9.4 years for Fiesta Inn Express, 14.0 years for Gamma, 11.5 years for One Hotels, 18.4 years for Curamoria Collection and 19.3 for IOH. 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.

Currently, the Company provides hotel services basically under 9 brands and has already entered into agreements to operate under two additional brands, Funneq and Dayforia:

Posadas Mix of Brands					
Brand	**Category**	**Hotel Rooms**	**Rooms by range**	**Location**	**Segment**
Live Aqua Residence Club	Luxury	2 160	20-100	Luxury residences for Vacation Properties	International tourists and high end locals
Live Aqua Hotels & Resorts	Luxury	5 1,073	130-400	Upscale Resorts and large cities	International tourists and high end locals
Grand Fiesta Americana Hotels & Resorts	Grand Tourism	8 1,910	200-600	Large cities and upscale Resorts	Domestic and International tourists and business travellers
Curamoria Collection	Boutique	5 134	1-60	Upscale Resorts and large cities	International tourists and high end locals
Fiesta Americana Hotels & Resorts	Family / Business	14 3,953	80-650	Large cities and upscale Resorts	Domestic and International tourists and business travellers
The Explorean Discovery Resorts	Family	2 96	40-100	Resorts	Ecotourism, Domestic and International tourists
Fiesta Americana Vacation Club	Family	5 1,774	100-300	Resorts	Domestic and International
IOH Freestyle Hotels	Freestyle	1 136	90-220	Small, large and mid size cities	Domestic and International tourists
Fiesta Inn Hoteles Business Class	Business	70 10,178	90-220	Small and mid size cities	Domestic and International business travellers
Fiesta Inn Loft	Business	4 388	40-150	Small and mid size cities	Domestic and International business travellers
Fiesta Inn Express	Business	3 378	40-150	Small and mid size cities	Domestic and International business travellers
Gamma Hoteles	Family	22 2,975	80-200	Small and mid size cities	Domestic and International business travellers
One hotels	Economy	48 5,997	100-140	Mid and large size cities in industrial locations	Domestic business travellers
Total		**189** **29,152**			

Source: Posadas

The Company has entered strategic alliances related to 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 mentioned in section: *1) General Information, subsection b) Executive Summary* and section *2) The*

Company in this document. Recently, in some of its hotels it has begun to incorporate third party brands and franchises in consumption centers, gastronomic experiences, amenity production, jewelry, among others.

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

The Vacation Product (Loyalty) segment of the Company has four lodging service marketing modalities. On the one hand, it has two timeshare products both granting, in relation to hotel properties, a 40 year right to use represented by annual points. These modalities are our traditional Fiesta Americana Vacation Club and the product Live Aqua Residence Club (LARC); this last one addressed to a high-level purchasing power. FAVC points may be exchanged for lodging at any of the 7 FAVC complexes located in Los Cabos, Acapulco, Cancun, Cozumel and Kohunlich, as well as at any Posadas operated hotel. LARC points may be exchanged in Puerto Vallarta, Cozumel, and Los Cabos, in addition to the aforementioned destinations. Additionally, FAVC members may use their points at Resorts Condominium International ("RCI") complexes and Hilton Grand Vacation Club or at any affiliated complexes in different parts of the world. In the case of "Live Aqua Residence Club", to exchange these points the Company allied itself with The Registry Collection.

Secondly, the Company operates a discount club for stays and other tourist services (Fiesta Americana Access) and (Kívac), which is a vacation pre-purchase modality on dates and destinations to be determined. These products mainly serve as one of the Posadas' System own channels, however, the complementary requirements of the clients mean that tourist services provided by third parties can be offered. Currently, the Company has decided to prioritize the marketing of Fiesta Americana Access, with respect to the Kívac points, which remain redeemable until their maturity and eventual new purchases by current members.

Other relevant contracts

In addition to the hotel management, license and franchise contracts, the timeshare sale and other vacation, license, promotion, condominium and residential management products, as well as strategic alliances, the hotel business has become highly dependent on information and connectivity systems, and on certain providers of hotel and residential inventory distribution channels, as previously described in section *ii) "Distribution Channels"*.

Furthermore, Posadas executed with Accenture, and other technological service and license suppliers such as Oracle TCA and SAP (Ariba, HCA/UNET and Gigya social log in) important contracts supporting the Company's operations. Posadas would need to retain similar third-party services, if these contracts are not renewed which could imply costs due to supplier substitution.

The Company may directly or indirectly incorporate third party intellectual property into its products and promotions. Recently, the judiciary branch has confirmed criteria related to satellite or cable signal transmission, providing that said activity does not include the right of public exhibition of audiovisual works in hotels, and that the privacy of the room does not exempt the establishment from the payment of the corresponding royalty. Likewise, in March 2022, a binding legal precedent was recorded in the sense that if a hotel lacks a license to use audiovisual works, it shall pay a 40% compensation of its total income. Currently, the Company has entered into long-term contracts with some of the collective management companies of this type of rights for its owned and managed hotels and is negotiating with some who claim to have other similar rights.

iv) Principal Clients

Given the nature of the hotel industry, the Company considers that it is not significantly dependent on any or several identifiable clients as users of hotel services whose loss 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 Grand Fiesta Americana, Fiesta Americana, Fiesta Inn, Gamma and One Hotels brands; the wholesale segment in the North American market, is principally for the resort line under the Live Aqua, Grand Fiesta Americana and Fiesta Americana brands; 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 closing of said markets may significantly and adversely affect the Company's operating results. Delay in consolidating new markets or competition in other destinations, may be economically more competitive and may complicate the operating results of this markets. This dynamic is still observed in the pandemic impact or other economic or political affectations period, although it is true that some originating markets have become more relevant, such as the Colombian market and South America in general, they are still very far from the production of countries such as the United States of America and Canada.

The segment of business travel and tourism for groups and conventions has returned more slowly and there are places where, despite having no operating restrictions in place, it has not returned in attractive volumes.

Furthermore, there is a trend to consolidate hotel ownership in groups such as FibraHotel and other institutional real property investors. At present, we operate 68 hotels owned by FibraHotel representing 36% of total hotels operated by the Company and 3 other owners concentrate the operation of 16 third-party hotels representing 8% of the total.

This trend is expected to continue increasing in the near future. The loss of FibraHotel or other family groups as a client, as well as a negative impact on their operations and structure would seriously and adversely affect the Company’s operating results and financial situation.

v) Applicable Legislation and Tax Situation

In general, hotel, time-share and residential lodging activity are subject to diverse local (municipal, state) and national (federal) regulations, in the diverse operating jurisdictions. In this manner, modification of said provisions may mean a cost increase that the Company must incur to comply therewith, 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, environmental, food, and beverage supply, including alcoholic beverages, swimming pools, civil defense, health, wastewater use and disposal, consumer protection, hotel registration and classification, amongst others. Thus, we rely on administrative authorities that said authorizations are issued in a timely manner, and that the application guidelines of said authorities are congruent and pursuant to applicable normativity or with the interpretative criteria we apply. There is a constant modification of regulations that affect the segments we operate. Amongst the most relevant, in 2022, an amendment to the official standard regulating the timeshare sale and an amendment to the Regulations of the General Law to Control Tobacco, which, amongst other restrictions and modifications, prevents us from providing goods or services in areas intended for smokers were enacted. Also, within the improvement and updating process of regulations, the relevant authorities are constantly reviewing federal and local regulations, as well as issuing new regulations, requirements or restrictions that affect our business.

We have no knowledge of contingencies that may consequently jeopardize or cause a material adverse damage to hotel operations related to the obtainment or compliance with said authorizations or modifications to applicable norms. However, we are continuously correcting any deviations from or adapting our operations to the existing or new applicable rules.

In labor terms, the 2021 subcontracting amendment did not have a significant impact on the composition of the Company's workforce, since practically all of its workers are part of the companies benefitted by their services, except for its material directors. However, the Company identified that it provides services to third parties that could be interpreted as specialized services, such as: the hotel management body, which, being Company personnel, performs part of the hotel on-site administration services whose administration is entrusted to it, as well as contact center services for certain clients who require some specialized nature based on financial or other regulations. Based on this, the Company modified its corporate purpose to specify these services and obtained its registration in the REPSE (Provision of Specialized Services or Specialized Works Registry). Likewise, the company and the hotels it manages receive services that can be considered as specialized services, such as private security services, computer control and maintenance services, amongst others.

Finally, various subsidiaries of the Company hold concessions for different purposes, governed by the applicable laws and specifically by the terms of the concession. Of these the principally important are the Federal Maritime and Territorial Land Zones, water, and wastewater wells.

Similarly, the federal government has passed a decree guaranteeing free passage of people over federal maritime land zones, including those concessioned to individuals. The applicable rules have not yet been published.

The challenge of Posadas’ arrival to new markets in different jurisdictions is adapting its operations to comply with local regulations, which generally are like those existing in Mexico. And in the case of the Dominican

Republic, additionally there are different provisions and restrictions stipulated for operations related to property, assets and counterparties.

To check Tax Situation details, see section: *2) The Company, b) Business Description, v) Applicable Legislation and Tax Situation, subsection Tax Regulations in Mexico.*

Securities Market Law and other Stock market regulations.

On December 28, 2005, the Securities Market Law was published in the Official Gazette of the Federation 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 Securities 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 Securities Market Law, and, in general terms, regulates the relationship and informational obligations of the Issuer to shareholders, related parties, authorities, among others.

Likewise, the Company is obligated to comply with the regulatory provisions issued by the National Banking and Securities Commission related to corporate operations and publicity of the issuers, operations with the Issuer's own securities, operations with related parties, independent external audits, amongst other aspects.

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.

Mexican Tax Regulations

Mexican enterprises are subject to Income Tax ("ISR", due to its initials in Spanish) which continues enforceable to this report publication date. ISR is calculated by considering certain inflationary effects as taxable or deductible, such as depreciation calculated on constant price values.

ISR - The rate is 30% for the years 2021 and 2022 and subsequent years. For the 2013 tax year, various agreements were made with the SAT to resolve differences in criteria related to brand amortization, interest deduction due to said brands acquisition, tax treatment granted by real estate investment companies (SIBRAs), the amortization of usufructs and, in particular, the effects derived from the termination of the tax consolidation rules. In regard to this last point, the loss derived from a sale of shares was eliminated from the calculation of the termination of the tax rules consolidation, which resulted in the recognition of an additional payment obligation in different years, for a total amount of $2,376,766. Of this amount, during April 2017, $523,885 were paid and the remaining amount will be covered in annual installments between 2018 and 2023, for an approximate nominal amount of $308,686 each, subject to indexation. The Company closed this audit with the SAT with various agreements and, to this date, the Company has fully paid the aforementioned installments. For further detail, see section: *3) Financial Information, c) Material Loan Information*. It is worth mentioning that each of the aforementioned annual payments has been made in due time and form; the last payment was made on March 31, 2023.

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 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.

The services provided by the Company in Mexico are subject to Value Added Tax. In December 2013, the 0% tax rate for hotel services rendered to foreign groups was repealed and became a tax incentive 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. It is important to mention that a recent binding legal precedent, upheld by the SAT, has been confirmed. This states that VAT cannot be subject to set-off between private parties. This legal precedent is important for set-off operations, swaps or exchanges of goods and services and other usual mechanisms in Posadas management, as well as other less usual, such as dations on payment or similar mechanisms of compliance or extinction of obligations.

Additionally, the Company's activities may be burdened with local taxes, such as an Accommodations Tax, environmental taxes (waste, CO2 emissions to the environment), and diverse taxes levied on other events which we occasionally carry out, such as contests, gambling, and lottery activities, or be subject to the payment of rights for the use and exploitation of public assets or services, among others.

While the aforementioned 2014 Law repealed the tax consolidation rules, corporate groups were given the option to jointly calculate Income Tax (tax integration rules). The new rules allow integrated corporations directly or indirectly owned in more than 80% by an integrating corporation, 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 paid 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. It is worth mentioning that the company abandoned these rules as of tax year 2019.

As part of the tax obligations, during tax year 2022, several provisions related to the identification of the controlling beneficiary of the entities came into force. After several analyses and processes, the company determined that, due to the nature of a stock corporation, the capital deposited in S.D. Indeval, S.A. de C.V., as well as other provisions that limit financial intermediaries to disclose certain information, it is uncertain to identify the controlling beneficiaries among its shareholders, establishing as such the members of the board of directors of the company.

US Tax Regulations

According to current United States law, the subsidiary operating in that country: Posadas USA, Inc. is subject to pay Federal Income Tax computed at a 21% rate, and in different states of that country with an income tax rate ranging from 4.90% to 9.80%.

Dominican Republic Tax Rules

The company has an affiliate in the Dominican Republic: PSDS Operadora del Caribe, Limited Liability Company. This entity is subject to income tax (ISR) at a 27% rate on the tax year profit, which is calculated considering income minus deductible expenses. In that country there is a tax regulation regarding payments abroad or to abroad that provides for a high 27% withholding rate regardless of what type of services are being paid, with few exceptions and a decrease in said rate with countries with which has a Tax Treaty to avoid double taxation, Canada and Spain.

Similarly, there is a 1% tax on fixed assets determined with the annual income tax return. This tax is incurred when it is higher than the ISR determined in said return.

The company has clients that are not related parties, who have an authorization from the Dominican government to operate hotels with foreign marketers and Advance Payment Agreements (APA), conditioned to certain compliance and information transparency with said government.

Likewise, the company promotes certain vacation products for which it has hired promotion agents for said activity, who are experts in the field and know strategic points to promote said products.

vi) Human Resources

As of December 31, 2022, 16,404 collaborators worked in the hotels operated under the Posadas brands, of which 8,411 correspond to hotels managed for third parties and 8,193 to Posadas employees.

In Mexico, around 53% of the employees are unionized. Generally, one union represents the unionized employees of 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 organizations: 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*).

For the last 10 years, the Company has not had a material labor dispute with the unions representing its employees. The Company considers that it has a good relationship with all employees in all of its properties, as well as with its employees' unions.

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.

The Company has established pension and retirement plans for collaborators, which to December 31, 2022, report a total accumulated reserve of $132 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.

Occasionally, Posadas hires temporary employees according to hotel occupancy percentages. By the end of 2022, the number of persons temporarily hired by the Issuer, due to common industry seasonality, amounted to 1,616 employees.

The company continues with its evaluation plan for internal talent management and detection plan, as well as with the development of succession plans.

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 to reasonably comply with the laws governing hotel and environmental matters. We are currently in the process of modifying or 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 promoting that all its operating and under construction properties and businesses comply with applicable environmental laws and regulations.

Hotels (including the Live Aqua Punta Cana hotel in the Dominican Republic) are affiliated to obtain the "Green Key" badge, which is globally recognized in the sustainability field in the hotel industry, seeking to promote the measurement and mitigation of the environmental impact derived from the hotel establishment operations. The improvement of environmental performance that Green Key Mexico operates is based on strict fulfillment of 131 criteria defined in 13 guidelines.

The Company has an Engineering and Maintenance Department, which is entrusted with environmental and civil protection issues that arise both in the hotels and in the corporate office. This Department reports to the General Hotel Operations Division and relies on the hotel maintenance managers to comply with the laws established by the competent authorities, as well as the Company established environmental and civil protection policies. When any discrepancy is detected, a Corrective Action Plan is drawn up, in which determines the actions to be followed to comply with the applicable standard.

All real properties managed by Posadas's focus on complying with the local civil protection regulations, and to the extent possible, are aimed at fulfilling the fire protection certification normativity of the National Fire Protection Association (NFPA), certifying it in fire protection. All Posadas' properties have prevention measures, including the use of fire hydrants, sprinklers, fire extinguishers, fire detectors and alarms.

Moreover, Posadas' hotels strive to comply 100% of the Civil Defense requirements prescribed at the three governmental levels, obtaining Civil Defense accreditation. In formulating new, existing, hotels 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. Regarding franchised hotels, the owners are directly responsible for monitoring these requirements compliance.

The basic tools include construction and operation manuals, that in turn determine the use of materials, finishes, high-technology equipment, and installations, in addition to administrative and operating procedures.

All of these attempts to minimize impact on natural and social surroundings and allow us to make progress in protecting and caring for the environment.

The Company established a Sustainability Committee which today became a more ambitious ESG (environmental, social and governance) scope., to define the socio-cultural and environmental commitment, strategy and actions lines that must be considered in the strategic planning and execution of Posadas' activities in the short, medium and long term, establishing homogeneous management principles, including the relationship with relevant interest groups. As well as the use of homogeneous methodologies for the management and follow-up of the sustainability strategy, amongst others.

Sustainability and respect are part of our culture and DNA. We are a fundamental piece of the tourism industry; therefore, we seek to adopt measures and good practices that allow us to protect and care for nature, the environment and promote sustainable tourism. We care about the environment in the present and we act to preserve natural resources and care for the environment, social welfare, and economic growth for the future, starting from local consumption to develop the communities where we operate to benefit the community, society and the national economy.

All these points make up our Travel with Meaning plan, where we have laid the foundations for a comprehensive strategy that provides competitiveness and sustainability focusing on working on the following axes:

- Compliance and alignment with the UN Sustainable Development Goals in its three main axes: environmental sustainability, social sustainability and economic sustainability.
- Compliance with national laws on sustainability, human rights, etc.
- Health care and well-being of employees and guests.
- Transparency and ethical behavior.
- Respect for the interests of related parties.
- Implementation of the National Code of Conduct to prevent and take actions against sexual tourism and labor exploitation and exploitation of children and adolescents.
- Support and participation in campaigns aimed at eliminating all forms of abuse, such as the Spotlight Initiative, a global partnership between the European Union and the UN to invest in equality and the empowerment of girls and women to achieve sustainable development goals.

Likewise, to take care of the environment Posadas joins the fight against pollution and climate change through the following actions:

- Low water consumption showers.
- Low water consumption mixer taps.
- Low water consumption double flush toilets.
- Low water consumption and dry urinals.
- High efficiency and low emission water heaters.
- Solar water heaters.
- Chillers with heat recuperators for heating water.
- Chillers with ecological refrigerant gas.
- Led type lighting.
- Lighting and air conditioning controller in rooms.
- Lighting controller in public and service areas.
- Program for segregation of organic and inorganic waste.
- Program for storage and final disposal of waste.
- Inorganic waste recycling program.
- Program for the use of biodegradable chemical products.
- Program to reduce the use of plastics.
- Program for the protection and release of sea turtles.
- Program for the care of green areas and responsible irrigation.
- Program for the use of ecological transportation (bicycles)
- Environmental management and regulatory compliance program.
- Greenhouse gas registration program.
- Water footprint registration program.

- Some smoke-free hotels.
- Implementation of brand standards to eradicate single-use plastics by 2022. Plan eliminates straws in resorts and places dispensers for amenities such as shampoo, soap, etc.
- Efficient use of water and treatment plants by reusing water for irrigation and washing of public areas.
- Compliance with conditions imposed by environmental authorities in their various determinations during project development and later in hotel operation.

Acknowledgements for green initiatives to December 31, 2022:

- All of our hotels have the Green Key badge, a global award in the field of hotel industry sustainability, aligned with the UN Sustainable Development Goals.
- Blue Flag distinction for Grand Fiesta Americana Los Cabos and Live Aqua Beach Resort Cancun beaches.
- More than 50 hotels have been recognized by Tripadvisor as *ECO Lideres*.
- More than 80 hotels received the "H", an award granted by the Ministry of Tourism and the Ministry of Health.
- For the tenth consecutive year, Posadas and all its hotels received the Socially Responsible Company (ESR, due to its initial in Spanish) Emblem.

The market shows a marked trend towards consumption of sustainable products and services. In this sense, our clients are not the exception therefore operation of our hotels is key to marketing our services. For this reason, gradually, the company has been implementing sustainable consumption and management policies.

According to publicly accessible information, climate change, among many others, could be a factor in generating unusual or unpredictable catastrophic events such as a hurricane or flooding that could affect mainly our beach hotels. Climate change is also considered to cause high tide movements, which are a determining reference mark for 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 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, international security, terrorism, undergoing pandemics and natural disasters, political factors, amongst others.

Without a doubt, the effects of the pandemic still do not allow to resume the number of pre-pandemic arrivals for all countries. According to estimates, France may be the most visited country in 2022, followed by Spain and the United States.

In 2021, Mexico was the second most visited country due to the few COVID-19restrictions, however, in 2022 it moves to the sixth position.

The United Kingdom, on the other hand, re-enters the top 10 countries, displacing Croatia.

The following table is a preliminary view of the countries with the largest international tourists' arrivals in 2022, based on the best information available (Source: https://blog.chapkadirect.es/paises-mas-visitados-2022/ and https://www.milenio.com/negocios/mexico-podria-salir-del-top-5-de-destinos-mas-visitados-del-mundo, since both the National Tourism Business Council (CNET, due to its initials in Spanish) and the World Tourism Organization (UNWTO) have not published information as of the date of this report).

Ranking			
2022	2021	International Tourist Arrivals	
#	#	Country	Million arrivals 2022
1	1	France*	54.0
2	3	Spain	31.9
3	6	United States*	31.2
4	4	Turkey	29.9
5	5	Italy*	26.3
6	2	Mexico	22.1
7	-	United Kingdom*	14.7
8	9	Germany	12.7
9	7	Greece	11.7
10	8	Austria	10.6

* Approximate figures, according to sources.

Tourism in Mexico *(Source: Ministry of Tourism (SECTUR))*

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

The main countries with arrivals to Mexico in 2022 were the United States, Canada and Colombia, with 15.620 million international tourists arriving by air.

In 2022, U.S. tourist arrivals by plane reached 13 million, which represented a 27% increase compared to 2021, also exceeding 2019 arrivals of 10 million tourists by 23.7%.

Cancun Airport, Mexico City International Airport (AICM) and Los Cabos Airport had the highest number of international tourists with 15.871 million, this is 46.5% more than in 2021, also surpassing by 8.2% the 2019 arrivals, corresponding to 14.671 million tourist arrivals.

The number of arrivals at Cancun airport was 9.494 million international tourists; this represented 47.7% more than in 2021. While Mexico City International Airport had 4.204 million tourist arrivals, 56.7% higher than in 2021. Los Cabos airport received 2.173 million international tourists, 26.1% more than in 2021.

In 2022, the rest of the airports recorded 4.730 million international tourist arrivals, 45.6% more than in 2021.

Competition

The hotel industry is highly competitive. In general, the Company's hotels compete against diverse Mexican and International hotel operators, some of which are 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 a location in a particular market. Hotel operators must make continuing capital expenditures in modernization, refurbishment, and maintenance, to prevent competitive obsolescence of their properties and thereby lose competitiveness. The competitiveness of the Company's hotels has been enhanced by our loyalty program (Fiesta Rewards), as well as by its (Loyalty) Vacation Properties such as the Fiesta Americana Vacation Club program, Live Aqua Residence Club, Fiesta Americana Vacation Club Access and Kivac.

The information source for reporting by chain is STR Census Database (Smith Travel Research) leading hotel industry information provider.

The principal competitors of Live Aqua and Grand Fiesta Americana according to room numbers are other international and Mexican chains such as: InterContinental, JW Marriot, Quinta Real, Four Seasons, amongst others. While the competitor of Live Aqua Residence Club is Inspirato.

The principal competitors of the Fiesta Americana brand, including the Vacation Product Industry and Explorean regarding room numbers are: Camino Real, Hilton, Marriott, Westin, Sheraton, Crowne Plaza, Hyatt, Wyndham, and lodging offered through Airbnb, among others.

It is important to mention that international hotel chains have been launching new brands focused on more segmented markets. These new brands may compete against those already mentioned by occupying spaces in the already mentioned brand market structure. Confronted with this situation, Posadas has been investing in the creation of new brands designed for more specific markets and, during 2020 it launched the Curamoria Collection, the new boutique hotel collection under a franchise business model and has entered into contracts to develop hotels under the Dayforia and Funneq brands.

The principal competitors of Fiesta Inn hotels, including its derivatives Fiesta Inn Loft and Fiesta Inn Express, as to room numbers are independent local operators and Mexican and international chains such as: Holiday Inn, Holiday Inn Express, City Express, Hampton, Courtyard, Hilton Garden Inn, Fairfield Inn, Wyndham Garden, Real Inn, Four Points, amongst others.

The principal competitors of Gamma hotels in room numbers are: Mission Express, Comfort Inn, Best Western, Best Western Plus, Comfort Inn, Real de Minas and Quality Inn, amongst others.

The principal competitors of One hotels in room numbers are: IBIS, IBIS Styles, IBIS Budget, City Express Junior, Sleep Inn, and Microtel Inn & Suites.

The main competitors of IOH hotels, in terms of number of rooms are: AC by Marriott, Aloft, Indigo, Tryp by Wyndham, City Centro, Hyatt Centric and Motto by Hilton.

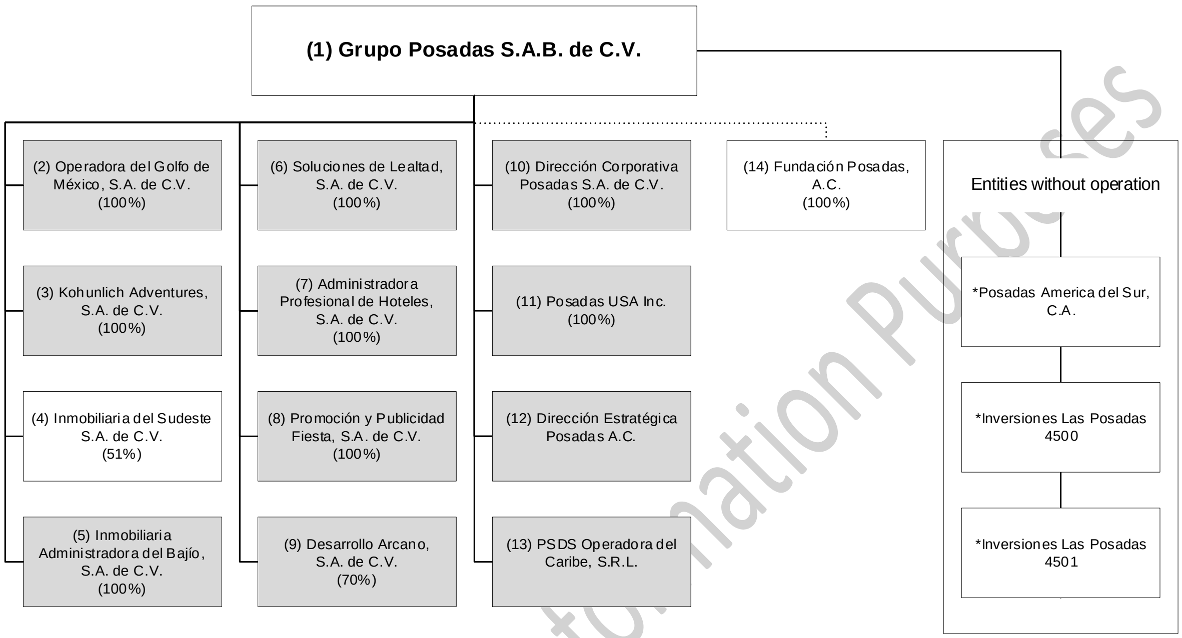
Although the Company considers itself a leader in Mexico in the number of operated hotels and rooms, there is no official publication proving the market participation of its hotels in relation to existing competitors or its competitive position. Information regarding competitors has as its source, the Posadas Chain 2022 study with information of STR Census Database (Smith Travel Research) to December 2022.

In reference to total rooms available (including own, leased, and operated rooms) in Mexico and based on the 2022 Posadas Chains study with STR Census Database information for Hotel Groups, jointly the Posadas brands have a 13% market participation. Per brand in the competitor set: luxury hotels corresponding to brands Live Aqua, including Live Aqua Residence Club have a 8% market share; Grand Tourism hotels (Grand Fiesta Americana) have a 20% market share; in the five star category, the hotels operating under the Fiesta Americana brand (including FAVC & Explorean) have a 19% market share; in the four star category, Fiesta Inn (including Fiesta Inn Loft and Fiesta Inn Express) have a 16% market share; likewise the Gamma brand has a 20% market share. In the "economy" three-star segment, the brand One Hotels has a 44% market share. The foregoing information includes the total inventory availability of the top 10 corresponding to each brand.

ix) Corporate Structure

The Company is organized as a holding corporation and furthermore conducts a very important number of its operations by itself and its mainly Mexican subsidiaries. After diverse corporate restructuring, it is intended that the Company operate with the fewest possible number of subsidiaries.

The following organizational chart illustrates how the Company's principal subsidiaries are organized, as well as the principal activities of each entity as of Abril 27, 2023:



Source: Posadas

Guarantor of the Senior Notes 2027

(1) Grupo Posadas, S.A.B. de C.V.:
   a. Owns hotel trademarks, under which it operates hotels and residences in Mexico through management and/or franchise contracts, and it receives net cash flows from owned and leased hotels. This Entity pays rents for leased hotels to third parties. This Entity hires employees for the corporate offices as well as owned and leased hotels.
   b. Manages our loyalty program Fiesta Rewards.
   c. Sells time share rights in Los Cabos, Cozumel, Acapulco, Cancun, Marina Vallarta and Kohunlich (of which it is the owner). It also manages our vacation club exchange program.
   d. Markets our Kivac and Fiesta Americana Vacation Club Access.
   e. It operates the call center or contact center (Konexo) and the accounting shared services center (Conectum) for the benefit of the activities of the Issuer and its subsidiaries and third parties.

(2) Operadora del Golfo de México, S.A. de C.V., is the owner of the bare title of certain hotels.
(3) Kohunlich Adventures, S.A. de C.V., holds our federal ground transportation permits for transportation of our hotel guests.
(4) Inmobiliaria del Sudeste S.A. de C.V., is the owner of, and receives all of the cash flows of, the FA Mérida hotel.
(5) Inmobiliaria Administradora del Bajío S.A. de C.V., does not have operations. This Company is in the process of a merger within Soluciones de Lealtad, S.A. de C.V. This merger has already taken effect for accounting and tax purposes and will take full effect on June 6, 2023.
(6) Soluciones de Lealtad, S.A. de C.V., holds minority shareholdings within the group.
(7) Administradora Profesional de Hoteles, S.A. de C.V., does not have operations.
(8) Promoción y Publicidad Fiesta, S.A. de C.V. The Company is in the process of terminating the operations of this subsidiary to Grupo Posadas. This Company is in the process of a merger within Soluciones de Lealtad, S.A. de C.V. This merger has already taken effect for accounting and tax purposes and will take full effect on June 6, 2023
(9) Desarrollo Arcano, S.A. de C.V., Former developer of a residential venture in Ixtapa, Mexico. It no longer has any operation.
(10) Dirección Corporativa Posadas, S.A. de C.V., it was the payroll entity for the Executive Committee, and it operated during 2021. On April 1, 2022, the employees of that company migrated to Grupo Posadas. It maintains the ownership of minority shares within the group. This Company is in the process of a merger within Soluciones de Lealtad, S.A. de C.V. This merger has already taken effect for accounting and tax purposes and will take full effect on June 6, 2023
(11) Posadas USA Inc., Performs sales, marketing and collection activities in the United States on behalf of hotels in Mexico.
(12) Dirección Estratégica Posadas, A.C., is the Company savings account for certain executive personnel.
(13) PSDS Operadora del Caribe S.R.L. Affiliate incorporated to fulfill duties as hotel management company in the Dominican Republic.
(14) Fundación Posadas A.C. Holds and administers our non-profit charity foundation. This entity does not consolidate in Grupo Posadas, and according to its by-laws Grupo Posadas has no right over its assets.

* Inversiones Las Posadas 4500, C.A., Inversiones Las Posadas 4501, C.A., Posadas América del Sur, C.A., Among other foreign entities, these are entities that we plan to liquidate, pursuant to our on-going corporate restructuring, none of them have operations.

x) Description of the Company's Principal Assets

Herein below is a list of the Company's hotels to December 31, 2022, including number of rooms, age, location and type (franchised, owned, managed or leased):

Hotel	Opening	Country	Contract	Rooms
Live Aqua Urban Resort Monterrey	2016	Mexico	Managed	70
Live Aqua Beach Resort Cancún	2004	Mexico	Leased	371
Live Aqua Urban Resort México	2012	Mexico	Managed	135
Live Aqua San Miguel de Allende	2018	Mexico	Managed	150
Live Aqua Beach Resort Punta Cana	2021	Dominican Republic	Managed	347
Grand Fiesta Americana Coral Beach Cancún Resort & Spa	2008	Mexico	Managed	602
Grand Fiesta Americana Chapultepec	2001	Mexico	Leased	203
Grand Fiesta Americana Guadalajara Country Club	2007	Mexico	Managed	207
Grand Fiesta Americana Puebla Angelópolis	2016	Mexico	Managed	168
Grand Fiesta Americana Monterrey Valle	2016	Mexico	Managed	180
Grand Fiesta Americana Veracruz	1995	Mexico	Managed	233
Grand Fiesta Americana Querétaro	2003	Mexico	Managed	173
Grand Fiesta Americana Grand Fiesta Americana Oaxaca	2020	Mexico	Managed	144
Curamoria Náay Tulum	2020	Mexico	Franchised	36
Curamoria Ilo Rojo San Miguel de Allende	2021	Mexico	Franchised	30
Curamoria Dos Patios Querétaro	2021	Mexico	Franchised	20
Huayacán Cuernavaca Curamoria Collection	2022	Mexico	Franchised	40
Celeste Beach Residences & Spa Huatulco Curamoria Collection	2022	Mexico	Franchised	8
Fiesta Americana Aguascalientes	1993	Mexico	Managed	191
Fiesta Americana Condesa Cancún	1989	Mexico	Leased	507
Fiesta Americana Hacienda San Antonio el Puente	2011	Mexico	Managed	148
Fiesta Americana CDMX Toreo	2016	Mexico	Leased	252
Fiesta Americana CDMX Satélite	2018	Mexico	Managed	223
Fiesta Americana Hacienda Galindo	1977	Mexico	Managed	169
Fiesta Americana Hermosillo	1994	Mexico	Managed	220
Fiesta Americana Mérida	1995	Mexico	Owned	350
Fiesta Americana Monterrey Pabellón M	2016	Mexico	Managed	178
Fiesta Americana Reforma	1970	Mexico	Owned	616
Fiesta Americana Guadalajara	1982	Mexico	Owned	391
Fiesta Americana Puerto Vallarta	1979	Mexico	Managed	291
Fiesta Americana Viaducto Aeropuerto	2019	Mexico	Managed	260
Fiesta Americana San Luis Potosí	2019	Mexico	Managed	157
FAVC Cancún	1981	Mexico	Owned	310
FAVC Condesa Acapulco	1970	Mexico	Owned	560
FAVC Cozumel	2007	Mexico	Owned	174
FAVC Explorean Cozumel	2014	Mexico	Owned	56
FAVC Explorean Kohunlich	1999	Mexico	Owned	40
FAVC Live Aqua Residence Club Los Cabos	2017	Mexico	Owned	109
FAVC Los Cabos	1998	Mexico	Owned	464
FAVC Live Aqua Residence Club Puerto Vallarta Nima Bay	2013	Mexico	Owned	51
FAVC Grand Los Cabos	1999	Mexico	Owned	266
IOH Mérida MID Center	2022	Mexico	Managed	136
Fiesta Inn Aeropuerto Ciudad de México	1970	Mexico	Leased	327

Hotel	Opening	Country	Contract	Rooms
Fiesta Inn Aguascalientes	1993	Mexico	Managed	125
Fiesta Inn Aguascalientes Patio	2018	Mexico	Managed	126
Fiesta Inn Cancún Las Américas	2012	Mexico	Leased	187
Fiesta Inn Cencali Villahermosa	2015	Mexico	Managed	159
Fiesta Inn Centro Histórico	2003	Mexico	Leased	140
Fiesta Inn Chetumal	2013	Mexico	Managed	131
Fiesta Inn Chihuahua	1993	Mexico	Managed	152
Fiesta Inn Chihuahua Fashion Mall	2017	Mexico	Managed	156
Fiesta Inn Ciudad del Carmen	2003	Mexico	Managed	131
Fiesta Inn Ciudad Juárez	1999	Mexico	Managed	166
Fiesta Inn Ciudad Obregón	2007	Mexico	Managed	141
Fiesta Inn Coatzacoalcos	2008	Mexico	Franchised	122
Fiesta Inn Colima	2004	Mexico	Managed	104
Fiesta Inn Cuautitlán	2004	Mexico	Managed	128
Fiesta Inn Cuernavaca	2008	Mexico	Managed	155
Fiesta Inn Culiacán	2003	Mexico	Managed	146
Fiesta Inn Durango	2008	Mexico	Managed	138
Fiesta Inn Ecatepec	2005	Mexico	Managed	143
Fiesta Inn Fórum Buenavista	2017	Mexico	Managed	129
Fiesta Inn Guadalajara Expo	1995	Mexico	Managed	158
Fiesta Inn Hermosillo	2002	Mexico	Managed	155
Fiesta Inn Insurgentes Viaducto	2003	Mexico	Leased	210
Fiesta Inn León	1995	Mexico	Managed	160
Fiesta Inn Los Mochis	2016	Mexico	Managed	125
Fiesta Inn Mérida	2014	Mexico	Managed	166
Fiesta Inn Mexicali	2004	Mexico	Managed	150
Fiesta Inn Monclova	1997	Mexico	Managed	121
Fiesta Inn Monterrey Fundidora	2007	Mexico	Managed	155
Fiesta Inn Monterrey La Fe	1999	Mexico	Managed	161
Fiesta Inn Monterrey Tecnológico	2010	Mexico	Managed	201
Fiesta Inn Monterrey Valle	1994	Mexico	Managed	177
Fiesta Inn Morelia Altozano	2018	Mexico	Managed	155
Fiesta Inn Naucalpan	1997	Mexico	Managed	119
Fiesta Inn Nogales	2004	Mexico	Managed	107
Fiesta Inn Nuevo Laredo	2011	Mexico	Managed	120
Fiesta Inn Oaxaca	1993	Mexico	Managed	145
Fiesta Inn Pachuca Gran Patio	2016	Mexico	Managed	156
Fiesta Inn Periférico Sur	2001	Mexico	Leased	212
Fiesta Inn Perinorte	1996	Mexico	Managed	127
Fiesta Inn Playa del Carmen	2016	Mexico	Managed	129
Fiesta Inn Plaza Central	2014	Mexico	Managed	169
Fiesta Inn Poza Rica	2004	Mexico	Franchised	107
Fiesta Inn Puebla FINSA	2006	Mexico	Managed	123
Fiesta Inn Puebla Triángulo Las Ánimas	2012	Mexico	Leased	140
Fiesta Inn Puerto Vallarta La Isla	2017	Mexico	Managed	144
Fiesta Inn Querétaro	2000	Mexico	Managed	175
Fiesta Inn Querétaro Centro Sur	2014	Mexico	Managed	134
Fiesta Inn Saltillo	1998	Mexico	Managed	149

Hotel	Opening	Country	Contract	Rooms
Fiesta Inn San Luis Potosí Glorieta Juárez	1996	Mexico	Managed	156
Fiesta Inn San Luis Potosí Oriente	2004	Mexico	Managed	140
Fiesta Inn Silao Aeropuerto Bajío	2017	Mexico	Managed	142
Fiesta Inn Tampico	2002	Mexico	Franchised	124
Fiesta Inn Teatro Insurgentes	2011	Mexico	Leased	162
Fiesta Inn Tepic	2008	Mexico	Managed	139
Fiesta Inn Tijuana Otay Aeropuerto	2005	Mexico	Leased	142
Fiesta Inn Tlalnepantla	1994	Mexico	Managed	131
Fiesta Inn Toluca Centro	2009	Mexico	Managed	85
Fiesta Inn Toluca Tollocan	1998	Mexico	Managed	144
Fiesta Inn Torreón Galerías	2004	Mexico	Managed	146
Fiesta Inn Tuxtla Fashion Mall	2018	Mexico	Managed	128
Fiesta Inn Tuxtla Gutiérrez	2007	Mexico	Managed	120
Fiesta Inn Veracruz Boca del Río	1999	Mexico	Managed	144
Fiesta Inn Veracruz Malecón	2001	Mexico	Managed	92
Fiesta Inn Xalapa	1993	Mexico	Managed	119
Fiesta Inn Zacatecas	2011	Mexico	Managed	146
Fiesta Inn Parque Puebla	2019	Mexico	Leased	160
Fiesta Inn Guadalajara Periférico Poniente	2019	Mexico	Managed	142
Fiesta Inn Celaya Galerías	2019	Mexico	Managed	145
Fiesta Inn Guadalajara Aeropuerto	2020	Mexico	Leased	115
Fiesta Inn & Loft Ciudad del Carmen	2018	Mexico	Managed	253
Fiesta Inn Loft Monclova Loft	2014	Mexico	Managed	37
Fiesta Inn Loft Monterrey La Fe Loft	2016	Mexico	Managed	48
Fiesta Inn Loft Querétaro Loft	2014	Mexico	Managed	50
Fiesta Inn Express Querétaro Constituyentes	2018	Mexico	Managed	117
Fiesta Inn Express Monterrey Centro (Altea Versalles)	2019	Mexico	Managed	123
Fiesta Inn Express Puebla Explanada	2019	Mexico	Leased	138
Gamma Monterrey Gran Hotel Ancira	2015	Mexico	Franchised	253
Gamma Xalapa Nubara	2015	Mexico	Franchised	121
Gamma Boca del Río Oliba	2018	Mexico	Franchised	81
Gamma Campeche Malecón	2015	Mexico	Franchised	139
Gamma Ciudad Juárez Lincoln	2018	Mexico	Franchised	162
Gamma Ciudad de Mexico Santa Fe	2021	Mexico	Managed	198
Gamma Cuernavaca Puerta Paraíso	2017	Mexico	Franchised	102
Gamma Guadalajara Centro Histórico	2018	Mexico	Managed	195
Gamma Lausana Tijuana	2014	Mexico	Managed	140
Gamma Mérida el Castellano	2015	Mexico	Franchised	160
Gamma Morelia Belo	2014	Mexico	Franchised	84
Gamma Plaza Ixtapa	2015	Mexico	Franchised	153
Gamma Pachuca	1998	Mexico	Leased	114
Gamma Tampico	2018	Mexico	Franchised	c136
Gamma Mazatlán The Inn Centro Histórico	2019	Mexico	Franchised	63
Gamma Monterrey Rincón de Santiago (Santiago Presa de la Boca)	2019	Mexico	Franchised	87
Gamma Orizaba Grand Hotel de France	2019	Mexico	Franchised	91
Gamma Morelia Vista Bella	2020	Mexico	Franchised	20
Gamma Acapulco Copacabana	2020	Mexico	Managed	431
Gamma Villahermosa	2022	Mexico	Franchised	72

Hotel	Opening	Country	Contract	Rooms
Gamma Guaymas Armida	2022	Mexico	Franchised	82
Gamma Colima Garden	2022	Mexico	Franchised	91
One Acapulco Costera	2007	Mexico	Managed	126
One Acapulco Diamante	2018	Mexico	Managed	126
One Aguascalientes Ciudad Industrial	2008	Mexico	Managed	126
One Aguascalientes San Marcos	2009	Mexico	Managed	126
One Cancún Centro	2014	Mexico	Managed	126
One Chihuahua Fashion Mall	2017	Mexico	Managed	126
One Chihuahua Norte	2021	Mexico	Managed	126
One Ciudad de México Alameda	2014	Mexico	Managed	117
One Ciudad de México La Raza	2018	Mexico	Managed	123
One Ciudad de México Patriotismo	2007	Mexico	Managed	132
One Ciudad de México Periférico Sur	2015	Mexico	Managed	144
One Ciudad del Carmen	2012	Mexico	Managed	126
One Cuautitlán	2016	Mexico	Managed	156
One Cuernavaca	2015	Mexico	Managed	125
One Culiacán	2012	Mexico	Managed	119
One Coatzacoalcos Fórum	2021	Mexico	Managed	126
One Durango	2016	Mexico	Managed	126
One Guadalajara Centro	2012	Mexico	Managed	146
One Guadalajara Expo	2017	Mexico	Managed	126
One Guadalajara Periférico Norte	2011	Mexico	Managed	142
One Guadalajara Periférico Vallarta	2014	Mexico	Managed	121
One Guadalajara Tapatío	2013	Mexico	Managed	126
One La Paz	2014	Mexico	Managed	126
One León	2014	Mexico	Managed	126
One Mexicali	2017	Mexico	Managed	120
One Monclova	2014	Mexico	Managed	66
One Monterrey Aeropuerto	2006	Mexico	Managed	126
One Monterrey Tecnológico	2018	Mexico	Managed	126
One Oaxaca Centro	2013	Mexico	Managed	109
One Puebla Angelópolis	2018	Mexico	Managed	126
One Puebla Finsa	2013	Mexico	Managed	126
One Puebla Serdán	2017	Mexico	Managed	126
One Puerto Vallarta Aeropuerto	2014	Mexico	Managed	126
One Playa del Carmen Centro	2010	Mexico	Managed	108
One Querétaro Aeropuerto	2013	Mexico	Managed	126
One Querétaro Centro Sur	2014	Mexico	Managed	126
One Querétaro Plaza Galerías	2008	Mexico	Managed	126
One Salina Cruz	2013	Mexico	Managed	126
One San Luis Potosí Glorieta Juárez	2008	Mexico	Managed	126
One Saltillo Derramadero	2009	Mexico	Managed	120
One Saltillo Aeropuerto	2021	Mexico	Managed	139
One Silao	2014	Mexico	Managed	126
One Tijuana Otay	2018	Mexico	Managed	120
One Toluca Aeropuerto	2007	Mexico	Managed	126
One Villahermosa 2000	2015	Mexico	Managed	126
One Villahermosa Centro	2014	Mexico	Managed	110

Hotel	Opening	Country	Contract	Rooms
One Xalapa Las Ánimas	2012	Mexico	Managed	126
One Tapachula	2019	Mexico	Managed	126

Source: Posadas

As part of its expansion plan in the Caribbean region, the Company entered into a 15-year term agreement in 2017 to operate a hotel under the Grand Fiesta Americana in the Dominican Republic. Also in February 2022, it entered into a 15-year term operating agreement under the Funeeq brand with 498 rooms, both in the Punta Cana zone.

During 2022, the Company opened 6 hotels, which represented a total of 429 additional rooms, under the schemes hereinbelow:

Hotel	Rooms	Contract
Huayacán Cuernavaca Curamoria Collection	40	Franchised
IOH Mérida MID Center	136	Managed
Gamma Villahermosa	72	Franchised
Gamma Guaymas Armida	82	Franchised
Celeste Beach Residences & Spa Huatulco Curamoria Collection	8	Franchised
Gamma Colima Garden	91	Franchised
Total	**429**	

In 2022, we closed 3 hotels (1 managed and 2 franchised) representing a total of 165 rooms.

According to our standards, all these properties must 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.

According to the terms of the Company's Senior Notes refinancing, it pledged, as guarantee, practically all of its real estate subject to an expedited trust execution procedure. Additionally, the subsidiary Inmobiliaria del Sudeste, S.A. of C.V. pledged the Fiesta Americana Merida hotel and other assets as a guaranteed trust. Likewise, the guarantee is subject to an abbreviated fiduciary execution proceeding Potentially, some of the Company or its subsidiaries' remaining assets may be encumbered as guarantee for the Company's or its subsidiaries' obligations, which are generally undertaken for financing reasons or tax liabilities in litigation; therefore, generally, the attachment proceeding is a typical mortgage or fiduciary proceeding or the execution of a final ruling. For further details of the general characteristics of the loans these guarantees, see section*: 3) Financial Situation, d) Comments and Analysis of Management on the Operating Results and Financial Situation of the Company, ii) Financial Situation, Liquidity and Capital Resources*.

Moreover, the Company holds certain real property allocated to office use in Morelia. As a consequence of the contribution of its land in Acapulco Diamante to a residential development trust, it holds trust rights to receive 29 apartments that will be used as Vacation Properties under the Live Aqua Residence Club brand. The trust rights are currently pledged. Once this transaction occurs, the Company must pledge to the payment of its current Senior Notes, the rights and subsequently the properties resulting from this investment.

The Company is the holder of residential land lots in the Arcano development, and of trust rights to a vehicle trust for the disposition of other land lots located in the Porto Ixtapa residential development, both in Guerrero. These assets are not taxed.

Regarding the most recent transfers of title:

a) The Nuevo Vallarta land lot was sold at the beginning of 2020.
b) The Hotel Fiesta Americana Hacienda Galindo with 168 rooms was remodeled in stages in 2017, due to the execution of a leasing contract by the Company. Likewise, at that time, a sale-purchase contract was signed subject to diverse conditions which was formalized and paid in 2021. The price is a multiple of 10.06 times EBIDTA of the hotel during the 2019

corporate year minus investments and rents. At present, the Company manages said hotel pursuant to operating contract.

c) On September 29, 2021, we sold our 12.5% interest in the investment trust of the Rivera Maya development project. This transaction complemented the termination announced on July 8, 2021, of the operating agreement of the hotels in such project.

Regarding the 2022 investment plans for remodeling, the remodeling of the pool at the Fiesta Americana Villas Acapulco hotel was completed, and the remodeling of Phase II of the Villas and Spa at the Grand Fiesta Americana Golf & Spa Los Cabos hotel began.

xi) Judicial, Administrative or Arbitral Proceedings

The Company is currently in substantial compliance with its obligations related to goods and service supply operations, leases and payments of key money.

During the 2021 corporate year and as part of its 2022 Senior Notes negotiated restructuring, the Company filed bankruptcy proceedings under the prior agreement or "pre-packaged" modality before the courts of the United States of America. Temporarily, the court resolved to suspend the debt payments accrued prior to the application date and provided certain exception measures and treatment of obligations that enabled the Company to maintain its operations in the ordinary course of business. Within the judicial proceeding, the proposed restructuring plan was formally considered by all company creditors, of these it could only be voted by the groups of creditors affected by the restructuring, that is, by the holders of Senior Notes due in 2022. Once the necessary majorities were obtained and the plan approved by the jurisdictional and auxiliary bodies of the process, on December 9, 2021, the judge presiding over the case confirmed and approved the validity of the plan, and deemed it as binding on all creditors and debtors, subject to the execution of the Senior Notes due in 2027 issuance process in substitution of the current issue, the guarantees were constituted and the conditions established in the restructuring plan were met. On December 15, 2021, all the effective requirements of the plan were met, as described in the section: 3) *Financial Information, ii) Financial Situation, Liquidity and Capital Resources*. In March 2022, the judge presiding over the cases instructed the closing of the proceeding, leaving safe and sound the rights of third parties that could be considered affected. As of this date, we have not informed that notification has been attempted notification by third parties in this regard.

As of this date, the Company is not in bankruptcy, insolvency, reorganization, or other similar proceedings and, to the best of its knowledge, no such proceedings or any other similar proceedings have been initiated against it, in Mexico or abroad.

To December 31, 2022, the Company was a party to various judicial and administrative proceedings, derived from the ordinary course of business, both as plaintiff and as defendant. However, none of the judicial or administrative proceedings that Posadas is aware of may be characterized as “material” in terms of the General Provisions applicable to Securities Issuers and other Securities Market Participants, given the early procedural status, the uncertainty of its amount, or the merits of the proceeding, in the opinion of our advisers. The most important proceedings are described below, both in the ordinary course of business and those that the Company considers extraordinary.

Lawsuit of Turistica Hotelera Cabos Siglo XXI: Derived from the credit and litigation rights transfer and the subsequent award of the capital stock of the mortgage guarantor denominated Yipa, S.A. (Yipa) and the payment as a gift of the mortgaged properties (Fiesta Inn Aeropuerto CDMX) in favor of Turistica Hotelera Cabos Siglo XXI, S.A. de C.V. (“Turistica”), then a subsidiary of Grupo Posadas, S.A.B. de C.V., now merged into it, in November 2000 and June 2004 certain debtor companies sued the trustee institution executing the guarantee trust and Turistica, for the alleged incorrect execution of Yipa trust capital. The debtors of the assigned credit also sued alleging based on the non-existence of the credit. Then, by an additional claim in the complaint, the plaintiffs centered their claim attempting to prove that at the time of execution by the trustee, the assignor bank, as well as being a creditor, also administered the guarantee trust under of a business commission agreement between the trustee and the creditor. This in the opinion of the plaintiffs constitutes a simulation, since the legislation prohibited, at that time, that the trustee and beneficiary be the same entity. Given the nature of the claims, when resolved, it is possible that they may affect the trustee's management, and may be resolved against the interests of Posadas, if so, it would harm Posadas, and the latter would be obligated to pay the value of the executed shares. The proceeding was brought before the Second Commercial Court of Hermosillo, Sonora.

Office of the Federal Attorney for Environmental Protection. Closing of Fiesta Americana Cozumel Reef Hotel Beach Club: The inspection took place from June 8 to 10, 2021 directly at the Fiesta

Americana Cozumel Hotel Beach Club, the hotel officers at all times guided the inspectors and provided the available documents. The number of the Inspection Order is PFPA/4.1/2C.27.5/0013/2021 dated June 8, 2021, issued by the General Director of Environmental Impact and Federal Maritime Terrestrial Zone of PROFEPA. The security measure imposed by PROFEPA is the temporary closing of the Beach Club inspected. On June 17, 2021, Posadas presented to the aforementioned General Director, the written document of the corresponding statements, irequesting the ending of the Beach Club closing, among other issues. On December 8, 2022, we filed a plea of consent in the proceeding. To date, we have not been notified of PROFEPA's resolution.

In terms of Environmental Impact, on January 4, 2022, the Environmental Impact Statement for operation of the Beach Club called "Rehabilitation and Operation of the Fiesta Hotel Americana Cozumel Recreational Area", was filed in the corresponding window of the pertinent SEMARNAT Central Office under file number 23QR2022T0001-6.

On March 24, 2022, Posadas was notified of an additional information request to continue the environmental impact assessment. This additional information is being prepared and will be submitted to SEMARNAT within the granted term (expires on July 19, 2022).

On August 10, 2022, the National Water Commission (CONAGUA, for its initials in Spanish) notified the company the inadmissibility of the concession extension request contained in document 12QNR101178/32ESDL18. Against this resolution, the company filed an appeal remedy before CONAGUA, which is in process. Also, the company decided to request a new concession before CONAGUA, which is expected to be filed in April 2023.

Regarding Live Aqua Cancun: On December 14, 2022, the company filed the Environmental Impact Assessment (EIA) for the Live Aqua Cancun hotel operation before the Ministry of the Environment and Natural Resources (SEMARNAT). The EIA continues at SEMARNAT and it is estimated that this agency, as usual, will request additional information in the following weeks. The company has any reasonably requested information.

In relation to the Chemuyil Trust, an entity in which the Company had a minority12.5% investment, trustor/trustee entities face different complaints related to alleged violations of environmental protection provisions, which are ongoing. It also manages certain successive activities related to the release of the INAH areas and matters related to water concessions at the site.

There are accounts receivable in an amount of $7,404,593.65 pesos, with **ABC Aerolíneas S.A. de C.V. (Interjet)** the Conciliator presented the Provisional Credit Recognition List, in which Posadas' credits were not included; therefore, a request for credit recognition was presented on February 22, 2023. In March, the process of moving the loans to results due to uncollectibility and releasing the corresponding reserve was carried out. On said date, the judge presiding over the case decreed the bankruptcy of said entity.

On the other hand, regarding the loans recognized by the Company and its subsidiaries due to Compañia Mexicana de Aviacion, S.A. de C.V.'s bankruptcy proceeding for the approximate amount of $171.2 million, the Company reserved this total amount in 2010. Of said loans, $115 million correspond to operating transactions registered in the consolidated profit and loss statement, as 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.

These proceedings are processed under the following files: commercial bankruptcy of Compañia Mexicana de Aviacion, S.A. de C.V., file 432/2010, Eleventh Civil District Court in the F.D., commercial bankruptcy of Aerovias Caribe, S.A. de C.V., file 516/2010, Court: Eleventh Civil District Court in the F.D., commercial bankruptcy of Mexicana Inter, S.A. de C.V., file 510/2010, Eleventh Civil District Court in the F.D.

Employment Proceedings

With respect to labor proceedings, there is an accumulation of individual claims that may represent a global contingent amount of approximately $245 million pesos. This figure reflects the claims of Grupo Posadas' work centers or those where it is sued as a result of its hotel management activity, and only with respect to the claims that have been quantified. However, an equal probability of materialization is not estimated for all claims.

As we have referred to in other statements, in 2017 the employee unions of Compañía Mexicana de Aviación ASPA, (Aviation Pilots Union Association), the SNTTASS (National Union of Transport, Transformation, Aviation, Services and Similar Workers) and Fausto Guerrero Díaz, as well as others, have filed labor lawsuits against Posadas and other relevant defendants to enforce the collective bargaining agreements, individual contracts, unpaid wages, and settlements that the companies comprising Grupo Mexicana had with such unions, attributing to Grupo Posadas the capacity of joint obligor. The amounts claimed are approximately US$265 million each. The Company has raised its defense means and the status of these lawsuits has not progressed significantly. These proceedings are brought before the Federal Conciliation and Arbitration Board of Mexico City.

As a result of an inspection procedure on Training and Education carried out to Posadas by the Federal Labor Representation Office in Sonora, we were notified of a resolution in which a fine of $4,041,240.00 was imposed on Posadas; this resolution was appealed by filing the nullity lawsuit number 254.00092.22 before the Northeast Regional Division II of the Federal Court of Administrative Justice, which is still open and has not been resolved by the authority.

Proceedings regarding Vacation Properties: Regarding administrative proceedings before the Federal Consumer Attorney General's Office or commercial courts, there are many individual claims that, despite the number, do not represent a significant contingent amount. However, not all of the lawsuits are deemed to have the same materialization risk.

For further detail of ongoing tax proceedings, see section: *3) The Company c) Material Loan Information.*

xii) Representative Shares of Corporate Capital

As of December 31, 2022, the Company's corporate capital is made up of 512,737,588 no par value shares, fully subscribed, and paid, of which 495,881,988 were in circulation and 16,855,600 shares have been redeemed by the Issuer in terms of the third paragraph of article 56 of the Securities Exchange Law. To said date, 512,684,913 shares of the total of 512,737,588 are deposited with the S.D. Indeval, *Institucion para el Deposito de Valores, S.A. de C.V.* in two negotiable instruments. Therefore 52,675 shares representing the corporate capital of Grupo Posadas are not deposited with said institution.

Of said corporate capital, the Issuer directly holds shares charged to the repurchase fund as follows:

Number of shares	**2022**	**2021**	**2020**
	Series "A"	**Series "A"**	**Series "A"**
Capital	512,737,588	512,737,588	512,737,588
Minus-			
Repurchase of shares	(16,855,600)	(16,855,600)	(16,855,600)
	495,881,988	**495,881,988**	**495,881,988**

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

As of December 31, 2022, the legal reserve is presented in accumulated earnings and amounts to $99.2 million (face value) and represents 20% of nominal corporate capital. Said reserve cannot be distributed in dividends to shareholders.

The General Ordinary Shareholders Meeting held on March 28, 2023, approved that the maximum amount of funds to be allocated to purchasing the company's shares, according to the Securities Exchange Law's limitations, would be the amount of $535 million. This amount does not exceed the withheld earnings balance to December 31, 2022.

Hereinbelow, are the events that have occurred in the last corporate years:

I. In the Ordinary General Shareholders' Meeting dated June 25, 2020, the financial information, the mandatory administrative reports, the corporate year results and their application, the ratification of the members of the board of directors, as well as of the chairmen of the audit and corporate practices committees. The meeting also approved that directors will not be remunerated for their participation in board sessions.

II. In the Ordinary General Shareholders' Meeting held on April 19, 2021, the financial information, the mandatory administrative reports, the corporate year results and their application, the ratification of the members of the board of directors, as well as the chairpersons of the audit and corporate practices committees, and their remuneration.

III. In the Extraordinary General Shareholders' Meeting held on September 9, 2021, the Proposal to modify the Fifth Clause of the bylaws, corresponding to the corporate purpose of the Company and approval of the bylaws verification, was approved.

IV. In the Ordinary General Shareholders' Meeting held on April 19, 2021, a resolution was presented, discussed and resolved on the terms and conditions of the restructuring of certain liabilities of the Company, including (i) the issuance of new Senior Notes for US$392,605,000.00, to be exchanged for the notes (Senior Notes) in circulation, (ii) the granting of real property guarantees regarding certain real properties of the Company, of the accounts receivable resulting from the different vacation programs, among other assets in guarantee, and the granting of personal guarantees by all subsidiaries, (iii) the approval of the financial support agreement with certain debt holders (Restructuring Support Agreement), and (iv) the restructuring implementation mechanisms, including, where appropriate, the voluntary request for protection and approval of the restructuring provided for in Chapter 11 of the United States Code.

V. the Extraordinary General Shareholders' Meeting held on November 30, 2021, the Proposal to amend the Eighth Clause, paragraph (a) of the bylaws was approved, to prohibit the issuance of shares without voting rights as well as the bylaws verification.

VI. In the Ordinary General Shareholders’ Meeting held on April 5, 2022, there was approved the financial information, the mandatory reports by administration, the results of the corporate year and their application, the ratification of the restructuring operation of its financial liabilities and granting of guarantees, the ratification of the members integrating the board of directors, as well as of the chairmen of the audit and corporate practices committees, and their remuneration.

VII. In the Ordinary General Shareholders' Meeting held on March 28, 2023, there was approved the financial information, the mandatory administrative reports, the results of the 2022 tax year and their application, the amount that may be allocated to purchase own shares, the ratification of the members of the board of directors, as well as the chairmen of the audit and corporate practices committees, and their remuneration. The appointment of delegates to comply with and formalize the resolutions adopted by the Meeting was also resolved.

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.

In the General Shareholders’ Meeting held on April 19, 2021, April 5, 2022, and March 28, 2023, no distribution of dividends corresponding to the corporate years ending on December 31, 2020, 2021 and 2022 respectively, was resolved.

The issuer's ability to declare and pay dividends is conditioned by the restrictions assumed due to the financing contracted and enforceable, being strongly linked to the Senior Notes. Pursuant to the Senior Notes 2027, the Company will not declare or pay dividends, nor will it reimburse capital to its respective shareholders, nor will it authorize or make any other distribution, payment or delivery of property or cash to its shareholders. Breach of the above constitutes a cause for early maturity.

3) FINANCIAL INFORMATION

a) Selected Financial Information

The following summarizes the Company's most relevant financial information regarding the last three corporate years. For a 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 with.

Audited Financials (million pesos) As of December 31st:			
Financial Highlights	**2022 - IFRS**	**2021 - IFRS**	**2020 - IFRS**
Total Revenues	9,078	7,406.7	5,225.7
Corporate expenses	576.5	397.2	361.7
Depreciation, amortization and real estate leasing	899.2	916.3	980.5
Operating income	684.7	455.1	(1,000.4)
Comprehensive financing cost (income)	131.9	253.1	1,431.6
Taxes	330.1	129.0	(293.9)
Net Income	222.7	57.9	2,138.0
Majority net income	217.4	63.0	(2,118.7)
Balance Sheet Data (End of period)			
Current assets	5,205.3	4,991.0	3,764.3
Property and equipment, net	3,904.4	4,187.5	4,406.9
Total assets	17,948.8	18,244.4	19,244.1
Current liabilities	4,989.9	4,226.2	12,165.4
Long-term debt	7,443.6	8,085.1	135.1
Total liabilities	16,693.8	17,232.1	18,334.8
Stockholders' equity	1,255.0	1,012.2	909.2
Other Financial Data			
EBIT / Revenues	7.5%	6.1%	-19.1%
Net Income/Revenues	2.5%	0.8%	40.9%
EBITDA	$1,556.1	$1,090.7	-$231.4
EBITDA to Revenues	17.1%	14.7%	-4.4%
Total debt to EBITDA	4.8 X	7.4 X	-34.1 X
Current assets / Current liabilities	1.04 X	1.18 X	0.31 X
Total liabilities / Equity	13.30 X	17.02 X	20.17 X

Please refer to the Notes to the audited consolidated Financial Statements that are attached to this annual report.

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 applicable tax provisions, and it cannot be ensured that there may or may not be legal modifications that affect the Company's results. Both unusual operations or the risk factors on the Issuer's future performance 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)	2022-IFRS		2021-IFRS		2020-IFRS	
	Revenues	%	Revenues	%	Revenues	%

Owned and Leased Hotels	4,429.9	48.8%	3,371.7	45.5%	3,735.2	41.2%
Management	1,576.0	17.4%	1,026.9	11.3%	1,158.9	12.8%
Vacation Properties	2,994.5	33.0%	2,919.6	32.2%	3,995.8	44.0%
Other Businesses	77.6	0.9%	88.5	1.2%	182.7	2.0%
Other Revenues	0.0	0.0%	0.0	0.0%	0.0	0.0%
TOTAL	**9,078.0**	**100%**	**7,406.7**	**100%**	**9,072.7**	**100%**

Source: Posadas

c) Material 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 composition.

In August 2021, a restructuring agreement was signed with a group of bondholders representing more than 25% of the issue, called the Ad-Hoc Group, to be executed by a proceeding before the New York court within the modality in a pre-agreed (prepackaged) format under chapter 11 of the US Bankruptcy Code. This agreement only involved the interests of the bondholders known as Senior Notes due 2022. No other counterparty was affected through this proceeding. On December 9, 2021, the court approved the Entity's restructuring plan and on December 15, the Entity restructured its debt known as Senior Notes with new maturity date on December 30, 2027, for a total amount of US$398,581,321, comprised of US$392,605,000 plus 4% annual rate on the principal of US$5,976,321 for the period from August 1st to December 15, 2021. Initially, a total of US$360,891,000 of Notes corresponding to the Senior Notes due June 2022 and the remaining US$31,714,000 will be exchanged no later than June 15, 2022. As part of this agreement, certain conditions of the previous debt were modified, and a step-up interest payment scheme was established. Additionally, for years one and two, 50% of the interest could be capitalized (PIK option – paid in kind) by applying a 6% and 7% rate respectively, to the capitalizable portion, which is at the discretion of the Entity. The Entity committed, through a guarantee trust, the vast majority of its assets, and the accounts receivable portfolio and the product of its collection (pledge) of its Vacation Property business, as well as the joint and several obligation of 11 subsidiaries (For more details see section: *b) Business Description ix) Corporate Structure*) as part of the guarantee for the benefit of the Senior Notes due 2027 bondholders, which ensured a satisfactory restructuring of the financial debt. For more details on the Senior Notes, consult section: 3) Financial information, ii) *Financial Situation, Liquidity and Capital Resources*, *Senior Notes.*

On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who made an exchange request before June 14. In turn, a partial cancellation in the amount of US$5,346,298 of Non-Qualified Holders was made as a consequence of the rules established in the restructuring process. With these actions, the restructuring was concluded. The balance as of December 31, 2022, is US$393,235,022.

On the other hand, the notes granted a debt service reduction and the extension of its term, allowing it to reinforce the prioritization of the cash use for operating activities, the preservation of jobs and the maintenance of our brand quality and service standards.

With this process we are even better positioned to continue operating with the highest standards, open new properties as the tourism sector recovers, and maintain our leadership in the operation of hotels in Mexico for many years to come.

Upon successfully concluding the restructuring plan, S&P Global modified our corporate rate to "B-".

Tax legislation is frequently modified by the pertinent authorities. Said modifications or interpretations by the authority regarding applicable provisions may have a significant negative effect on the tax liabilities imposed on the Company and compliance costs therewith. Likewise, it is possible that the authority has application and interpretation criteria regarding the applicable law different from those of the Issuer.

The Company is frequently subjected to audits by tax authorities and is vulnerable to becoming debtor of tax liabilities determined by said authorities which may adversely affect the Company businesses financial situation and cash flows. The relevant liabilities are detailed hereinbelow, some of which have been settled:

I. Regarding the 2006 corporate year, there is a proceeding against a tax liability determined by the Central International Auditing Administration of the Tax Administration Service (SAT, due to its initials in Spanish) for an updated $975.4 million amount to December 31, 2019. By ruling of June 19, 2019, issued by the court of the Federal Administrative Justice Court (TFJA, due to its initials in English), the tax liability was partially annulled. Said ruling was challenged by both the Company and the SAT but affirmed by the Twelfth Collegiate Administrative Court for the First Circuit in court session of September 4, 2020, thus the ruling of the TFJA became final. On March 24, 2021, the SAT notified the Company an official letter issuing a resolution complying with the ruling of the TFJA, determining a new $222.8 tax liability. Against the new liability, the Company filed a new annulment proceeding as well as a complaint. The Company withdrew the above because it was convenient to its interests.

On March 30, 2022, the Company made payment of the tax liability for $174.0 million pesos due to obtaining the benefit of article 70-A of the Federal Tax Code; therefore, the matter has been definitively concluded.

II. Pursuant to the new Income Tax Law (LISR, due to its initials in Spanish) in force in 2014, the tax consolidation rules were eliminated and therefore the Issuer is obligated to pay the tax that was financially deferred until December 31, 2013, during the following five fiscal years counting from 2014. The deconsolidation tax determined by the Company to said date was recognized in the December 31, 2013, consolidated comprehensive operating results statement, under the heading of profit tax amounting to $882.3 million. The updated balance to December 31, 2016, after 3 annual payments, totaled $309 million, recognizing the respective short-term and long-term liability.

Due to differences in interpretation of the applicable legislation, an agreement was reached with the Authority and the Company closed this audit with the SAT on the following terms:

Eliminate from the calculation upon the termination of tax consolidation rules determined in corporate year 2013, the loss registered due to the sale of shares. Said elimination causes:

a. Recognition of an additional payment obligation for the total amount, in different corporate years, of $2,376 million pesos, which includes accrued taxes and surcharges to April 7, 2017. Of this amount, $524 million pesos were liquidated during the corporate year ($488 million pesos were paid on April 7, and the remaining amount April 2017). The balance is to be paid in annual payments between 2018 and 2023, subject to updates, for the approximate amount of $309 million pesos each payment, number to be updated each corporate year with payment obligation. To date on which this report is issued, all annual payments have been met, including the ninth payment corresponding to 2022, paid in March.

b. A profit loss registered only once in 2017 for $930 million pesos, as the consequence of the long-term tax liability increase.

c. Ratify the right of Grupo Posadas to amortize pending tax losses accumulated to 2013, for an approximate amount of $7,751 million pesos.

By executing said agreements, the audits, tax liabilities and observations received to date for the aforementioned concepts related to the 2007 to 2013 tax years, have been duly determined and resolved.

This agreement was implemented by self-correction, eliminating the tax loss deduction from the sale of shares from the original calculation. Said situation was ratified and approved by the tax authorities through the issuance of an approval ruling.

For the first three annual payment, authorization was requested to apply article 70-A of the Federal Tax Code of the Federation (surcharges at the extension rate and elimination of fines) which was accepted and confirmed by the Decentralized Collection Administration in the Federal District “1”, by issuing an approval resolution.

III. On March 20, 2020, the Central Auditing Administration of Corporate Groups Supervision of the General Administration of Large Taxpayers of the Tax Administration Service (SAT), notified the Company and its subsidiaries Controladora de Valores Posadas and Promocion Inmobiliaria Hotelera of the official letters requesting diverse documentation and information related to the 2014 tax year.

For the 2014 tax year, the audit closing letters were obtained from the SAT in which concluded that there were no observations by the tax authority regarding the aforementioned tax year. It is important to point out that, for the 2015 tax year, the tax authority did not exercise its verification powers.

IV. On January 29, 2021, the decision contained in official letter number SEFIPLAN/SATQ/DG/DEAF/DAFZN/SMSZN/DVDEZN/0023/I/2021 dated January 18, 2021, issued by the State Director of Tax Audit of the Tax Administration Service of the State of Quintana Roo was notified. Said decision determines to the entity a tax loan in the total amount of $9,544,844.84 pesos, for alleged omissions in the payment of the 2017 and 2018 tax years payroll tax, updates, surcharges, fines and execution expenses.

On March 11, 2021, the entity filed an appeal remedy against the aforementioned official letter which is currently pending resolution.

V. On March 24, 2023, the decision contained in official letter number TES/LGS/929/2023 dated March 10, 2023, issued by the Municipal Treasury of Guadalajara was notified. By means of said document a tax loan payable by the Company was determined for alleged omissions in the payment of the property transfer tax, updating, surcharges, fines and notification expenses in the amount of $17,385,730. 39; regarding the transfer of assets recorded in public instrument number 9433 dated December 31, 2004.

On April 11, 2023, the Company filed an annulment proceeding against the tax loan filed under number 2027/2023, before the III Unitary Division of the Court of Administrative Justice of the State of Jalisco, which is pending to be admitted.

In the last days of April, we will file a bond with the Municipal Treasury of Guadalajara to guarantee the tax interest of the loan.

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

i) Operating Results

2022 - 2021

Corporate year ending December 31, 2022
Compared with corporate year ending December 31, 2021
Information according to International Financial Reporting Standards (IFRS)

Consolidated Comprehensive Operating Results Statement
***For the years ending December 31,* 2022 and 2021**
(*In thousands of Mexican pesos*)

	2022	2021
Continuing operations:		
Revenue	$9,077,990	$7,406,734
Cost of sales	6,275,378	5,502,143
Gross profit	2,802,612	1,904,591
Administrative expenses	1,105,548	855,781
Sale and development expenses	140,249	192,261
Depreciation, amortization, and leasing,	899,194	916,330
Rent discounts	(6,396)	(261,588)
Impairment of assets and technology platforms	-	-
Other revenue, net	(20,692)	(253,243)
Interest expense	631,351	573,863
Interest income	(59,783)	(16,988)
Extraordinary income, net	(107,972)	(724,019)
Commissions and financial expenses	94,904	96,263
Exchange (gain) loss, net	(426,603)	323,934
Equity in associate	-	15,000
	2,249,800	1,717,594
(Loss) income before income tax	552,812	186,997
Income tax expense	330,072	129,058
(Loss) income from continuing operations	222,740	57,939
Other comprehensive income:		
Income on exchange differences from translating foreign operations, which will be reclassified subsequently to profit or loss	327	2,549
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to profit or loss, - net of income tax	19,414	42,553
	19,741	45,102
Consolidated comprehensive income for the year	$ 242,481	$ 103,041

(Continued)

	2022	2021
Consolidated (loss) income for the year attributable to:		
Controlling interest	$ 217,373	$ 63,031
Non-controlling interest	5,367	(5,092)
Consolidated (loss) income for the year	$ 222,740	$ 57,939
Consolidated comprehensive (loss) income for the year attributable to:		
Controlling interest	$ 237,114	$ 108,133
Non-controlling interest	5,367	(5,092)
Consolidated comprehensive (loss) income for the year	$ 242,481	$ 103,041
Earnings (loss) per share:		
Basic and diluted (loss) earnings per common share (in pesos)	$ 0.44	$ 0.13
Basic and diluted (loss) earnings per common share (in pesos)	$ 0.48	$ 0.22
Weighted average of outstanding shares	495,881,988	495,881,988

(Concluded)

In this context, at the end of 2022 the following material circumstances occurred. (Additionally, reference may be made to section 2) The Company, subsection a) History and Development of the Company.

Profit and Loss Statement - IFRS (million pesos)	2022		2021		Var%
	IFRS 16	%	$	%	
Total Revenues	**9,078.0**	100.0	**7,406.7**	100.0	22.6
Owned and Leased Hotels					
Revenues	4,429.9	100.0	3,371.7	100.0	31.4
Direct Cost	3,481.9	78.6	2,624.2	77.8	32.7
Contribution	948.0	21.4	747.5	22.2	26.8
Management					
Revenues	1,576.0	100.0	1,026.9	100.0	53.5
Direct Cost	663.4	42.1	674.8	65.7	(1.7)
Contribution	912.7	57.9	352.1	34.3	159.2
Vacation Properties					
Revenues	2,994.5	100.0	2,919.6	100.0	2.6
Direct Cost	2,553.8	85.3	2,320.1	79.5	10.1
Contribution	440.7	14.7	599.5	20.5	(26.5)
Other Businesses					
Revenues	77.6	100.0	88.5	100.0	(12.4)
Direct Cost	27.2	35.1	39.3	44.4	(30.7)
Contribution	50.3	64.9	49.2	55.6	2.3
Corporate expenses	671.1	7.4	616.3	8.3	8.9
Depreciation / Amort. & Leases	878.3	9.7	897.2	12.1	(2.1)
Impairment of assets	0.0	0.0	0.0	0.0	na
Other (revenues) and expenses	(23.6)	(0.3)	(19.1)	(0.3)	23.5
Other revenues	0.0	0.0	0.0	0.0	na
Operating Profit	**825.9**	**9.1**	**253.9**	**3.4**	**225.3**
EBITDA	**1,704.2**	**18.8**	**1,151.1**	**15.5**	**48.1**
Special Operations	**(141.2)**	**(1.6)**	**201.2**	**2.7**	**na**
EBITDA	**1,563.0**	**17.2**	**1,352.3**	**18.3**	**15.6**

Note: The 2022 Annual Report numbers of the Company were reclassified in some categories in relation to previous Annual Reports and audited Financial Statements

2022 - 2021 Total Revenues

The Company's total revenues increased by 22.6% from $7,406.7 M in 2021 to $9,078.0 M in 2022. Most of the business segments showed a recovery, derived from the lifting of occupancy restrictions as well as the progress of vaccination and the gradual reactivation of activities.

In 2022, and mainly in the first quarter, we continued to operate our hotels in accordance with the provisions of the federal and state epidemiological traffic lights, with limited services according to the occupancy restrictions determined by the health authorities and complying with hygiene and safety protocols that have been reinforced under the strictest standards. As of September 2022, the states stopped publishing occupancy limits and restrictions, and the use of masks in closed areas ceased.

In 2022, we continued to operate with pandemic-related impacts (Omicron); however, during the second half of the year, we saw a recovery greater than that projected.

As 2022 progressed, we saw an improvement in the company's results, particularly during the fourth quarter. In 2022 we obtained a comparable EBITDA of $1,704.2 million, 48.1% higher than the previous year. EBITDA was led by coastal hotels, labeled as Resorts and mainly followed by the Vacation Properties (Loyalty) business unit. Urban hotels continued to show a clear improvement during the fourth quarter, particularly Upscale & Luxury hotels followed by Midscale & Economy hotels. Since the Covid-19 vaccination process began in several countries around the world, including Mexico, there has been a significant shift of travelers to beach destinations, seeking space, healthy distance and quality of life while allowing them to meet their commitments remotely through diverse electronic platforms. The latter boosted Resort hotels occupancy levels even beyond those observed in 2019 before the pandemic.

Hotels in 2022 continue to be classified into three groups so their performance could be measured accordingly to market trends:

Resorts

This segment continued to perform extraordinarily well. The revenue per available room (RevPAR) increased 35% compared to last year and 57% compared to 2019. Resorts capitalized higher revenues with a better flowthrough of 75% to achieve operating margins above 43%, improving 7 pp (percentage points) compared to the previous year.

Upscale & Luxury Hotels

Leveraged by an improved performance in the second half of the year, the Upscale & Luxury segment achieved a RevPAR increase of 62% in comparison to the previous year and 10% compared to 2019.

Midscale & Economy Hotels

The "Midscale & Economy" segment had an extraordinary fourth quarter (11% higher than in 2019). Thanks to these results, the segment RevPAR for the year grew 42%, being only 2% below that of 2019. As in "Upscale & Luxury", in this segment we control over 80% of the rooms generated through our own channels. The flowthrough of this hotel group was 62%, which allowed us to improve operating margins by 8 pp compared to 2021.

2022 – 2021 Owned and Leased Hotels

In 2022, the average available rate improved, resulting in an Revenue Per Available Room of 43% compared to the previous year, mainly due to the factors mentioned above. It should be remembered that this same indicator was 14% higher than that of 2019, prior to the pandemic.

Owned hotels include the income and costs and expenses derived from the operation of the own and leased hotels that the Company operates. This segment registered an increase in Owned and Leased Hotels of 31.4%, $4,429.9 M in 2022 against $3,371.7 in 2021.

The Departmental Costs of the hotels owned and leased by the Company consist of salaries related to the room staff, food and beverage costs, as well as other expenses, such as commissions to agencies, reservation charges and room utility and laundry services. As of January 1, 2019, real estate leases are recorded in the Comprehensive Financial Result as indicated by IFRS-16. Departmental costs and expenses are equivalent to $3,481.9 million for 2022, which represents an increase of 32.7% compared to the $2,624.2 million for the same period of 2021. The Departmental result (Income minus departmental costs and expenses) was $948.0 million for 2022, thus representing a recovery of 26.8% compared to $747.5 million for the comparable period of 2021.

General Expenses related to the Company's own and leased hotels consist of administrative expenses, maintenance and energy, property taxes, payment of insurance premiums, payment of auditor's fees and legal advisers. In sum, these expenses increased by 29.2%, to $1,105.5 million during 2022 compared to $855.8 million during 2021. The main increases were in energy, maintenance and commissions to agencies items as a result of the increase in the operation. Another item that presented a considerable amount but with a decrease of 27.1% compared to the previous year was sales, promotion and advertising expenses, which amounted to $140.2 million in 2022 compared to $192.3 million in the previous year.

2022 - 2021 Management

The management business includes hotel administration services, brand licensing and franchising as well as loyalty programs and call centers corresponding to Posadas managed hotels.

Due to the adoption of IFRS, inter-company operations were eliminated, such as: administration commissions, which are registered as expenses by owned and leased hotels, and subsequently are converted into income for the hotel administration segment.

Revenues in 2022 increased 53.5% compared to 2021, reaching $1,026.9 million in 2021, compared to $1,576.0 million in 2022.

Direct costs and corporate expenses related to Hotel Management, Brands and Others category mainly include costs and expenses of corporate sales, as well as hotel operations. These costs and expenses decreased by 1.7% to $663.4 million compared to the same period in 2021 in which they represented $674.8 million. For further details on the eliminations, see note 25, Business Segments Information of the audited consolidated Financial Statements.

At the system level in 2022, including owned, leased, managed, and franchised hotels, the occupancy average rate improved, resulting in an effective rate increase of 43%, reaching $1,172 in 2022.

Resorts, Upscale & Luxury y Midscale & Economy. The last two groups refer to city hotels. For Resorts, 2021 was a year with excellent performance, the available daily rate (ADR) was $7,248 with a 76% average occupancy rate resulting in a $5,502 effective rate, representing a 35% improvement compared to the previous year and 57% better than in 2019. For Upscale & Luxury hotels, the result was a $2,328 available rate at 60% occupancy resulting in an $1,398 RevPAR, 62% and 10% better than in 2021 and 2019, respectively. Midscale & Economy hotels performed similarly to the previous group with a $1,106 available daily rate of 62% occupancy and a $683 RevPAR resulting in a 42% improvement compared to 2021 but still 2% below 2019. It is important to remember that the three hotel groups showed a sequentially clear upward trend quarter after quarter.

In 2022, the company started operating 6 new hotels and stopped operating 3 which are listed in: *1) General Information, b) Executive Summary herein.*

2022 – 2021 Vacation Properties (Loyalty)

This segment mainly includes the revenue derived from the marketing of vacation properties: Fiesta Americana Vacation Club (FAVC), Live Aqua Residence Club (LARC) and vacation plans (KIVAC Travel Suite, Viaja Plus and Fiesta Americana Vacation Club), as well as of Loyalty program.

Vacation Products revenue increased 2.6% from $2,919.6 million in 2021 to $ 2,994.5 million in 2022. Loyalty products together contributed to 35% hotel occupancy in the entire hotel system, generating 2.2 million room nights through direct channels.

Vacation Products expenses mainly include expenses related to sales, financing, administration, marketing, collection, payroll, energy and insurance, hotel exchanges and operation expenses for our destinations. These costs increased by 10.1% from $2,320.1 million in 2021 to $2,553.8 million for the same 2022 period.

On the other hand, the IFRS contribution margin was 14.7%, a lower level in comparison with the 20.5% of the previous year, this is mainly due to the change in the mix of products sold from the traditional FAVC program to FAVC Access.

As of December 31, 2022, the vacation club receivables with a $6,488 value represented a 5% increase compared to the same period of the previous year and is within the normal collection period of less than 90 days.

2022 – 2021 Other Businesses

This segment presents third parties operations related to the Konexo and Conectum units, in order to independently measure their performance.

2022 – 2021 Corporate Expenses

Company corporate expenses include expenses such as salaries, administrative expenses, legal advisory fees, or the payment of corporate restructuring fees, as well as different payments related to its financial, corporate human resources and technology departments, as well as those of the CEO’s office. Corporate expenses in 2022 reached $671.1 million, which represented an 8.2% increase in comparison with the $616.3 million presented for the same period in 2021, this was in part due to the organizational restructuring carried out in December 2022 at a cost of close to $80 million. In Corporate expenses represented 7.4% of its total revenue in 2022, 0.9 pp less than that of previous year.

2022 – 2021 Depreciation, Amortization, Real Estate Property Leasing and Wear and Tear

Grupo Posadas had expenses for depreciation, amortization, and leasing of real estate for an amount equivalent to $899.2 million in 2022, this represented a 1.9% decrease compared to the $916.3 million that were expended for this concept in the comparable period of 2021.

2022 - 2021 Operating Results

The operating income of Grupo Posadas consolidates the income of its owned and leased hotels, management segment (mostly income fees from managed hotels), brands and others, Vacation Properties (Loyalty) and other business lines and deducts its corporate expenses and expenses for depreciation, amortization, leasing of real estate and deterioration of assets. The profit from consolidated operations was a profit of $825.9 million for 2022, 2.5 times higher than that reported in 2021.

2022 – 2021 Comprehensive Financial Result

Concept *(million pesos)*	**2022**	**2021**
Interest Income	(59,783)	(16,988)
Accrued interest	337,949	227,036
Exchange (gain) loss, net	(319,404)	264,363
Accrued interest from lease payments	(107,199)	59,571
Exchange (gain) loss, from lease payments	293,402	346,826
Other financial costs (products)	(26,783)	(653,952)
Other financial expenses	13,715	26,197
Total CFC	**131,897**	**253,054**

The Company's comprehensive financial result was $131.9 million for 2022, a decrease when compared to $253.1 million in 2021. Interest expenses increased 68.9% to $337.9 million in 2022, compared to $227 million for the period comparable in 2021, this as a result of the financial restructuring concluded in 2021, in which it was agreed to pay interest on the Senior Notes of 4% for year 1, for more details see note 15 f of the Audit financial statements. The exchange gain related to Posadas' operations translated into a loss of $426.5 million in 2022, in comparison to the exchange gain of $323.9 million in 2021, since the Mexican peso depreciated 3.1% in comparison to 2021, currency exchange rate at end of period minus currency exchange rate at beginning of period.

At the end of 2022, net interest coverage to EBITDA including IFRS 16 was 3.1 times, more favorable when compared to the 2021.

2022 – 2021 Revenue from Discontinued Operations, Net Income Tax

The Company recorded a $330.1 million tax in 2022 and $129 million in 2021 resulting from the Income Tax obtained from the operating result with a profit in both fiscal years.

This item is described in the opinion of the external auditors attached, Note 16 and in section *3) Financial Information, c) Material Credit Report.*

2022 – 2021 Net Majority Result

Our financial statements, per the Auditors', recorded a consolidated profit attributable to the majority share of $217.4 million for 2022, 3.4 times higher than in the previous year.

2022 – 2021 Financial Situation

The cash balance as of December 31, 2021, was $ 1,938.9 million (equivalent to US $100 million), of which $184.9 million are restricted cash.

The Company's total assets as of December 31, 2022, amount to $17,948.8 million (US $927.0 million)

The main entries for cash use were, among others, capital expenditures and taxes.

In June 2022, we successfully concluded our comprehensive debt restructuring by exchanging the 2022 Senior Notes for new ones due in 2027 in an amount of USD $393,235,022 (including a premium payable in capital). For further details see section *3) Financial Information, c) Material Loan Information*).

At the end of 2022, total debt was $7,478 million net of issuance expenses (US $400 million), while net debt according to IFRS was $5,539 million, the Net Debt to EBITDA ratio was 5.5 times while the previous year was 7.0 including IFRS 16 leases.

The Total Debt mix at the end of 2022 was as follows: almost 100% long-term, 98% in USD and 100% at fixed rate and guaranteed with most of the Company´s material assets as described at the beginning of this Annual Report.

Upon successfully concluding the final phase of the restructuring plan, S&P Global maintained our corporate rate to "B-".

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

i) Operating Results

2021 - 2020

Corporate year ending December 31, 2021
Compared with corporate year ending December 31, 2020
Information according to International Financial Reporting Standards (IFRS)

Consolidated Comprehensive Operating Results Statement
***For the years ending December 31,* 2020 and 2019**
(*In thousands of Mexican pesos*)

	2021	2020
Continuing operations:		
Revenue	$7,406,734	$5,225,743
Cost of sales	5,502,143	4,645,322
Gross profit	1,904,591	580,421
Administrative expenses	855,781	767,998
Sale and development expenses	192,261	131,722
Depreciation, amortization, and leasing,	916,330	925,518
Rent discounts	(261,588)	(211,577)
Impairment of assets and technology platforms	-	55,000
Other revenue, net	(253,243)	(87,871)
Interest expense	573,863	1,140,053
Interest income	(16,988)	(31,754)
Extraordinary income, net	(724,019)	-
Commissions and financial expenses	96,263	82,509
Exchange (gain) loss, net	323,934	240,767
Equity in associate	15,000	-
	1,717,594	3,012,365
(Loss) income before income tax	186,997	(2,431,944)
Income tax expense	129,058	(293,947)
(Loss) income from continuing operations	57,939	(2,137,997)
Discontinued operations		
Income (loss) from discontinued operations	-	-
	57,939	(2,137,997)
Consolidated (loss) income for the year		
Other comprehensive income (loss)	2,549	5,693
Loss on exchange differences from translating foreign operations, which will be reclassified subsequently to profit or loss	42,553	(14,827)
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to profit or loss, - net of income tax	45,102	(9,134)
	$ 103,041	$(2,147,131)

(Continued)

	2021	2020
Consolidated (loss) income for the year attributable to:		
Controlling interest	$ 63,031	$(2,118,681)
Non-controlling interest	(5,092)	(19,316)
	$ 57,939	$(2,137,997)
Consolidated (loss) income for the year		
Consolidated comprehensive (loss)		
income for the year attributable to:	$ 108,133	$(2,127,815)
Controlling interest	(5,092)	(19,316)
Non-controlling interest	$ 103,041	$(2,147,131)
Consolidated comprehensive (loss) income for the year		
Earnings (loss) per share:	$ 0.13	$ (4.27)
From continuing and discontinued operations -		
Basic and diluted (loss) earnings per common share (in pesos)	$ 0.22	$ (4.29)
From continuing operations -		
Basic and diluted (loss) earnings per common share (in pesos)	$495,881,988	$495,881,988

(Concluded)

In this context, at the end of 2021 the following material circumstances occurred. (Additionally, reference may be made to section 2) The Company, subsection a) History and Development of the Company.

Profit and Loss Statement - IFRS (million pesos)	2021		2020		Var%
	IFRS 16	%	$	%	
Total Revenues	**7,406.7**	100.0	**5,225.7**	100.0	41.7
Owned and Leased Hotels					
Revenues	2,181.6	100.0	1,494.4	100.0	46.0
Direct Cost	1,550.8	71.1	1,480.8	99.1	4.7
Contribution	630.8	28.9	13.6	0.9	4,547.4
Management					
Revenues	1,026.9	100.0	546.8	100.0	87.8
Direct Cost	649.6	63.3	726.7	132.9	(10.6)
Contribution	377.3	36.7	(179.8)	(32.9)	Na
Vacation Properties					
Revenues	4,092.8	100.0	3,070.3	100.0	33.3
Direct Cost	3,328.5	81.3	2,492.8	81.2	33.5
Contribution	764.3	18.7	577.4	18.8	32.4
Other Businesses					
Revenues	105.4	100.0	114.3	100.0	(7.7)
Direct Cost	371.2	352.1	267.1	233.8	39.0
Contribution	(265.8)	(252.1)	(152.8)	(133.8)	73.9
Corporate expenses	360.6	4.9	361.4	6.9	(0.2)
Depreciation / Amort. & Leases	897.2	12.1	914.8	17.5	(1.9)
Impairment of assets	0.0	0.0	0.0	0.0	na
Other (revenues) and expenses	(206.2)	(2.8)	(17.5)	(0.3)	1,078.9
Other revenues	0.0	0.0	0.0	0.0	na
Operating Profit	**455.1**	**6.1**	**(1,000.4)**	**(19.1)**	na
EBITDA	**1,352.3**	**18.3**	**(85.6)**	**(1.6)**	**na**

Note: The 2021 Annual Report numbers of the Company were reclassified in some categories in relation to previous Annual Reports and audited Financial Statements

Total Revenues 2021 - 2020

The Company's total revenues increased by 41.7% from $5,225.7 M in 2020 to $7,406.7 M in 2021. All business segments showed a recovery, derived from the lifting of worldwide flight restrictions as well as the advancement of vaccination and the gradual reactivation of activities.

During 2021, we continue to operate our hotels in accordance with the provisions of the federal and state epidemiological traffic lights, with limited services in accordance with the capacity restrictions determined by the health authorities and complying with health and safety protocols that have been reinforced under the strictest standards.

2021 was a year in which economic and health uncertainty remained constant, so our priority was and continues to be to maintain the company's liquidity.

To anchor the cash position, in March a security loan was contracted in the amount of $450 million pesos with GBM. The funds of said loan were mainly used to pay the eighth annual payment of the 2017 agreement with the SAT. Said credit was prepaid in advance in the month of October.

Along the same lines, we reconfigured our hotel portfolio, through the following actions:

- In March we sold the Fiesta Americana Hacienda Galindo hotel, which we continue to operate.
- On September 29, 2021, we sold our 12.5% interest in the investment trust of the Rivera Maya development project. This transaction complemented the termination announced on July 8, 2021, of the hotel operation contract in said project.
- On August 15, 2021, the lease agreement for the Grand Fiesta Americana Puerto Vallarta hotel was early terminated.

As 2021 progressed, an improvement in the company's results was observed, particularly during the fourth quarter, accompanied by the evolution of the restrictions established based on epidemiological traffic lights. In 2021, an EBITDA higher than the previous year was generated by $1,438 million to register a cash flow generation of $1,352 million. EBITDA was led by hotels in beach destinations, labeled as Resorts, and followed mainly by the Vacation Properties (Loyalty) business unit. City hotels showed a clear improvement during the fourth quarter, particularly those in the Upscale & Luxury category, followed by Midscale & Economy hotels. Since the vaccination process against Covid-19 began in several countries around the world, including Mexico, there has been a significant movement of travelers to beach destinations, looking for spaces, a healthy distance and quality of life, while allowing them to fulfill their remote work commitments through the various electronic platforms, which boosted the occupancy factors of Resort hotels, even higher than those observed in years prior to the pandemic.

Owned and Leased Hotels 2021 - 2020

In 2021, the average available rate improved, resulting in an effective rate (Revenue Per Available Room-RevPAR) of 77% compared to the previous year, mainly due to the factors mentioned above. It should be remembered that this same indicator continues 20% lower than that generated in 2019, prior to the pandemic.

Owned hotels include the income and costs and expenses derived from the operation of the own and leased hotels that the Company operates. This segment registered an increase Owned and Leased Hotels of 46.0%, $1,494.4 M in 2020 against $2,181.6 in 2021.

From an operational point of view, this is so because the hotels had an occupancy rate increase resulting in an effective rate of 77% higher, that is, from $518.3 in 2020 to $916 in 2021.

The Departmental Costs of the hotels owned and leased by the Company consist of salaries related to the room staff, food and beverage costs, as well as other expenses, such as commissions to agencies, reservation charges and room utility and laundry services. As of January 1, 2019, real estate leases are recorded in the Comprehensive Financial Result as indicated by IFRS-16. Departmental costs and expenses are equivalent to $1,550.8 million for 2021, which represents an increase of 4.7% compared to the $1,480.8 million for the same period of 2020. The Departmental result (Income less departmental costs and expenses) was $630.8 million for 2021, thus representing a recovery of 4,547.4% compared to $13.6 million for the comparable period of 2020.

General Expenses related to the Company's own and leased hotels consist of administrative expenses, as well as expenses for sales, promotion and advertisements, maintenance and energy, property taxes, payment of insurance premiums, payment of auditor's fees and legal advisers. In sum, these expenses increased by 11.4%, to $855.8 million during 2021 compared to $768 million during 2020. The main increases were in energy, maintenance and commissions to agencies items as a result of the increase in the operation and also in professional fees for the previously detailed restructuring of the Senior Notes due in 2022. Another item that represented an increase of 46.0% in addition to the above was sales, promotion and advertising expenses, this expense amounted to $192.3 million in 2021 compared to $131.7 million the previous year.

2021 – 2020 Management

The management business includes hotel administration services, brand licensing and franchising as well as loyalty programs and call centers corresponding to Posadas managed hotels.

Due to the adoption of IFRS, inter-company operations were eliminated, such as: administration commissions, were eliminated. These were registered as expenses by owned and leased hotels, and subsequently were converted into income for the hotel administration segment.

Revenues in 2021 increased 87.8% compared to 2020, reaching $546.8 million in 2020, compared to 1,026.9 million in 2021.

Direct costs and corporate expenses related to Hotel Management, Brands and Others category mainly include costs and expenses of corporate sales, as well as hotel operations. These costs and expenses decreased by 10.6% to $649.6 million compared to the same period in 2020 in which they represented $726.7 million. For further details on the eliminations, see note 25, Business Segments Information of the audited consolidated Financial Statements.

At the system level in 2020, including owned, leased, managed, and franchised hotels, the occupancy average rate improved, resulting in an effective rate increase of 77%, reaching $834 in 2021.

Hotels in 2021 have been classified into three groups in order to measure their performance more accurately, these groups are Resorts, Upscale & Luxury and Midscale & Economy. The last two groups refer to city hotels. For Resorts, 2021 was a year with excellent performance, the available rate was $5,833 with a 66% average occupancy rate resulting in a $3,845 effective rate, representing a 105% improvement compared to the previous year and 17% better than in 2019. For Upscale & Luxury hotels, the result was a $1,909 available rate at 45% occupancy resulting in an $860 effective rate, 81% better than in 2020 but still 33% below the effective rate recorded in 2019. Midscale & Economy hotels performed similarly to the previous group with a $948 available rate of, 50% occupancy and a $479 effective rate resulting in a 64% improvement compared to 2020 but still 31% below 2019. It is important to remember that the three hotel groups showed a sequentially clear upward trend quarter after quarter.

In 2021, the company started operating 9 new hotels listed herein on page 7 and stopped operating 4 (Grand Fiesta Americana Puerto Vallarta, Fiesta Inn Toluca Aeropuerto, Gamma Cancun Centro and One Tuxtla Gutierrez).

In January 2021, the One Guadalajara Centro Historico and the Fiesta Inn Express Puebla Explanada hotels were temporarily closed, but the latter reopened in 2022.

For more details see the section: *1) General information, b) Executive Summary.*

2021 – 2020 Vacation Properties (Loyalty)

This segment mainly includes the revenue derived from the marketing of vacation properties: Fiesta Americana Vacation Club (FAVC), Live Aqua Residence Club (LARC) and vacation plans (KIVAC Travel Suite, Viaja Plus and Fiesta Americana Vacation Club Access – previously “Re_Set”).

Vacation Products revenue increased 33.3% from $3,070.3 million in 2020 to $4,092.8 million in 2021, representing a 33.3% increase. As of December 31, 2021, the Vacation Properties (Loyalty) result was the generation of 313,832 room nights, which resulted in $617.9 million in hotel income.

Vacation Products expenses mainly include expenses related to sales, financing, administration, marketing, collection, payroll, energy and insurance, hotel exchanges and operation expenses for our destinations. These costs increased by 33.5% from $2,492.8 million in 2020 to $3,328.5 million for the same 2021 period.

On the other hand, the IFRS contribution margin was 18.7%, a similar level in comparison with the previous year.

As of December 31, 2021, the vacation products portfolio profile with a $6,190 value represented an increase compared to the same period of the previous year and is within the normal collection period of less than 90 days.

2021 – 2020 Other Businesses

This segment presents third parties operations related to the Konexo and Conectum units, in order to independently measure their performance.

2021 – 2020 Corporate Expenses

Company corporate expenses include expenses such as salaries, administrative expenses, legal advisory fees, or the payment of corporate restructuring fees, as well as different payments related to its financial, corporate human resources and technology departments, as well as those of the CEO's office. Corporate expenses in 2021 represented $360.6 million, which represented a 0.2% decrease in comparison with the $361.4 million presented for the same period in 2020. In Company percentages, corporate expenses represented 4.9% of its total revenue in 2021, 2.0 pp less than that of previous year.

2021 – 2020 Depreciation, Amortization, Real Estate Property Leasing and Wear and Tear

Grupo Posadas had expenses for depreciation, amortization, and leasing of real estate for an amount equivalent to $897.2 million in 2021, this represented a 1.9% decrease compared to the $914.8 million that were expended for this concept in the comparable period of 2020.

2021 – 2020 Operating Results

The operating income of Grupo Posadas consolidates the income of its owned hotels, managed hotels, brands and others, Vacation Properties (Loyalty) and other business lines and deducts its corporate expenses and expenses for depreciation, amortization, leasing of real estate and deterioration of assets. The profit from consolidated operations was a profit of $455.1 million for 2021 and $1,000.4 million loss for 2020.

2021 – 2020 Comprehensive Financial Result

Concept *(million pesos)*	**2021**	**2020**
Interest Income	(16,988)	(31,754)
Accrued interest	227,036	729,523
Exchange (gain) loss, net	264,363	113,956
Accrued interest from lease payments	59,571	126,812
Exchange (gain) loss, from lease payments	346,826	410,531
Other financial costs (products)	(653,952)	70,800
Other financial expenses	26,197	11,708
Total CFC	**253,054**	**1,431,575**

The Company's comprehensive financial result was $253.1 million for 2021, a decrease when compared to $1,431.6 million in 2020. Interest expenses decreased 68.9% to $227.0 million in 2021, compared to $729.5 million for the period comparable in 2020, this as a result of the financial restructuring concluded in 2021, for more details see note 15 f of the Audit. The exchange gain related to Posadas' operations translated into a loss of $323.9 million in 2021, in comparison to the exchange gain of $240.7 million in 2020, since the Mexican peso depreciated 3.1% in comparison to 2020, currency exchange rate at end of period minus currency exchange rate at beginning of period.

At the end of 2021, coverage of net interest to EBITDA and with IFRS 16 effect was 2.4 times more favorable compared to the 2020 negative coverage.

2021 – 2020 Revenue from Discontinued Operations, Net Income Tax

The Company recorded a $129 million tax in 2021 while the previous year there was a benefit of $293.9 million resulting from the Income Tax obtained from the operating result with a profit in 2021 and a loss in 2020.

This item is described in the opinion of the external auditors attached, Note 16 and in section *3) Financial Information, c) Material Credit Report.*

2021 – 2020 Net Majority Result

Our financial statements, per the Auditors', report a consolidated profit attributable to the controlling share of $63 million for 2021 and a loss of $2,118.7 million for 2020.

2021 – 2020 Financial Situation

The cash balance as of December 31, 2021, was $ 1,960.1 million (equivalent to US $95 million), of which $110.8 million are restricted cash.

The Company's total assets as of December 31, 2021 amount to $18,244.5 million (US $886.4 million).

The main entries for cash use were, among others, capital expenditures and taxes.

At the end of 2021, we successfully concluded our comprehensive debt restructuring by exchanging the 2022 Senior Notes for new ones due in 2027 in an amount of USD $398,581,321 (including a premium payable in capital). The latter through a complex process that established an agreement with a representative group of the previous note holders, which was later offered to the rest of the issuance holders and binding through a judicial proceeding denominated brought before the US Courts. For further details see section 3) Financial Information, c) Material Loan Information).

At the end of 2021, total debt was $8,126 million net of issuance expenses (US $406 million), while net debt according to IFRS was $6,166 million, the Net Debt to EBITDA ratio was 10.8 times while the previous year was negative including IFRS 16 leases.

The Total Debt mix at the end of 2021 was as follows: almost 100% long-term, 98% in USD and 100% at fixed rate and guarantee with most of the Company´s material assets as described at the beginning of this Annual Report.

Upon successfully concluding the restructuring plan, S&P Global modified our corporate rate to “B-“.

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

i) Operating Results

2020 - 2019

Corporate year ending December 31, 2020
Compared with corporate year ending December 31, 2019
Information according to International Financial Reporting Standards (IFRS)

Consolidated Comprehensive Operating Results Statement
***For the years ending December 31,* 2020 and 2019**
(In thousands of Mexican pesos)

	2020	2019
Continuing operations:		
Revenue	$ 5,225,743	$ 9,072,708
Cost of sales	4,645,322	6,184,045
Gross profit	580,421	2,888,663
Administrative expenses	767,998	1,063,209
Sale and development expenses	131,722	252,013
Depreciation, amortization, and leasing,	925,518	925,599
Rent discounts	(211,577)	-
Impairment of assets and technology platforms	55,000	6,200
Other revenue, net	(87,871)	(37,170)
Interest expense	1,140,053	1,004,038
Interest income	(31,754)	(95,412)
Commissions and financial expenses	82,509	90,623
Exchange (gain) loss, net	240,767	(312,140)
Equity in associate	-	-
	3,012,365	2,896,960
(Loss) income before income tax	(2,431,944)	(8,297)
Income tax expense	(293,947)	66,304
(Loss) income from continuing operations	(2,137,997)	(74,601)
Discontinued operations		
Income (loss) from discontinued operations	-	7,191
Consolidated (loss) income for the year	(2,137,997)	(67,410)
Other comprehensive income (loss)		
Loss on exchange differences from translating foreign operations, which will be reclassified subsequently to profit or loss	5,693	(2,162)
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to profit or loss, - net of income tax	(14,827)	(61,867)
	(9,134)	(64,029)
Consolidated comprehensive (loss) income for the year	$ (2,147,131)	$ (131,439)

(Continued)

	2020	2019
Consolidated (loss) income for the year attributable to:		
Controlling interest	$ (2,118,681)	$ (79,859)
Non-controlling interest	(19,316)	12,449
Consolidated (loss) income for the year	$ (2,137,997)	$ (67,410)
Consolidated comprehensive (loss) income for the year attributable to:		
Controlling interest	$ (2,127,815)	$ (143,888)
Non-controlling interest	(19,316)	12,449
Consolidated comprehensive (loss) income for the year	$ (2,147,131)	$ (131,439)
Earnings (loss) per share:		
From continuing and discontinued operations - Basic and diluted (loss) earnings per common share (in pesos)	$ (4.27)	$ (0.16)
From continuing operations - Basic and diluted (loss) earnings per common share (in pesos)	$ (4.29)	$ (0.29)
Weighted average number of shares	495,881,988	495,881,988

(Concluded)

In this context, at the end of 2020, the following material circumstances occurred. (Additionally, reference may be made to section *2) The Company, subsection a) History and Development of the Company*.

Profit and Loss Statement – IFRS (Million pesos)	2020 IFRS 16	2020 %	2019 $	2019 %	Var %
Total Revenues	5,225.7	100.0	9,072.7	100.0	(42.4)
Owned and Leased Hotels					
Revenues	1,494.4	100.0	3,735.2	100.0	(60.0)
Direct Cost	1,480.8	99.1	2,778.5	74.4	(46.7)
Contribution	13.6	0.9	956.8	25.6	(98.6)
Management					
Revenues	546.8	100.0	1,158.9	100.0	(52.8)
Direct Cost	726.7	132.9	849.7	73.3	(14.5)
Contribution	(179.8)	(32.9)	309.3	26.7	(158.2)
Vacation Properties					
Revenues	3,070.3	100.0	3,995.8	100.0	(23.2)
Direct Cost	2,492.8	81.2	3,083.8	77.2	(19.2)
Contribution	577.4	18.8	912.0	22.8	(36.7)
Other Businesses					
Revenues	114.3	100.0	182.7	100.0	(37.5)
Direct Cost	267.1	233.8	413.6	226.4	(35.4)
Contribution	(152.8)	(133.8)	(230.9)	(126.4)	(33.8)
Corporate expenses	361.4	6.9	403.9	4.5	(10.5)
Depreciation / Amort. & Leases	914.8	17.5	887.7	9.8	3.0
Impairment of assets	0.0	0.0	0.0	0.0	na
Other (revenues) and expenses	(17.5)	(0.3)	(23.3)	(0.3)	(25.0)
Other revenues	0.0	0.0	0.0	0.0	na
Operating Profit	**(1,000.4)**	**(19.1)**	**678.8**	**7.5**	Na
EBITDA	**(85.6)**	**(1.6)**	**1,566.5**	**17.3**	na

Note: The 2020 Annual Report numbers of the Company were reclassified in some categories in relation to previous Annual Reports and audited Financial Statements, likewise, items derived from the new IFRS 16 on leases and the sale of the Fiesta Americana Condesa Cancun were added. However, these differences do not represent an interpretation risk to users of the information.

2020 – 2019 Total Revenues

The Company's total revenues decreased by 42.4% from $ 9,072.7 M in 2019 to $ 5,225.7 M in 2020. All business segments showed deterioration, derived from the COVID-19 pandemic impact, which triggered flight restrictions worldwide and the declaration of health emergency published by the Mexican government on March 31, 2020. The restrictive measures taken to contain the pandemic negatively affected the Company's results.

In 2020, the SARS COVID19 health emergency led us to continue operating our hotels in accordance with the provisions of federal and state epidemiological signal lights, with limited services according to capacity restrictions determined by health authorities. During the months from April to June 2020, most of the Company operated hotels remained closed and as of July began to reopen gradually as allowed by federal and local governments as the result of the epidemiological signal lights. Our first quarter of 2020 results were solid despite the volatility and uncertainty environment of the macroeconomic outlook for the world and Mexico caused by the Covid-19 pandemic. The health emergency resulted in the temporary closing of 160 hotels of the 187 that we operate. The 27 hotels that remained open met the specifications determined by the competent authorities serving essential activities while applying hygiene and safety policies that have been enforced under the strictest standards.

This has had an impact on operating results during the isolation period that we are undergoing, for this reason we are implementing containment strategies that allow us to continue business.

During the months of January and February 2020, the hotels presented solid operating results, generating 55% more EBITDA than in the first two months of the previous year. In the second half of March, reservations decreased by such a magnitude causing the rescheduling of reservations for both hotels and vacation programs for later.

In today's environment, the highest priority remains the health of our guests and employees, followed by the important priority of preserving liquidity.

The company continues to work with suppliers and other partners to preserve its working capital or obtain additional financing sources.

2020 – 2019 Owned and Leased Hotels

2019 registered a contraction in the average available rate of 1.8% compared to the previous year, mainly due to the factors mentioned above.

Owned hotels include the income and costs and expenses derived from the operation of the own and leased hotels that the Company operates. This segment, due to the aforementioned pandemic, suffered an income decrease of Own and Leased Hotels of 60%, $ 3,735.2 M in 2019 against $ 1,494.4 million in 2020.

From the operating point of view, this is so because the hotels had a rate decrease of 4.3%, in occupancy of 41.2% and in effective rate of 58.7%, that is, from $1,253 in 2019 to $518.3 in 2020. City hotels had a decrease in the average rate of 14.6% and effective rate of 66.7%, decreasing from $1,120 in 2019 to $373 in 2020.

Beach hotels had an average rate increase of 3.7% with a decrease in occupancy of 33.8 pp. All of the above resulted in an effective rate lower by 43.4%, decreasing from $1,642 in 2019 to $929 in 2020, compared to the previous year, due in part to the decrease in the flow of tourists in beach destinations, mainly from the States United, as a result of the restrictions imposed by the pandemic.

The Departmental Costs of the hotels owned and leased by the Company consist of the salaries related to the room staff. Additionally, these include leases, food, and beverage costs, as well as other expenses, such as agency commissions, reservation fees, and laundry and room amenities services. Departmental costs and expenses equal $1,480.8 million for 2020, which represents a 46.7% decrease compared to the $2,778.5 million that they represented in the same period of 2019. The Departmental result (Income less departmental costs and expenses) was $13.6 million for 2020, representing a 98.6% decrease compared to $956.8 million for the comparable 2019 period.

General Expenses related to the Company's own and leased hotels consist of administrative expenses, as well as expenses for sales, promotion and advertisements, maintenance and energy, property taxes, payment of insurance premiums, payment of auditor's fees and legal advisers. In sum, these expenses decreased by 27.8%, to $ 768 million during 2020 compared to $ 1,063.2 million during 2019. This decrease was due to the hotel closings and their opening in keeping with epidemiological signal lights, as well as various measures, such as agreements with suppliers, a new operating model allowing us to detect efficiencies, confront obstacles, prioritize disbursements, and the ability to turn these challenges into opportunities, generating a decrease in the main expense items, standing out energy, fees, bank commissions and office leasing.

2020 - 2019 Management

The management business includes hotel administration services, brand licensing and franchising as well as loyalty programs and call centers corresponding to Posadas managed hotels.

Due to the adoption of IFRS, inter-company operations were eliminated, such as: administration commissions, were eliminated. These were registered as expenses by owned and leased hotels, and subsequently were converted into income for the hotel administration segment.

Revenues in 2020 decreased 52.8% compared to 2019, reaching $546.8 million in 2020, compared to $1,158.9 million in 2019.

Direct costs and corporate expenses related to Hotel Management, Brands and Others category mainly include costs and expenses of corporate sales, as well as hotel operations. These costs and expenses decreased by 14.5% to $726.7 million compared to the same period in 2019 in which they represented $849.7 million. For further details of the eliminations, see note 25, Business Segments Information of the audited consolidated Financial Statements.

At the system level in 2020, including owned, leased, managed, and franchised hotels, there was a 6.3% decrease in the average rate and in occupancy of 35.1 pp, resulting in an effective rate decrease of 56.8%, decreasing from $891 in 2019 to $385 in 2020.

For city hotels, at the system level we observed a decrease in both the average rate and occupancy of 8.9% and 35.3 pp, respectively, resulting in a lower effective rate of 58.8%. On the other hand, beach hotels showed a decrease in average rate of 1.0% and in occupancy of 32.3 pp, for a lower effective rate of 46.3%.

In 2020, the company started operating 6 new hotels and stopped operating 8 (Fiesta Americana Punta Varadero, Fiesta Americana Holguin Costa Verde, Holiday Inn Merida, Live Aqua Playa del Carmen, one Coatzacoalcos Forum, Gamma Leon Universidad, Gamma Ciudad Obregon, FI San Cristobal).

In January 2021, the Fiesta Inn Express Puebla Explanada hotel was temporarily closed and operations at the Fiesta Inn Toluca Aeropuerto hotel were ceased.

For more details see the section: *1) General information, b) Executive Summary.*

2020 – 2019 Vacation Properties

This segment mainly includes the revenue derived from the marketing of vacation properties: Fiesta Americana Vacation Club (FAVC), Live Aqua Residence Club (LARC) and vacation plans (KIVAC Travel Suite and Fiesta Americana Vacation Club Access – previously "Re_Set").

Vacation Products revenue decreased from $3,995.8 million in 2019 to $3,070.3 million in 2020, representing a 23.2% drop. As of December 31, 2020, the Vacation Properties result was the generation of 287,169 room nights, which resulted in $363.3 million in hotel income.

Vacation Products expenses mainly include expenses related to sales, financing, administration, marketing, collection, payroll, energy and insurance, hotel exchanges and operation expenses of our destinations. These costs decreased by 19.2%, to $ 2,492.8 million in 2020, compared to $ 3,083.8 million for the same 2019 period.

On the other hand, the IFRS contribution margin decreased by 36.7% in comparison with the previous year of 22.8%.

As of December 31, 2020, the vacation products portfolio profile with a $ 5,939 million value of the previous year, representing a marginal decrease compared to the same period in the prior year, is within the normal collection period of less than 90 days.

2020 – 2019 Other Businesses

This segment presents third parties operations related to the Konexo and Conectum units, in order to independently measure their performance.

2020 – 2019 Corporate Expenses

Company corporate expenses include expenses such as salaries, administrative expenses, legal advisory fees, or the payment of corporate restructuring fees, as well as different payments related to its financial, corporate human resources and technology departments, as well as those of the CEO's office. Corporate expenses (according to the Segment Note 25 of the audited Financial Statements) in 2020 represented $361.4 million, which represented a 10.5% decrease in comparison with the $403.9 million presented for the same period in 2019. In Company percentages, corporate expenses represented 6.9% of its total revenue in 2020, 2.5 pp greater than that of previous year.

Sale of 2020 – 2019 Depreciation, Amortization and Real Estate Property Leasing

Grupo Posadas had expenses for depreciation, amortization, and leasing of real estate for an amount equivalent to $914.8 million in 2020, this represented a marginal decrease compared to the $887.7 million that were expended for this concept in the comparable period of 2019.

2020 – 2019 Operating Results

The operating income of Grupo Posadas consolidates the income of its owned hotels, managed hotels, brands and others, Vacation Properties and other business lines and deducts its corporate expenses and expenses for depreciation, amortization, leasing of real estate and deterioration of assets. The profit from consolidated operations was a loss of $1,000.4 million for 2020 and $678.8 million profit for 2019.

2020 – 2019 Comprehensive Financial Result

Concept *(Million pesos)*	**2020**	**2019**
Interest Income	(31,754)	(95,412)
Accrued interest	729,523	645,357
Exchange (gain) loss, net	113,956	(224,266)
Accrued interest from lease payments	410,531	358,681
Exchange (gain) loss, from lease payments	126,812	(87,874)
Other financial costs (products)	70,800	75,613
Other financial expenses	11,708	15,010
Total CFC	**1,431,575**	**687,109**

The Company's comprehensive financial result was $1,431.6 million for 2020, an increase when compared to $ 687.1 million in 2019. Interest expenses increased 11.5% to $729.5 million in 2019, compared to $645.3 million for the period comparable in 2019. The exchange gain related to Posadas' operations translated into a loss of $240.7 million in 2020, in comparison to the exchange gain of $312.1 million in 2019, since the Mexican peso depreciated 5.2% in comparison to 2019, currency exchange rate at end of period minus currency exchange rate at beginning of period.

At the end of 2020, the coverage of net interest to EBITDA and with the effect of IFRS 16 were negative.

2020 – 2019 Revenue from discontinued operations, net income tax

The Company recorded a $ 293.9 million loss in 2020 while the previous year there was a tax of $ 66.3 million resulting from the sale of the Fiesta Americana Condesa Cancun hotel. This item is described in the opinion of the external auditors attached, Note 16 and in section *3) Financial Information, c) Material Credit Report*.

2020 – 2019 Net Majority Result

Our financial statements, per the Auditors', report a consolidated net loss of $2,118.7 million for 2020 and of $79.9 million for 2019.

2020 – 2019 Financial Situation

The cash balance as of December 31, 2020, was $ 502 million (equivalent to US $ 25 million), of which $114 million are restricted cash.

The Company's total assets as of December 31, 2020, amount to $ 19,244.1 million (US $ 964.7 million).

The main of uses cash were, among others, capital expenditures and taxes.

At the end of 2020, total debt was $8,557 million net of issuance expenses (US $401 million), while net debt according to IFRS was $8,055 million, including unpaid interest in 2020 related to Senior Notes 2022 (US $ 404 million), the Net Debt to EBITDA ratio was negative including IFRS 16 leases.

The Total Debt mix at the end of 2020 was as follows: almost 100% long-term, 98% in USD and 100% at fixed rate. The average life of the debt was short-term and only 2% was debt secured by a real estate asset.

It is worth mentioning that on June 30, 2020, and December 30, 2020, the interest payments due on those dates was omitted, as stated in the material events of June 25 and December 30, 2020. Said liability is presented as short-term.

As of December 31, 2020, the corporate ratings were:

- Moody´s: global scale “Ca”.
- S&P: global scale “D”.

The rating for notes “7.875% Senior Notes Due 2022” were: Moody’s “Ca”/ S&P: “D”.

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, sale of assets, capital, and debt.

For some years, the Company strategy had been to continue growing through hotel management contracts, which implied less capital expense. However, certain investors have preferred to execute leasing contracts whereby Posadas undertakes the maintenance, equipment, furnishings, operating equipment, and working capital investment obligations. Resulting from these operations, throughout the last 3 years we have been able to invest more than $839 million pesos in the maintenance and remodeling of our hotels, distribution channels technology, as well as in the Grupo Posadas technological infrastructure.

These investments were made mainly in Live Aqua Cancun Beach Resort, Fiesta Americana Condesa Cancun, Fiesta Americana Guadalajara, Fiesta Americana Merida and Grand Fiesta Americana Chapultepec. Additionally, in 2022, the remodeling of the Fiesta Americana Villas Acapulco hotel pool was completed, and Phase II of the Villas and Spa at the Grand Fiesta Americana Golf & Spa Los Cabos hotel remodeling began.

Usually, the source of the Company's operating expenses was internal income, however, the effects of the Covid 19 pandemic in 2020 limited the capacity to generate income and the liquidity necessary to do so. During 2022, a significant recovery was observed even though the pandemic had not disappeared, due to this, the use of funds during 2022 was reflected in the cash balance, decreasing from $1,960.1 million in 2021 to $1,938.9 million in 2022. It should be mentioned that in 2022, the 2027 Senior Notes interest payment was made, as well as payment of $174 million regarding the 2006 SAT proceeding, which did not occur in 2021.

To December 31, 2022, 2021 and 2020, financial debt was integrated as follows (interest rates in force to December 31, 2022 – 2020, respectively):

USD (Thousands)	2022	2021	2020
"Senior Notes 2022" fixed interest rate 7.875%	-	-	7,727,116
"*Senior Notes 2027*" step-up rate of 4% to 8%	7,343,598	7,951,884	
MXN (Thousands)			
Loan at annual fixed rate 9.175%	133,794	156,747	156,539
	7,477,392	**8,108,631**	**7,883,655**
Minus			
Long-term maturities	33,830	(23,521)	(7,748,597)
Long-term debt	**7,443,562**	**8,085,110**	**135,058**

To December 31, 2022, 100% of the Company's debt was at a fixed rate. Its nominal weighted interest rate with tax withheld at the close of 2021 was 4.21% in US Dollars.

The long-term debt maturity dates to December 31, 2022, are as follows:

To pay during	Thousands of dollars	Thousands of Mexican pesos
2024		101,736
2025 and therefore	US$393,235	7,613,620
Equivalent in thousands of Mexican pesos		7,715,356
Less - debt issuance costs		(271,794)
		$7,443,562

Hereinafter is a summary of the details of the Corporation's material debt.

Senior Notes

At the end of the year, we successfully concluded our debt restructuring, by exchanging the 2022 Senior Notes, for new notes due in 2027 in an amount of USD$393,235,022 (including a premium payable in capital). The latter through a complex agreement established with a previous note-holder representative group, which was later offered to the rest of the issue holders and binding through a judicial procedure called "prepackaged Chapter 11", brought before the United States courts. On June 30, 2022, US$26,850,570 of Senior Notes due in 2027 were subscribed by holders who made an exchange request before June 14. In turn, a partial cancellation in the amount of US$5,346,298 of Non-Qualified Holders was made as a consequence of the rules established in the restructuring process. With these actions, the restructuring was concluded.

As background, on June 30, 2015, the Company issued debt for US$350 million dollars in notes known as "2022 Senior Notes" by way of the Luxemburg Securities Exchange. The intention was to substitute the US$310 million dollars issue 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 prior issue. As a result of the offer, it was possible to repurchase US$271.7 million dollars of "2017 Senior Notes" equivalent to 87.63% of the principal amount. The "2022 Senior Notes" accrue 7.875% annual interest with a principal due date of June 30, 2022. The interest is payable bi-annually starting on December 30, 2015. It is worth to remember that in May 2016, a $50 million dollar reopening was carried out on the same 2015 issue terms and conditions.

On February 20, 2019, pursuant to the contract ("Indenture") of the 7.875% Senior Notes Due 2022, the Company announced to the market through the BMV, the Offer to Purchase for Cash to prepay and cancel up to $515 million of its debt due in 2022. The offer period expired on March 20, 2019, and was liquidated on March 22, 2019. After the cash purchase offer, the balance of the 7.875% Senior Notes Due 2022 is US$392,605,000.

On February 19, 2019, a trust was constituted in Banco Santander, S. A., with $224 million derived from the sale of the Hotel Fiesta Americana Condesa Cancun, so that in compliance with the 2022 Senior Notes provisions, these funds would be applied to payment of the consideration stipulated in the Investment Plan that is contained in the selfsame trust contract. Said trust considers five hotel projects and estimated its duration would be approximately 12 months. To the issuance date of this annual report, the trust had been extinguished after fulfilling its purpose.

Principal restrictions and negative covenants stipulated in the debt contracts to December 31, 2022:

- Limitations to incur in additional debt
- Limitations to grant guarantees
- Restriction on making certain payments and investments
- Obligation to grant in guarantee the rights resulting from investments
- Restrictions on the possibility and terms of asset sales
- Obligation to allocate net asset sale profits for certain purposes, such as payment of certain identified tax liabilities or debt repurchase
- Dividend payments
- Transactions with affiliates
- Merging with other entities and change of control
- Obligation to pay the withholding taxes so that creditors receive the full amounts they would have received if said taxes were not incurred.

Likewise, the following predicates, amongst others, 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.

The Indenture imposes customary obligations and restrictions for this type of instrument. The following is a breakdown of the main financial items of the Company plus the guarantor subsidiaries separated from the non-guarantor subsidiaries (some figures may vary due to rounding):

Results (Million pesos as of December 31, 2022	Grupo Posadas & Guarantors	Consolidated

	2022	2021	2020	2022	2021	2020
Total Revenues	8,826	7,258	5,054	9,078	7,407	5,226
Impairment, depreciation and amort.	854,336	864	882	884,712	897	915
Leases	14,482	(242)	(201)	14,482	(242)	(201)
(Net Loss)	211,321	48	(2,042)	222,740	58	(2,138)
Total Assets	17,367	17,645	18,469	17,949	18,244	19,244
Total Liabilities	16,511	17,030	18,007	16,694	17,232	18,335

Chain supply (factoring credit lines)

As of December 31, 2022, the Company had lines contracted with Banca Mifel, S.A. up to $100 M, with collateral of 1.0x and with BBVA, S.A. $50 M with collateral of 1.1x. The purpose of the lines of credit is to carry out financial factoring transactions with suppliers with a maximum payment term of 90 days. As of this same date, the lines were 100% used.

Inmobiliaria del Sudeste

On June 22, 2017, the subsidiary Inmobiliaria del Sudeste, S.A. de C.V., owner of hotel Fiesta Americana Merida obtained a secured trust loan for $210 million for a seven-year term. The funds were used for corporate purposes including remodeling of the hotel public areas. On January 23, 2018, the Company prepaid $10 M, reducing the unpaid balance to $200 M. As of December 31, 2019, and December 31, 2020, the outstanding balance amounted to $165 M and $159 M, respectively. On August 27, 2020, the second amended agreement was signed by which the bank granted a grace period to defer the payment of interest and principal for 12 months beginning in April 2020.

The third amendment agreement to the modified and restated contract, dated April 23, 2021, establishes that interest will be paid quarterly until April 23, 2022, and on this same date principal payment will be resumed on a monthly basis beginning with the amount of $2,458. In 2022, the subsidiary made payments of $30 M corresponding to interest and principal. The unpaid balance to December 31, 2022, amounted to $136 million.

Amongst the main affirmative covenants of this loan are those inherent to a loan contract, such as compliance with financial indexes and delivery of quarterly and annual financial information. Regarding the applicability of negative covenants, are changes in the nature of the business, conveyance of assets, change of control, modification of the hotel, amongst others. Any breach of the obligations undertaken will be cause for termination.

Liquidity Loan 2021

On March 24, 2021, the Company announced the contracting of a $450 million peso loan, guaranteed with a guarantee trust on its Fiesta Americana Reforma and Fiesta Americana Guadalajara hotels and a pledge guarantee on the rights over said trust. The loan was contracted on market terms and was essential to maintain ordinary company operations and the liquidity necessary in the face of the challenges that the uncertainty derived from the Covid-19 epidemic has imposed on the accommodation and tourism sector. The amount of the funds received was used mainly for payment of the eighth out of ten annual payments that are part of the agreement with the Tax Administration Service (SAT) in 2017. The remaining amount will be used to finance expenses related to this transaction, taxes, and other corporate purposes. This loan was paid in advance in the month of October 2021.

Sale of assets.

During the last 3 years the Company has sold relevant assets to meet its capital needs:

a) The Nuevo Vallarta land lot was sold in early 2020.

b) The Fiesta Americana Hacienda Galindo Hotel with 168 rooms, underwent a staged remodeling in 2017, due to the execution of a lease agreement by the Company. At that time, a purchase and sale agreement were entered into subject to various conditions, which was formalized and paid in March 2021. The price was a multiple of 10.06 times EBITDA of the hotel during the 2019 tax year, minus investments and rents. The Company currently manages said hotel under an operating agreement.

c) On September 29, 2021, our 12.5% interest in the investment trust of the Rivera Maya development project was sold. This transaction complemented the termination announced on July 8, 2021, of the operating agreement of the hotels in such project.

Without representing a sale of assets for liquidity purposes, in 2022 the Company transferred the land lot it had in Acapulco Diamante to a co-invest vehicle, against the receipt of trust rights of 29 apartments that will be located in such complex. These apartments will be used as inventory for the Company's Vacation Products.

During 2022, no assets were sold for liquidity purposes. For prior years' sales, refer to the audited financial statements attached hereto.

Derivatives The Company monitors and has occasionally participated in the derivatives market, using these instruments as an economic hedge for its debt. As of December 31, 2022, the company did not have any financial instrument contracted.

The Company occasionally 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) and instruments to fix variable debt interest rates (IRS). The preceding is for economic hedging purposes. To date, the Company does not have any of these instruments contracted.

The reference or underlying variables of 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 inappropriately unaccounted 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 integrated 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.*

Treasury. The corporate treasury manages the treasury of hotels of which Posadas is owner and lessee and of the service businesses other than those strictly related to the hotel business.

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

At the close of tax year 2022, approximately 65% of our cash was denominated in dollars, with a cash balance as of December 31, 2022, of $1,939 million of which $184.9 million were restricted cash.

Capital Expenses. At the close of December 2022, capital expenses amounted to $223 million; of which 28% was allocated to hotel remodeling and maintenance, 52% to vacation products and 20% for corporate use and technology.

Currently, the Company mostly finances budgeted capital expenses by internal generation. The Company's dependence on debt to finance capital expenses has decreased in the extent that it has expanded through hotel management contracts or leasing contracts.

Balance Account Changes. For the 2022, 2021 and 2020 corporate years, the company is recognizing the adoption of IFRS which principally affects the items of fixed assets, credit risks, Vacation Properties reserves and deferred taxes, amongst others. For greater detail consult the Audited Financial Statements in the Attachment.

Off-the-Books operations. As of December 31, 2022, the Company had not carried out any material operation that was not recorded in the Audited Financial Statements.

iii) Internal Control

The Company has an Audit Committee which carries out audit activities established by the Mexican Securities Market Law (LMV, due to its initials in Spanish), as well as those corporate practices activities determined by the Board of Directors. The Audit Committee is formed by at least three independent directors appointed by the Company 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 activities related to corporate practices as established by the Securities Market Law, 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 Securities Market Law. The Corporate Practices Committee is made up of at least three independent directors appointed by the Company Board of Directors or its Shareholders Meeting. The Chairman of this Committee is appointed by the General Shareholders Meeting.

To mitigate risks and continue strengthening Corporate Government, the Company has an Internal Audit Assistant Division. This Division has added to its duties advising, based on a risk methodology, the business units, because of the organizational restructuring effectuated at the end of 2020. This division reports to the Chief Executive Officer Division and to the Audit Committee.

Annually, the Internal Audit Division, under the Chief Executive Officer, proposes to the Audit Committee the annual internal audit plan, whose quarterly progress and findings are presented to said Committee. Notwithstanding, the Audit Division participates in carrying out un-scheduled audits at the request of the Office of the Chief Executive Officer, or of any other upper-level body.

The Vice-presidency of Finance and the Administration Division are responsible for designing, establishing, and verifying general guidelines for the critical internal control points of the Company operations, so that they comply with the IFRS. These mechanisms, guidelines and criteria are continuously subject to auditing by the external auditor of the Company, which may be pointed out and discussed by the latter, at least quarterly in the Audit Committee sessions.

e) Critical Accounting Estimates, Allowances or Reserves

See Note 5 of the Audited Financial Statements in the Attachment.

The critical accounting opinions and key uncertainty sources when applying the estimates made to the date of the consolidated financial statements December 31, 2022, are:

i. The evaluation of the Entity's role as agent or principal in the real property leases.

Complex situations are assessed regarding property leases where both lessor and lessee may make decisions about an identified asset, and the way in which each party benefits from such assets, in order to determine whether the Entity act as an agent or principal, which affects the recognition of revenues, operating costs and expenses, and the decision to record assets by use rights and their respective payment obligation for the lease term.

ii. Vacation Club Revenue Recognition

Management makes judgments to decide when membership contract performance obligations in the of Vacation Club are fulfilled, such as the transfer of a right enforceable as regards to third parties, and upon transferring control over real property to membership buyers which have an effect on revenue recognition.

This revenue is considered financial leasing, since almost all the risks and benefits inherent in the FAVC ownership are transferred to the purchasers, and the right of use is granted for a period similar to the life of the assets.

iii. Classification criteria of the Company's operating segments.

The Company classifies its results into four operating segments, based on internal reports prepared using a managerial approach.

iv. The estimated amount of investments in securities other than cash equivalents.

The Company estimates the amount of its short-term cash needs considering its operating cycle, the debt service for the following year, and the budget authorized by the Investment Committee for capital investments. The surplus is presented as Investments in securities, other than cash equivalents.

v. The discount rates and terms of the hotels leased by the Company.

The Company values leased assets and defined those which are low-value. Those for which usage rights are recorded are analyzed to determine contractual terms, renewal possibilities based on economic benefits, committed payment projections and the discount rates used for each asset type to determine the amount to be recorded.

vi. The allowance for doubtful accounts and returns related to Vacation Club Properties.

Estimates are used to determine allowances for doubtful accounts, considering mainly collection arrears pursuant to the established financing plans. The allowance for Vacation Club returns is determined based on a percentage of probability that memberships will be cancelled.

Documented receivables for the operation of Vacation Properties - As of December 31, 2022, the reserve for returns of Vacation Properties according to IFRS amounts to $293.5 M.

vii. The presentation of deferred revenues and other Kivac assets, short and long-term.

Kivac points that are expected to be utilized during the following 12 months from the date of the consolidated financial position statement are classified as current, considering the expected Kivac collection, which is the trigger that entitles the purchasers to use the hospitality service of this product.

viii. Long-term Asset Impairment.

If there is evidence of impairment, the Company conducts a review to determine whether the carrying amount exceeds its recoverable value of its assets. During this analysis, it is necessary to make estimates regarding the value in use assigned to the buildings. Value-in-use calculations require the Company to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value. The Company uses projections of cash flows, estimating the historical performance, the related market conditions, and determination of occupancy levels and rates.

ix. The use of tax losses

In order to determine whether these losses can be carried forward, the Company projects earnings and taxable income that will be generated individually in the following years through a detailed business plan at the Business Unit level, which includes the sale of non-strategic assets, new investment projects, and the reorganization of entities within the group, among others, which would generate sufficient profits and provide possibilities to utilize tax losses before they expire.

x. The effects of the contingencies faced by the Company

The Company is subject to legal proceedings in the ordinary course of business, for which it assesses the likelihood of an unfavorable outcome, considering the status of the legal process at the date of the estimate and the opinion of legal advisers; said evaluations are periodically reviewed.

xi. The useful life and residual value of properties

The Company uses independent appraisers to estimate the useful life and the residual value of its assets, which considers the useful life according to engineering construction costs studies and real property components, foundations, electrical, hydro sanitary and air conditioning installations.

4) MANAGEMENT

a) External Auditors

During the last corporate years (2002-2022) Galaz, Yamazaki, Ruiz Urquiza, S.C., a member firm of Deloitte Touche Tohmatsu Limited, has conducted the independent audit.

During the last sixteen 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. For the 2020 and 2022 tax years, the auditor has included in its audit an emphasis paragraph regarding the COVID 19 pandemic effects and the 2022 Senior Notes financial restructuring.

The independent auditor is appointed 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, experience, prior performance evaluation of the firm appointed as independent auditor.

In October 2021, the external audit firm Galaz, Yamazaki, Ruiz Urquiza, S.C. informed the Company that C.P.A. Carlos M Pantoja Flores decided, for personal reasons, to retire from the firm. In substitution, the firm appointed Carlos Torres Villagomez to take over the external audit of the company's consolidated financial statements as of December 31, 2021, as Independent External Auditor. This substitution was previously assessed by the Audit Committee and approved by the Board of Directors. In 2022, the Board of Directors approved the hiring of said firm as external audit firm for tax years 2022, 2023 and 2024, subject each year to the quality and compliance assessment concerning statutory personal, professional and independence requirements.

During the 2013 corporate year, the Audit Committee directed the selection process for the legal entity that provides the Company's external audit services by way of a quantitative and qualitative evaluation process of the four principal auditing firms in Mexico. The latter to make a recommendation to the Board of Directors regarding the hiring of the legal entity that would provide external audit services. Due to the entry into force of the new applicable circular, the Company has followed the evaluation processes of the different personal, professional, quality control and independence aspects amongst others so as to evaluate and recommend to the Board the contracting of external auditor 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 un-related to audits, and which, based on internal rules, could not exceed 30% of the total auditing fees agreed with said firm. During the corporate year ending on December 31, 2022, represented approximately 23% of the professional fees approved by the Board under the concept of auditing services.

The additional or complementary services provided by Galaz, Yamazaki, Ruiz Urquiza, S.C. during the 2022 corporate year included: (i) transfer price analysis regarding Grupo Posadas' subsidiaries and (ii) attestation of the reasonable compliance of liabilities due to the IMSS, INFONAVIT and local property taxes, in accordance with IFRS9, taking into consideration that in the opinion of the Audit Committee that the contracting of said services did not affect the independence of the external auditor in relation to the auditing of the financial statements of the Company.

b) Related Party Transactions and Conflicts of Interest

In the normal course of its activities, the Company has entered into commercial and financial transactions with its subsidiaries and a good number of entities where it has a shareholding participation, whether or not it has material influence. Regarding the latter, the most relevant transactions refer to loans, joint guarantees, current account contracts, consultancy, leasing, rendering of services, purchase and sale of shares, assets, inter-company loans, merger of Company subsidiaries, diverse operations to administratively simplify the corporate and subsidiary structure, and hotel management operation contracts, and/or licenses to use brands which it may have signed for managing hotel properties of Inmobiliaria del Sudeste. 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 companies are executed on market terms.

In the 2022 corporate year, the Corporate Practices Committee was not informed of any matter requiring 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 Issuer or to the legal entities controlled by the Issuer, or on which it has a material influence on the terms of Article 28, section III, subsection f) of the Securities Exchange Law.

The employee benefits granted to key management personnel and/or Material Directors of the Issuer within the normal course of the Company's business may be summarized as presented for corporate years 2022, 2021 and 2020 in the Audit of the Independent Auditors which is found in Attachment. For further detail regarding payments to Material Directors, please see note 19 of the Audited Financial Statements attached hereto.

The Corporate Practices Committee informed the Board of Directors of the Issuer that it had information regarding specific operations between the Company's subsidiaries or between the Company's subsidiaries and the Company which were ordinary or customary for the business. The above operations were considered to have been concluded at market price; and operations with related parties consisting of the supply of pastry and bakery products, rendering hotel consultancy and advisory services, systems and marketing consulting services, legal advisory services, rendering operating and reception and trademark licensing services to hotels located in Monterrey, Saltillo, Queretaro, and Mexicali; subleasing of premises in the Fiesta Americana Guadalajara hotel and another in the Fiesta Americana Reforma hotel, acquiring gifts for hotel owners, directors and some third parties, acquiring hotel signposting fixtures, acquiring of chip bracelets to open certain hotel doors, acquiring promotional gifts for vacation club clients, as to which the committee issued a favorable opinion. In addition, transactions were entered into with related parties as customers, which are considered to have been justified and considered reasonable and market transactions.

c) Management and Shareholders

Management and Shareholders

According to the Company corporate by-laws, the Company's management is the responsibility of a Board of Directors, whose members are annually elected or ratified 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 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 members of the Board of Directors.

The Board of Directors designated by the Ordinary Shareholders Meeting of the Company, held on April 5, 2022 and valid through March 28, 2023 is composed of 9 permanent directors and 2 alternate directors which are listed hereinbelow, and the Board members for the current tax year were ratified at the meeting held on March 28, 2023:

Members of the Board of Directors:

Member	Age	Occupation	Appointed Date
Pablo Azcárraga Andrade	64	Chairman of the Board of Directors of Grupo Posadas	29-Apr-97
Enrique Azcárraga Andrade	58	Director General, EXIO, S.C.	31-May-91
José Carlos Azcárraga Andrade	57	Chief Executive Officer of Grupo Posadas	30-Apr-08
Juan Servitje Curzio	65	Chairman of the Board of Directors of Productos Rich S.A. de C.V.	30-Apr-12
Guillermo García-Naranjo Álvarez*	66	Independent Consultant	20-Feb-19
Silvia Sisset de Guadalupe Harp Calderoni	51	Private Investor	05-Apr-10
Carlos Levy Covarrubias	61	Private Investor	27-Apr-06
Luis Alfonso Nicolau Gutiérrez*	61	Independent Consultant	30-Apr-12
Benjamín Clariond Reyes-Retana*	74	Independent Consultant	27-Mar-13

*Independent Consultant

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 hotel, 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., a wealth investment consulting company.

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 at Northwestern University. He has held various positions in the Company, such as General Director of Vacation Properties Posadas, and since November 11, 2011, he is General Director "CEO" of Grupo Posadas, S.A.B de C.V.

Juan Servitje Curzio

Mr. Servitje is an industrial engineering graduate 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 since 2000, he is the Chairman of Rich Products Corporation for Latin America, also he is a member of the Grupo FRIALSA Board (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.

Guillermo Garcia-Naranjo Alvarez

Mr. Garcia-Naranjo is a Certified Public Accountant, and for more than 20 years he has served as statutory auditor of multiple companies in different industries, actively participating in diverse associations such as the Mexican Institute of Financial Executives (IMEF), the College of Public Accountants of Mexico (CCPM), the Mexican Institute of Public Accountants (IMCP) and the Mexican Financial Reporting Standards Council (CINIF). He worked at KPMG during almost 40 years, holding different posts until he became Partner General Director, position that he held from 2001 to September 30, 2016, during said time period, he was also a member of the International Board of KPMG and of KPMG Americas.

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 Wealth Coordination, Deputy General Director of 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 Securities Brokers from 2003 through 2005.

Luis A. Nicolau Gutierrez

Mr. Nicolau is a law graduate of the *Escuela Libre de Derecho* and holds a Master's Degree in Law from Columbia University (Fullbright Scholar). Since 1999 he is a partner of the law firm Ritch, Mueller, Heather y Nicolau, S.C. He is a member of the Board of Directors of Coca-Cola FEMSA, KIO Networks, Morgan Stanley Mexico, Grupo Financiero Credit Suisse, UBS Asesores Mexico and Lazard Mexico. Member of the Investment Committee of Ignia Fund and Promotora Social Mexico, A.C., and a member of the Supervisory Committee of the Mexican Securities Exchange. He is the author of diverse securities market, corporate governance, mergers and acquisitions publications.

Benjamin Clariond Reyes-Retana

Mr. Clariond has a degree in Business Administration from the Instituto Tecnologico y de Estudios Superiores de Monterrey, a certificate in upper-level corporate management from the Industrial Studies Center in Geneva, and a certificate in Family-Owned Enterprise 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. A legislative representative elected to the LIV Legislature for the 1st 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 from January 1, 1992, to October 31, 1994, and on April 17, 1996 the State Congress designated him interim Governor of the state of Nuevo Leon. He is a Federal Deputy elected by proportional representation for Nuevo Leon to the LXI Legislature of Mexico's Congress.

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 of March 28, 2023, also ratified 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 in their absence.

The majority of the members of the Board of Directors must be Mexican. The 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 alternate's appointment or if the latter does not take possession of their position, thus the Article 154 provisions of the General Law of Business Corporations are inapplicable. Should this be the case, the Board may appoint temporary directors without the shareholders meeting approval.

So that a Board of Directors meeting is legally convened, the majority attendance requirement 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 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 every 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 Securities Exchange Law, the Company's Board of Directors shall approve all 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 things, for:

- approving the Company's general business strategy;
- approving, after hearing the Audit Committee or the Corporate Practices Committee's opinion, as applicable case: (i) operations with related parties, subject to determined exceptions, (ii) the appointment of the Chief Executive Officer or 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 2.5% of the Company's consolidated assets, or (b) the granting of guarantees or undertaking of liabilities in an amount equal to or greater than 2.5% of the Company's consolidated assets, (v) the agreements entered into with external 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 (Securities Exchange 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 material officers, and the external auditors the information reasonably necessary to make decisions. Directors who breach their due diligence duty shall be severally 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 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 carried out by the Company affecting any financial statement concept.

Directors who breach their duty of loyalty are considered liable for actual and consequential damages caused to the Company or its subsidiaries resulting from the aforementioned acts or omissions. This liability 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 their 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 pursuant to 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 legally approved 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 material 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 Mexican Securities Exchange Law (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 Directors, exercise the duties previously carried out by the Statutory Auditor in keeping with the General Law of Business Corporations.

Remuneration of Directors

The Shareholders Ordinary General Meeting of Grupo Posadas, S.A.B. de C.V., held on April 5, 2022 and the similar meeting of March 28, 2023 resolved to remunerate with the equivalent of two *centenarios*[T.N] for attendance and participation by the directors, secretary, and vice-secretary at the sessions of the board of directors and the audit and corporate practices committees. The audit and corporate practices committee chairpersons will be remunerated by the equivalent of three *centenarios* for each session of said committees in which they participate.

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 office. The Executive Committee is in charge of analyzing Company issues, matters or problems regarding its business or new businesses, taking into consideration the economic, legal or any other perspectives considered relevant. The Committee may present proposals before the Board of Directors regarding the matters under discussion and it may only act representative of the Company when the Board of Directors so decides. Executive Committee members 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.

[T.N.] This is the word in Spanish for a gold coin minted to celebrate the centennial of Mexican Independence.

Audit Committee and Corporate Practices Committee

At the present time, the Audit Committee is composed of three members: Guillermo Garcia-Naranjo Alvarez, as Chairman, Benjamin Clariond Reyes-Retana and Luis Alfonso Nicolau Gutierrez. The Chairman was ratified by the Ordinary General Shareholders Meeting held on March 28, 2023, and the remaining members will be submitted for designation by the Board of Directors in its session of April 26, 2023. 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 Shareholders Meeting held on April 5, 2022), as Chairman, Guillermo Garcia-Naranjo Alvarez and Benjamin Clariond Reyes-Retana, were ratified as members of this committee at the Board of Directors meeting of April 26, 2023. 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 within their jurisdiction per the terms of the Securities Exchange Law, (i) supervising the duties of the external auditors and analyzing their reports, (ii) discussing and supervising the formulation of the financial statements, (iii) presenting before the board of directors a report on the effectiveness of the internal control systems, (iv) requesting reports from the members and material 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, in their opinion, the pertinent actions related to said comments, as well as complying with determined obligations related to the designation, contracting, quality evaluation, independence, requisites, observations, communications, etc. of the external auditing firm, (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 drafting 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 the external audit services, as well as of the external auditor in charge of the same, the quality of the external auditors' report, and of the observation made to the fundamental auditing procedures, the internal controls and other material comments formulated by the external auditor; (iv) the description and evaluation of the additional or complementary services, if applicable, provided by the legal entity entrusted with carrying out the external audit, as well as those rendered by the independent experts, the evaluation of the independence requisites, and the measures implemented to guarantee the independence of the auditing firm, the external auditor and their work team; (v) material results of the review of the financial statements of the Company and its subsidiaries, (vi) the description and effects of modifications of accounting policies; (vii) the measures adopted due to material observations formulated by shareholders, members, material directors, employees and, in general, by any third party, regarding accounting, internal controls, and matters related to external or internal audits, or derived from the accusations made of non-conforming administrative conduct; and (viii) 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 report of the activities of said body and present it to the board of directors. Said annual report shall comprise, at least: (i) observations regarding the performance of the material directors; (ii) transactions executed with related parties, specifying the details of important and material operations; (iii) remunerations of the members of the board and material directors, (iv) exemptions granted by the Board of Directors pursuant to the terms stipulated in article 28, (3), subsection f of the Securities Exchange Law.

Principal Officers

A brief biographical summary of the principal officers is herein as follows:

Name	Age	Current Position	Years with the Company
José Carlos Azcárraga Andrade	57	Chief Executive Officer of Grupo Posadas	29
Javier Barrera Segura	60	Vice-President Strategy, Alliances and Human Resources	34
Arturo Martínez del Campo Saucedo	56	Vice-President Management and Finance	8
Enrique Calderón Fernández	56	Vice-President Upscale & Luxury	16
Gerardo Rioseco Orihuela	59	Vice-President Loyalty Programs	23

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 Vice-President of Posadas´ Franchising. Mr. Barrera was responsible for designing and launching the Fiesta Americana Vacation Club business and he was also Marketing Director. In 1986, he was granted the National Economics Award.

Arturo Martinez del Campo Saucedo

Mr. Martinez del Campo is an Industrial Engineering graduate 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 Grupo Financiero Banamex – Citigroup; he held the following positions: Mexico Cost Management Head, Financial Planning Corporate Banking 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, promotional and sales strategies. In 1999, he joined Posadas as Sales Director for Fiesta Americana hotels, and since then he has held several positions such as Sales Director South Region, Urban Hotels Key Accounts 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 launch of Fiesta Americana Vacation Club as Project Director in Los Cabos. From 2002 on, he is the Commercial Director of FAVC and subsequently Vacation Properties Vice-President. In November 2011, he was appointed Vice-President of Vacation Properties. He is Vice-President of the Mexican Association of Tourism Developers (AMDETOUR) and a board member of the American Resort Development Association (ARDA).

In addition to the Executive Committee described above, at the end of 2020, the Company created a new corporate structure, which has a new Extended Committee as regards the regarding the general management executive committee:

Name	Age	Current Position	Years with the Company
Alejandro Recamier Flores	42	Products and Loyalty Programs Director	12
Adrián Correa Pérez	48	Midscale & Economy Director	21
José Jaime Lorenzo Doria	46	Revenue Management, Distribution & Technology Director	14
Mauricio Elizondo Martínez de la Vega	43	Development Director	19

This change seeks, in a more efficient structure, to cover new fronts, develop new generations and nurture the Company with multidisciplinary talents.

A brief biographical description of the Extended Committee is presented hereinbelow:

Alejandro Recamier Flores

Holds an Economics degree with a master's degree in business administration from ITAM. He has more than 10 years of experience in the tourism sector. Since 2010, he has held management positions in the Posadas Vacation Properties division, actively participating in developing products such as Kivac, FAVC Access, amongst others.

Adrian Correa Perez

Holds a degree in Administration, graduated from the Universidad del Nuevo Mundo, joined the company in 2001 in the Commercial area, holding various positions in the area of Key Accounts, Sales Divisions in Urban hotels and Resorts, Regional Sales Director for the Central- Zone. Bajio and Central Zone, Sales Director for Fiesta Inn, Gamma and One Hotels and Sales Director for Urban hotels and Resorts. Subsequently, in the Operations area, he held various positions such as Operations Director and General Director of the Fiesta Americana Reforma hotel, Western Region Operations Director, Operations Director of the Fiesta Inn, Gamma and One brands. In October 2020, he was appointed Director of Midscale and Economy Hotels.

Jose Jaime Lorenzo Doria

A Chemical Engineer from the Universidad Iberoamericana with a master's degree in Process Optimization from Imperial College. In 2008, he joined Posadas as Director of Commercial Competitiveness, from then on, he has held various positions such as Director of Strategic Planning, and Director of Distribution and CRM.

Mauricio Elizondo Martinez de la Vega

An Industrial Engineer graduated from the Universidad Iberoamericana and with a master's degree in higher-level business management, he joined Posadas in December 2003 after having worked for a few years in banking. Within the group, he has held various management positions in areas such as revenue management, distribution, and vacation properties, and has more than 17 years of experience in the hospitality sector.

Remuneration of Executive Committee (Management) members and Principal Officers

The Company has established an Executive Committee retirement and pension plan which to December 31, 2022, reports a total accumulated reserve of $51.7 million.

As of December 31, 2022, the total amount of benefits of any nature received from the Company's and its subsidiaries by members of the Board of Directors, material Directors (Executive Committee and Extended Committee) and related persons amounted to $168 million. The nature of the benefits includes remunerations for directors, consideration for supplying goods or rendering services, as well as salaries and employee benefits for material Directors.

In accordance with our Related Party Guidelines policy, the benefits for board members and shareholders holding more than one million shares of the issuer are: room nights, discounts on food and beverages, spa discounts, room upgrades, second room discounts, early check in, late check out, discounts on banquets and conventions, airport-hotel transportation, among others. These and other benefits are consolidated in a Company program called "Omnia". In addition, there are certain labor benefits regarding the use of rooms at night and hotel consumptions.

Employment Inclusion

Diversity and a culture of inclusion are part of the company's strategic objectives, thus, at the end of 2021 the Diversity and Inclusion Committee was created. The Committee defined as priorities for 2022, the following aspects: disability, gender equality and LGBT+.

The issuer does not have any policy or program promoting non-discriminatory employment inclusion regardless of sex in the composition of its governing bodies and among its employees.

At present, 89% of the permanent directors of the board are male and 100% of the alternate directors are men. 100% of the independent directors are men. Only 11% of the permanent directors are female (one director). While 100% of the material directors of the board are male.

Principal Shareholders

According to information obtained as of March 17, 2023, (date of the S.D. Indeval S.A. de C.V. report due to the ordinary general shareholders meeting held on March 28, 2023), from the information disclosed by the shareholders, board members and material officers of the Issuer, as of the date of this report and to the extent of the Company's knowledge, the following shareholders fall into the predicates stated herein below:

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

a. Blk Acciones Mexico Disc II S.A. de C.V., Variable Income Investment Fund. We have no information that allows us to identify a "shareholder beneficiary" of this corporate capital holding.

b. A group of the members of the Azcarraga Andrade family are the holder of more than 10% of the equity of the Company. Said persons are: Maria Beatriz, Maria Cecilia, Maria Luisa, Pablo, Enrique, Jose Carlos Azcarraga Andrade, Mariana, Jeronimo, Pedro, and Xavier Azcarraga De Leschevin de Prevoisin, Joan Servitje Azcárraga, Nicolas Servitje Azcarraga, Fernanda Azcarraga Galas, Andres de Haro Azcarraga, Alvaro Azcarraga Fuentes. To the extent of the disclosure, each of them is beneficiary, in their portion, of beneficiary rights to the selfsame, therefore amongst them, a "shareholder beneficiary" cannot be identified.

(ii) Shareholders or group of shareholders with material influence, control over or power to control the Company:

a) A group of persons who are members of the Azcarraga Andrade Family may exercise material influence and power to control the Company, should they exercise their voting rights for the same purpose. Various family members or persons related to them, are material board directors and/or executive directors of the Issuer, amongst others, the Chairman of the Board of Directors, the Chief Executive Officer, and a director chairman of the Executive Planning and Finance Committee, a fourth director is related by kinship to members of the Azcárraga Andrade family.

(iii) Material directors and executives who hold more than 1% and less than 10%. To this date, it is known that the group composed of Pablo, Jose Carlos and Enrique Azcarraga Andrade hold in aggregate, directly or indirectly, approximately 5.5% of the Issuer's corporate capital.

Code of Ethics and Conduct

The Company has a Code of Ethics and Conduct containing provisions on the duties of the Issuer's employees regarding the following aspects: Diversity and non-discrimination, bullying and harassment, respect and honesty, corruption, security, violence in the workplace work, alcoholic beverages and drugs, respect for Company Assets, intellectual property rights, confidentiality and personal information, conflict of interest, among others.

Additionally, the company prepared an Integrity Policy, which complies with the provisions of the General Law of Administrative Responsibilities, thereby reinforcing our adherence to the guidelines established by the authority in the fight against corruption in the public and private sector.

The Ethics and Conduct Committee holds quarterly sessions to discuss and resolve issues presented by means of formal accusation channels established by the Company.

Within the framework of complying with the National Code of Conduct promoted by the Ministry of Tourism, there was published an Interpretation Criteria of the National Code of Conduct regarding the prohibition of child labor, sexual and work exploitation, and human trafficking. The Company Hotels are bound to observe said Code and have implemented the measures contained therein.

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 material executives, and in legal terms, the power to approve policies and guidelines for the use and enjoyment of assets of Posadas, operations between related persons, amongst these, board members, executives or approval so that a relevant board member or director or a person with the power to control may take advantage of business opportunities to benefit themselves or in favor of third parties. Based on the above, the Board of Directors determined the operations policy with related parties that includes, amongst other aspects, benefits granted by the Company to shareholders, Directors and collaborators, guidelines to be observed to identify, authorize, control and report transactions/operations with related parties, how to treat and manage conflicts of interests as well as the policy for operations with shares of the Issuer.

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 shareholders meeting at first call to meeting at least 50% of the ordinary Series "A" shares should be represented. Through second or subsequent calls, the Ordinary General Shareholders' Meeting shall be considered validly convened if any number of Series "A" shares are represented.

To consider legally convened an extraordinary general shareholder's meeting at first call at least 75% of the ordinary Series "A" shares should be represented. At second or subsequent calls, the Extraordinary General Shareholders' Meeting, in reference, shall be considered validly convened if at least 50% of the Series "A" shares are 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 a 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 representation powers by the delegation of legal representation of the corporate principal to represent it in trials or employment proceedings 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 the 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 selfsame 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 order of business for said Meetings; 10) to execute the resolutions adopted by any Company 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 Securities Exchange 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 Securities Exchange 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 Securities Exchange Law; as well as those other reports, opinions and documents required to comply with and under the terms of the Securities Exchange 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 shareholder's meeting. If the directors state to have a conflict of interest, then the resolutions are taken according to the principles established for such purpose by the Securities Exchange 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 Extraordinary

General 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 to or above ten percent of all Series "A" shares or five percent if the purchaser is considered a competitor. For a description of the measures referred to in this article, 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 Securities Exchange 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 to 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 bring, subject to satisfaction of certain legal requirements, an action to determine the liability of any director.
- 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 bring, subject to meeting certain legal requirements, legal action challenging any resolution of the general meetings in which they have the right to vote,
- The right of holders, either individually or jointly representing at least 10% of the corporate capital, to appoint at least one director and their respective alternate director in the corresponding meetings.
- The issuer may not issue non-voting shares.

e) Other Corporate Governance Practices

In accordance with the Securities Exchange Law, the Corporate By-Laws and the decision of the Board of Directors, the Company has implemented diverse corporate government practices, including: 1. The establishment and operation of an Audit Committee and a Corporate Practices Committee that convene periodically. 2. The inclusion of independent members on its Board of Directors. 3. The Shareholder's Meeting establishing the feasibility of alternate Directors attending the sessions of the Board of Directors, at present, only two directors have designated alternate directors. 4. The holding of sessions by the Board of Directors convening at least once every three months to present the results of the immediately preceding quarter. 5. Moreover, the Issuer's information is available to the Directors. 6. The establishment and operation of a Planning and Finance Committee which holds sessions periodically.

The Company has an internal audit 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.

The Company has diverse guidelines and policies so that the Corporate Government of the selfsame becomes more efficient and professional. These are the Code of Ethics and Conduct, Internal Control and Audit Policies, Investment Policy, Issuer's Securities Operation Policy which is the responsibility of directors, officers and employees, the Issuer's Owned Shares Operation Policy which is the responsibility of the Issuer, the Company's Loans to Material Directors Policy and the Related Persons 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. Furthermore, the Company has an Integrity Police, that complies with the stipulations of the General Law of Administrative Responsibilities, thus reenforcing our observance of the anti-corruption in the public and private guidelines set out by the authorities.

The Company established a Sustainability Committee, now ESG Committee, in order to define the socio-cultural, environmental and governance commitments, strategies and lines of action to be considered in the strategic planning and execution of Posadas' activities in the short, medium and long term, establishing homogeneous management principles, including the relationship with relevant interest groups. As well as the use of homogeneous methodologies to manage and monitor the sustainability strategy.

The ESC Committee is a collegiate decision-making body, regarding the activities carried out by Posadas for its own benefit, as well as for standards and activities for the rendering of third-party services.

5) CAPITAL MARKETS

a) Securities Structure

The shares which represent the corporate capital of the Company are listed on the Mexican Securities Exchange, 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 million. The stock certificates issued and in effect to this date are the following:

Security or Provisional Certificate Number	Date of Issuance	Number of shares represented	Series
CP8	21-12-98	10,000	A
1	15-10-14	512,424,496	A
2	18-06-15	260,417	A
3	12-06-17	42,675	A

Shares have shown low trading according to the selfsame BMV's rating. Trading in series "A" shares has never been suspended by the regulatory authorities. As of February 28, 2013, only the Series "A" shares are traded.

b) Share Performance on the Securities Market

Source: Bloomberg.

The past 5 years

POSADAS A	2018	2019	2020	2021	2022
Price Max.	42.00	40.00	38.00	29.75	30.35
Price Min.	29.90	35.50	20.00	20.50	26.00
Price at closing	40.00	38.00	21.30	29.75	28.50
Daily operated volume (Thousands of shares)	100.9	65.5	21.6	0.7	60.7

Quarterly, last 2 years

POSADAS A	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Price Max.	22.20	23.71	26.01	29.75	30.35	28.85	28.00	28.78
Price Min.	20.50	20.50	23.65	24.70	28.05	27.90	26.00	27.47
Price at closing	20.50	23.65	25.40	29.75	28.75	28.00	27.50	28.50
Daily operated volume (Thousands of shares)	0.3	0.4	0.2	1.9	111.5	2.6	104.9	2.3

Monthly, last 6 months

POSADAS A	nov-22	Dec-22	Jan-23	feb-23	mar-23	Apr-23
Price Max.	28.78	28.50	28.55	28.55	28.55	28.55
Price Min.	27.47	28.00	28.08	27.50	27.50	28.55
Price at closing	28.00	28.50	28.55	27.50	28.55	28.55
Daily operated volume (Thousands of shares)	0.7	0.4	0.1	0.1	78.2	0.1

(*Information as of April 20, 2023)

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 they 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 subjected to review and comments by the Corporate Practices Committee and the approval of the Board of Directors of the Issuer.

Name	Position	Institution
Ing. José Carlos Azcárraga Andrade	Chief Executive Officer	Grupo Posadas, S. A. B. de C. V.
Ing. Arturo Martínez del Campo Saucedo	Chief Financial Officer (Management and Finance Vice-President)	Grupo Posadas, S. A. B. de C. V.
Lic. Enrique Calderón Fernández	Vice-President Upscale & Luxury	Grupo Posadas, S. A. B. de C. V.
Ing. Gerardo Rioseco Orihuela	Vice-President Loyalty	Grupo Posadas, S. A. B. de C. V.
Lic. Javier Barrera Segura	Vice-President Strategy, Alliances and Human Resources.	Grupo Posadas, S. A. B. de C. V.
Lic. Alejandro Recamier Flores	Products and Loyalty Programs Director	Grupo Posadas, S. A. B. de C. V
Lic. Adrián Correa Pérez	Midscale & Economy Director	Grupo Posadas, S. A. B. de C. V
Ing. José Jaime Lorenzo Doria	Revenue Management, Distribution & Technology Director	Grupo Posadas, S. A. B. de C. V
Ing. Mauricio Elizondo Martínez de la Vega	Development Director	Grupo Posadas, S. A. B. de C. V
Dra. Olga Gutiérrez Nevárez	Chief of Legal Affairs	Grupo Posadas, S. A. B. de C. V.
C.P. Fernando López Vázquez	Chief Corporate Comptroller	Grupo Posadas, S. A. B. de C. V.
C.P. Enrique Mena López	Tax Deputy Director	Grupo Posadas, S. A. B. de C. V.
C.P.C. Carlos Alberto Torres Villagómez	External Auditor	Galaz, Yamazaki, Ruiz Urquiza, S.C.

7) ATTACHMENTS

Audited financial statements corresponding to the corporate years ending December 31 of 2022, 2021 and 2020.

Annual reports prepared by the Audit Committee and the Corporate Practices Committee in accordance with article 43 of the Securities Market Law.

Documents issued by Galaz, Yamazaki, Ruiz Urquiza, S.C. and the person in charge of the external audit, pursuant to article 33, section I, subsection a), numbered paragraph 5 and article 84 Bis of the Generally Applicable Provisions to Securities Issuers and other Securities Market Participants and in accordance with the generally applicable Provisions to entities and issuers supervised by the National Banking and Securities Commission that contract external auditing services for basic auditing services (CUAE).

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

Consolidated Financial Statements for the Years Ended December 31, 2022, 2021 and 2020, and Independent Auditors’ Report Dated February 22, 2023

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

Independent Auditors’ Report and Consolidated Financial Statements for 2022, 2021 and 2020

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

Opinion

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, 2022, 2021 and 2020, the consolidated statements of income (loss) and other comprehensive income (loss), the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Posadas, S.A.B. de C.V and Subsidiaries as of December 31 2022, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows, for the years then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Ethics Code issued by the Mexican Institute of Public Accountants, A.C. (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis paragraph

In Note 2a to the consolidated financial statements, the management of the entity reveals the main actions related to its business plan to address the impacts of the Covid19 pandemic on its operations of 2021 and 2020 including the renegotiation of the "Senior Notes 2022" debt conditions toward the new "Senior Notes 2027" debt conditions. These facts do not change our Audit opinion terms and methods included in the second paragraph of this report.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. These issues have been addressed in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these matters. We have determined that the matters described below are the key audit matters to be reported in our report.

Recognition of Vacation Club income and evaluation of the reserve estimate of doubtful account

The entity recognizes the income from the operation of the Vacation Club as follows:

Vacational Club Memberships revenue is recognized at the time the contract is signed, because the Entity believes that when it becomes effective, a vacation property right is granted to the member, and the performance obligation is fulfilled, when transferring a right that may be enforced before third parties, and when the control over the real properties is transferred to the buyers of memberships. As well as the assessment of the estimate for doubtful receivables accounts and the amount recognized as impairment of Vacation club financial assets by partners who could not meet their contractual payment obligations, for this, the probability of default is considered for all documents receivable, regardless of its seniority.

Our audit procedures regarding on this key matter included the following:

- Review of the design and implementation and operating effectiveness tests of the relevant controls, and substantive and control tests of the revenue system OMS (OMS-Ownership Management System).
- The documentary review, under a statistical sampling, of the contracts concluded with clients, as well as direct evidence to the different reports that served as the basis for the review.
- Review of redeemed points reports which support the amount of the services contracted and collected, recognized as revenues when rendered to the customers, with their respective costs and expenses; and.
- Review of the classification of the portfolio aging based on payment defaults, and the recalculation of the amounts to be reserved based on probability default. We also involve our specialists who assessed, through an independent calculation, the adequacy of the reserve.

Our work also included reviewing the corresponding disclosures, which are included in Notes to the consolidated financial statements.

Recovery of tax losses to amortize and recognition of deferred income tax assets

As explained in Notes 4q and 16 to the consolidated financial statements, the Entity recognizes deferred income taxes for all the differences between the carrying values and the tax bases of its assets and liabilities, and the benefits of tax loss carryforwards are taken into account.

As of December 31, 2022, the amount of tax loss carryforwards is $5,117 million, which represents a deferred income tax benefit of $1,535 million and may be applied as long as the individual entities, which incurred them, generate in the future sufficient tax profits to take advantage of the benefit of amortizing outstanding tax losses before they expire.

Our Service auditor how-to procedures on this key matter included the following:

- Evaluate and challenge the assumptions used by the Entity to prepare the fiscal projections, which included the involvement of our tax experts.
- Validation of past year projections as compared to actual financial indicators, as well as the particular review of extraordinary items included in the fiscal projections.

Our work also included reviewing the corresponding disclosures, which are included in Notes to the consolidated financial statements.

Other Information Included in the Document Containing the Consolidated Financial Statements

Management is responsible for the other information. The other information shall include the information that will be incorporated in the Annual Report that the Entity is obliged to prepare pursuant to Article 33 Fraction I, subsection b) of Title Four, First Chapter of the General Provisions Applicable to Issuers and other Participants of the Securities Market in Mexico and the Instruction accompanying those provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report.

Deloitte.

Our opinion on the consolidated financial statements will not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when available, and when we do so, to consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to be materially misstated. If based on the work we have done, we conclude that there is a Material misstatement posted in the other information, we will have to report that fact. When we read the Annual Report, we will issue the legend stating that we have read the Annual Report, required in Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, 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. In preparing the consolidated financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related and using the going concern basis of accounting, unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Audit Committee members and the Board of Directors are responsible for overseeing the Entity's consolidated financial reporting process.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise our professional judgment and maintain an attitude of professional skepticism throughout the audit. We also:

- Identify and assess the risks of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement because of fraud is higher than for one resulting from material misstatement because of an error, as fraud may involve collusion, forgery, intentional omissions, Intentional misstatements, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies applied and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the global presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient and appropriate audit evidence about the Entity's financial information and its business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We continue to be solely responsible for our audit opinion.

We will communicate with Entity's Management and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Entity's Management and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

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

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

C.P.C. Carlos Alberto Torres Villagómez
February 22, 2023

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

Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

Assets	Notes	2022	2021	2020
Current assets:				
Cash, cash equivalents and restricted cash	6	$ 1,938,933	$ 1,960,118	$ 501,732
Accounts and notes receivable - Net	7	2,804,519	2,700,994	2,568,742
Inventories		39,442	28,694	29,782
Prepaid expenses		48,224	40,195	93,063
Vacation Club inventory	8	161,031	163,526	262,433
Other current assets		213,135	97,493	194,909
Assets classified as held for sale	2f, 9	-	-	113,686
Total current assets		5,205,284	4,991,020	3,764,347
Non-current assets:				
Long-term notes receivable	10	4,427,828	4,062,361	3,814,738
Property and equipment – Net	11	3,904,365	4,187,585	4,406,883
Prepaid expenses		-	6,302	17,088
Investment in associates	2 q,v	129,058	1,129	1,087,978
Right-of-use assets	12	2,665,955	2,866,609	3,761,372
Intangible assets and other assets	13	538,420	759,418	912,691
Deferred tax assets	16	1,077,878	1,370,057	1,478,981
Total non-current assets		12,743,504	13,253,461	15,479,731
Total assets		$ 17,948,788	$ 18,244,481	$ 19,244,078

Liabilities and stockholders' equity	Notes	2022	2021	2020
Current liabilities:				
Current portion of long-term debt	15	$ 33,830	$ 23,521	$ 7,748,597
Trade accounts payable		775,160	602,189	628,007
Other liabilities and accrued expenses		1,464,348	1,262,189	1,563,978
Income tax payable	16f	412,162	553,505	351,981
Current portion of long-term lease liabilities	17	424,501	398,451	401,090
Other tax payable		447,856	426,747	341,116
Deferred income from Vacation Club	4u	1,351,010	877,723	1,046,709
Current portion of long-term value-added tax payable		81,076	81,886	83,873
Total current liabilities		4,989,943	4,226,211	12,165,351
Long-term liabilities:				
Debt	15	7,443,562	8,085,110	135,058
Lease liabilities	17	2,593,003	2,861,409	3,644,212
Accrued liabilities		297,011	262,178	493,685
Value-added tax payable		654,690	606,284	568,127
Deferred income from Vacation Club	4u	715,564	807,246	616,247
Income tax payable	16f	-	383,750	712,169
Total long-term liabilities		11,703,830	13,005,977	6,169,498
Total liabilities		16,693,773	17,232,188	18,334,849
Stockholders' equity:				
Contributed capital:				
Capital stock	21	495,881	495,881	495,881
Shares repurchase reserve		16,856	16,856	16,856
Additional paid-in capital		157,429	157,429	157,429
		670,166	670,166	670,166
Earned capital:				
Shares repurchase reserve		535,000	535,000	535,000
Retained earnings		(204,154)	(421,527)	(484,558)
Accumulated comprehensive earnings		75,200	55,459	10,357
		406,046	168,932	60,799
Total controlling interest		1,076,212	839,098	730,965
Non-controlling interest		178,803	173,195	178,264
Total stockholders' equity		1,255,015	1,012,293	909,229
Total liabilities and stockholders' equity		$ 17,948,788	$ 18,244,481	$ 19,244,078

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income (loss) and Other Comprehensive Income (loss)

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos, except earnings (loss) per share)

	Notes	2022	2021	2020
Continuing operations:				
Revenue	23a	$ 9,077,990	$ 7,406,734	$ 5,225,743
Cost of sales	23b	6,275,378	5,502,143	4,645,322
Gross profit		2,802,612	1,904,591	580,421
Administrative expenses	23c	1,105,548	855,781	767,998
Sale and development expenses	23d	140,249	192,261	131,722
Depreciation, amortization, and leasing		899,194	916,330	925,518
Rent discounts		(6,396)	(261,588)	(211,577)
Impairment of assets and technology platforms		-	-	55,000
Other revenue, net	23e	(20,692)	(253,243)	(87,871)
Interest expense		631,351	573,863	1,140,053
Interest income		(59,783)	(16,988)	(31,754)
Extraordinary income, net	15b	(107,972)	(724,019)	-
Commissions and financial expenses		94,904	96,263	82,509
Exchange (gain) loss, net		(426,603)	323,934	240,767
Equity in associate		-	15,000	-
		2,249,800	1,717,594	3,012,365
Income (loss) before income tax		552,812	186,997	(2,431,944)
Income tax expense (benefit)	16	330,072	129,058	(293,947)
Consolidated income (loss) for the year	¤	222,740	57,939	(2,137,997)
Other comprehensive income (loss)				
Income on exchange differences from translating foreign operations, which will be reclassified subsequently to income or loss		327	2,549	5,693
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to income or loss, - net of income tax		19,414	42,553	(14,827)
		19,741	45,102	(9,134)
Consolidated comprehensive income (loss) for the year		$ 242,481	$ 103,041	$ (2,147,131)

(Continued)

	2022	2021	2020
Consolidated income (loss) for the year attributable to:			
Controlling interest	$ 217,373	$ 63,031	$ (2,118,681)
Non-controlling interest	5,367	(5,092)	(19,316)
Consolidated income (loss) for the year	$ 222,740	$ 57,939	$ (2,137,997)
Consolidated comprehensive income (loss) for the year attributable to:			
Controlling interest	$ 237,114	$ 108,133	$ (2,127,815)
Non-controlling interest	5,367	(5,092)	(19,316)
Consolidated comprehensive income (loss) for the year	$ 242,481	$ 103,041	$ (2,147,131)
Earnings (loss) per share:			
From continuing and discontinued operations -			
Basic and diluted earnings (loss) per common share (in pesos)	$ 0.44	$ 0.13	$ (4.27)
From continuing operations -			
Basic and diluted earnings (loss) per common share (in pesos)	$ 0.48	$ 0.22	$ (4.29)
Weighted average number of shares	$ 495,881,988	$ 495,881,988	$ 495,881,988

(Concluded)

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

	Contributed capital			Earned capital				
	Capital stock	Shares repurchase reserve	Additional paid-in capital	Shares repurchase reserve	Retained earnings	Accumulated comprehensive earnings	Non-controlling interest	Total stockholders' equity
Balance at the beginning of 2020	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ 1,634,123	$ 19,491	$ 197,580	$ 3,056,360
Consolidated comprehensive loss for the year	-	-	-	-	(2,118,681)	(9,134)	(19,316)	(2,147,131)
Balance as of December 31, 2020	495,881	16,856	157,429	535,000	(484,558)	10,357	178,264	909,229
Change in non-controlling participation value	-	-	-	-	-	-	23	23
Consolidated comprehensive income for the year	-	-	-	-	63,031	45,102	(5,092)	103,041
Balance as of December 31, 2021	495,881	16,856	157,429	535,000	(421,527)	55,459	173,195	1,012,293
Change in non-controlling participation value	-	-	-	-	-	-	241	241
Consolidated comprehensive income for the year	-	-	-	-	217,373	19,741	5,367	242,481
Balance as of December 31, 2022	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ (204,154)	$ 75,200	$ 178,803	$ 1,255,015

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

	2022	2021	2020
Cash flows from operating activities:			
Consolidated income (loss) for the year	$ 222,740	$ 57,939	$ (2,137,997)
Adjustments for:			
Income tax expense (benefit)	330,072	129,058	(293,947)
Depreciation and amortization	878,316	897,234	914,765
Rent discount	(6,396)	(261,588)	(211,577)
Asset impairment and technology platforms	-	-	55,000
Amortization of debt issue expenses	81,757	83,644	70,800
Interest capitalization of Senior Note 2027	-	123,014	-
Extraordinary income, net	(107,972)	(724,019)	-
Participation in associates	-	15,000	-
Loss in sale of trustee rights	-	235,696	-
Income on sale of non-strategic fixed assets	-	(38,968)	(55,626)
Loss (income) on sale of fixed assets	(1,679)	1,547	(1,690)
Interest expense	631,351	573,863	1,140,054
Interest income	(59,783)	(16,988)	(31,754)
Unrealized foreign exchange income	(590,934)	308,797	549,592
	1,377,472	1,384,229	(2,380)
Transactions in working capital:			
Accounts and notes receivable – Net	(468,992)	(379,874)	515,162
Inventories	(10,748)	1,088	(2,174)
Prepaid expenses	64,179	78,358	49,310
Vacation Club inventory	2,495	98,907	32,530
Trade accounts payable	172,971	(25,818)	216,662
Other liabilities and accrued expenses	335,300	698,317	(501,636)
Vacation Club deferred income	381,605	22,012	(24,926)
Income tax payments	(557,780)	(358,986)	(342,626)
Net cash generated (used in) by operating activities	1,296,502	1,518,233	(60,078)
Cash flows from investing activities:			
Purchase of property and equipment and upgrades	(65,178)	(109,202)	(221,058)
Vacation Club inventory in construction	(124,420)	(60,635)	(53,615)
Intangible assets and other assets	(46,291)	(98,288)	(60,098)
Contributions of investment in associates	-	-	(6,284)
Collected interest	59,783	16,988	31,754
Sale of property and equipment	4,599	2,545	4,501
Cash flows from sales of non-strategic properties	-	992,243	347,876
Net cash generated (used in) by investing activities	(171,507)	743,651	43,076

(Continued)

	2022	2021	2020
Cash flows from financing activities:			
Lease liabilities payments	(692,692)	(481,614)	(695,072)
Loan obtained	-	450,000	-
Loan payments	(23,521)	(450,000)	(6,150)
Interest paid	(331,071)	(90,976)	(18,766)
Debt renegotiation costs	(98,896)	(230,908)	(826)
Net cash used in financing activities	(1,146,180)	(803,498)	(720,814)
Net increase (decrease) in cash and cash equivalents	(21,185)	1,458,386	(737,816)
Cash and cash equivalents at the beginning of the year	1,960,118	501,732	1,239,548
Cash and cash equivalents at the end of the year	$ 1,938,933	$ 1,960,118	$ 501,732

(Concluded)

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022, 2021 and 2020
(In thousands of Mexican pesos)

1. Activities

Grupo Posadas, S. A. B. de C. V. (Posadas) and Subsidiaries (together, the Entity) are primarily engaged in the operation and management of hotels, the granting of hotel franchises, as well as the purchase and sale of real estate within the hospitality industry. The Entity mainly operates hotels under the brands Live Aqua, Beach Resort, Live Aqua Urban Resort, Live Aqua Boutique Resort, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn, Fiesta Inn Loft, Fiesta Inn Express, IOH, One Hotels, Gamma and Curamoria Collection.

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 as owned, leased and managed hotels. The number of hotels and rooms operated by the Entity as of December 31 are:

Hotels	2022	2021	2020
Owned (including vacation properties)	12	12	12
Leased	15	15	17
Managed (including lofts and franchisees)	162	159	152
Operated hotels	189	186	181
Operated rooms	29,152	28,888	28,633

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.

The Entity operates a Vacation Club business called Fiesta Americana Vacation Club (FAVC), as well as a product called Live Aqua Residence Club (previously, The Front Door), focused on the high-income sector, through which members purchase a vacation property opposable to third parties of “40-year- vacation property right” 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), or Hilton Grand Vacation Club resorts throughout the world. Additionally, the Entity markets 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, and another product called “FAVC Access” that grants a membership with a validity of 5 years to access to have preferential rates to reserve hotel rooms, in the properties operated by the entity as well as some others operated by third parties.

In 2012, the Entity began restructuring its business with a focus towards ownership of strategic assets and the growth of its hotel management business LARC and FAVC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Note 2, subsections e), and h), and as of the date of these consolidated financial statements, the Entity continues with the organizational restructuring to reduce the number of legal entities of which it is composed.

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 financial performance through marketing strategies such as agreements with institutions, competitive prices and intensive promotion.

The Entity's corporate offices are located in Prolongation Paseo de la Reforma No. 1015, Floor 9, Tower A, Santa Fe, Mexico City.

2. Significant events

a. *Impact of the COVID-19 pandemic*

The emergence of the COVID-19 pandemic, which spread around the world in early 2020, triggered global flight restrictions and a health emergency declaration issued by the Government of Mexico on March 31, 2020. Restrictive measures taken to contain the pandemic adversely affected the Entity's results. The known impacts of COVID-19 on the 2022, 2021 and 2020 operation are:

- In 2020 a $3,846,965 revenue reduction representing 42% compared to the year 2019. During 2021 and 2022 a recovery of $2,180,991 and $1,671,256 in comparison the prior year, which represents 42% and 23% respectively.
- Closure of all hotels for 2 months in 2020 and selective reopening, subject to occupancy restrictions and capacity according to the epidemiological traffic light of each state from June 2021 and 2022. In 2022, the operation of the hotels stabilized.
- In 2021 lower increase of $4,156 in the impairment of accounts receivable, mainly from customers, airlines and travel agencies compared to 2020.
- In 2021 lower increase of $64,663 in the estimate of doubtful accounts of Vacation Club compared to 2020.
- During 2021, the entity generated a tax base for the quarter $409,580 which allowed it to take advantage of part of the tax loss it had reserved at the end of the year 2020, the remainder for the quarter $1,103,451 compensation wasn´t achieved because it expired at the end of 2021.
- In March 2021, the entity contracted a guarantee (secured loan) Grupo Bursátil Mexicano S.A. de C.V (GBM) for $450,000, the resources were mainly used for the payment of the eighth annuity of the agreement with the SAT of 2017 (see note 2r). The loan was settled in advance in October of the same year, paying interest of one year for $67,500 according to contractual obligations. The guarantee considered the Fiesta Americana Reforma and Fiesta Americana Guadalajara hotels.

In August 2021, a restructuring agreement was concluded with a group of bondholders representing more than 25% of the issue, called the Ad-Hoc Group. To be executed through a procedure before the New York Court within the modality of a format pre-agreed (prepackaged) under Chapter 11 of the US Bankruptcy Code. This agreement only involved the interests of bondholders known as Senior Notes Due 2022. No other counterpart was affected through this process. On December 9, 2021, the court approved the restructuring plan for the entity and on December 15, the entity restructured its debt known as Senior Notes with a new maturity on December 30, 2027. The entity committed most of its assets and the receivable portfolio of its vacation club business as part of the guarantee to the benefit of the Senior Notes Due 2027 bondholders, which ensured a satisfactory restructuring of the financial debt.

In 2020 he Entity also faced a reduction in available credit lines for $230,000. These events resulted in an operating loss of $107,701 and a decrease in operating cash flow of 61% compared to the previous year.

Additionally, during 2020 the rating agencies downgraded the overall credit rating of the Entity, with a negative perspective. During 2020, the Entity canceled Fitch Ratings and in October 2021 Moody´s withdrew the rating on request for chapter 11 by the Entity.

In December 2021 with the successful completion of the restructuring plan, the S&P Global Ratings agency changed the rating from “D” to “B-,” In December 2022, the S&P Global Ratings agency ratified the “B-” rating, which is maintained at the date of issue of this financial statement.

Given the successful restructuring of the debt and to the rapid recovery of traditional levels of occupancy, once the restrictions of mobility and hotel occupancy were lifted, it is estimated that a healthy liquidity will be maintained in the Entity.

To mitigate the financial impacts caused by the COVID-19 pandemic, the Entity has taken the following measures:

- It has successfully completed the restructuring of its financial debt known as Senior Notes Due 2022 with the issuance of Senior Notes Due 2027.
- A corporate office staff reduction plan was established as 2020, a significant payroll cost savings was realized in 2021 and 2022. In November 2022, a restructuring plan was continued with which 15% savings on payroll costs are expected for 2023.
- Investment plans were reviewed to ensure that only the investments necessary to maintain the operation, and contractually committed investments, were made.
- Credit term extensions and discounts have been negotiated with various providers of hotel supplies.
- A reduction in rent payment of leased hotels was achieved as of March 2020 and until September 30, 2022, and no income discounts are foreseen for future years.
- Spending on advertising campaigns has been deferred.

In compliance with the technical guidelines of health safety in the work environment, the Entity took the following measures to safeguard the health of guests and collaborators, and maintain the continuity of its operation:

(i) Extraordinary protocols for training employees and communication of personal care recommendations to hotel guests and visitors.
(ii) Application of special cleaning and disinfection measures in all areas of the hotels.
(iii) Modification of processes and capacity in restaurants and consumption areas.
(iv) Daily monitoring of the health status of employees and referral to their health center or quarantine if necessary.
(v) Coordination of health care for guests with symptoms.
(vi) Coordination with local health authorities, and
(vii) Set up remote working mechanisms whenever possible.

The Management considers that the measures taken are sufficient to mitigate the effects of the pandemic and has therefore prepared the Entity's financial statements on a going concern basis.

The following notes provide details of the impact of the COVID-19 pandemic in the various items of the consolidated financial statements.

b. ***Default in the interest coupon payment of "Senior Notes 2022"***

In June 2020, the Entity published a relevant event to the Mexican Stock Exchange, where it decreed a moratorium on the payment of interest in the first semester of 2020 of its "*Senior Notes 2022*", as a measure to maintain its liquidity and ensure its operation and announced its intention not to make the payment during the corresponding 30-day grace period. Also on December 30, 2020, and June 20, 2021, the Entity decreed a moratorium on the payment of interest in the second semester of 2020 and first semester 2021 under the same conditions. According to the *Indenture* of the "*Senior Notes 2022*", this action constitutes an event of default. At the end of the 2020, the debt balance for this concept amounts to US$392,605,000, which has been presented in its entirety in current liabilities, together with ordinary and default interest, pending liquidation.

c. ***Senior Notes Issue 2027 and Early Cancellation of Senior Notes 2022***

On December 15, 2021, the Entity published a relevant event to the Mexican Stock Exchange, where it announced that, once the conditions for the effectiveness of the restructuring plan have been met, it will issue new Senior Notes due December 30, 2027 for a principal amount up to US$398,581,321 in replacement of its existing Notes due June 30, 2022. Initially a total of USD$360,891,000 of the Senior Notes were initially exchanged with a maturity of June 30, 2022 and the remaining of USD$31,714.000 could be exchanged by June 15, 2022.

The "Senior Notes 2027" generate staggered interest, of 4% per year for year one, 5% for year two, 7% for years three and four, and 8% for years five and six payables biannually in June and December, as of December 30, 2022. For years one and two, the entity has the option of capitalizing 50% of interest at a rate of 6% for year one and 7% for year two according to the application period. Principal maturity is December 30, 2027. Senior Notes issued to qualified holders on the Effective Date (December 15, 2021) in the amount of USD $366,384,452 received interest payment in cash on June 30, 2022. It should be mentioned that the interest payment made on 30 December 2022 was made 100% in cash at the applicable interest rate.

The amount of issuance expenses amounted to $316,434, which is being amortized over the life of the new issue based on the effective interest rate method.

d. ***Cancellation of Senior Notes 2027***

On June 30, 2022, USD$26,850,570 of Senior Notes were signed due in 2027 for holders who made the exchange request before June 14. Of these, USD$6,598,938 were exchanged for unqualified holders, which ended on July 25. For the failure to submit the necessary information during the US Bankruptcy Code Chapter 11 process, Senior Notes were definitively canceled in the amount of USD$5,346,298. With this issue, the entity concludes its restructuring process. The unpaid balance of the "Senior Notes Due 2027" is from USD$393,235,022. This liability is presented in the long term.

The new Senior Notes are guaranteed by subsidiaries of the entity, as well as various assets according to the plan mentioned above.

e. ***Sale of non-strategic assets***

***Fiesta Americana Hacienda Galindo* -** On June 30, 2017, a purchase-sale contract was signed subject to term, suspension conditions and purchase option with Fibra Hotel for the disposal of the hotel called "Fiesta Americana Hacienda Galindo" under the following clauses: i) The deadline for compliance shall be December 31, 2019, (ii) the compensation shall be that resulting from multiplying 10.06 times the EBITDA corresponding to the sum of the twelve months of the calendar year 2019, resulting in the value of $355,000, by subtracting the amount of the investment made to improvements by $155,000, as well as the income paid by the buyer as a tenant by $43,000, under the lease of assets. At the same time as the signing of the purchase-sale contract, the entity signed an asset lease contract with Fibra Hotel with a deadline of March 31, 2021, in the same contract Fibra Hotel undertakes to make investments in improvements to the leased property. The sale of the property was recognized in March 2021, when the aforementioned clauses were complied with.

As a result of the COVID-19 pandemic, compliance with the conditions for sale had not been possible, as they required proceedings before municipal authorities in San Juan del Rio, which suspended their activities by the emergency declaration issued on 31 March 2020. Accordingly, the entity and FibraHotel signed several extension agreements in December 2019, March 2020, June 2020 and November 2020, agreeing to postpone compliance with the conditions in question until March 31, 2021, and by granting FibraHotel the right to retain 5% of the price to guarantee compliance with the conditions of sale.

During the term of the lease and after the purchase-sale, the entity will continue to operate the hotel on the basis of a hotel operation contract and trademark license for a total term of 22.5 years. In December 2019, the entity signed an agreement with FibraHotel agreeing an incentive on this transaction, which will be determinable until February 2021, subject to the hotel's EBITDA generated in 2020 being greater than that generated in 2019. If the difference is positive, FibraHotel will pay an incentive by multiplying the differential by 0.7 and applying the multiple of 10.06 EBITDA times to the differential. Derived from the COVID-19 pandemic, the entity did not receive such an incentive because it did not meet the condition that the differential was positive.

Fiesta Americana Hermosillo - On April 29, 2016 a purchase and sale agreement was signed subject to term, precedent conditions and a purchase option with FibraHotel for the sale of the hotel "Fiesta Americana Hermosillo" in accordance with the following clauses: i) the respective term will expire on January 31, 2020, ii) the consideration will be the product of 10.06 times the average of the hotel's EBITDA for the last three years, less the investment made in leasehold improvements and disbursements, subject to a floor price of $80,500 million. At the same time as the signing of the sales contract, the Entity signed a lease agreement with FibraHotel for a non-cancellable term maturing as of January 31, 2020 for $10,000, which the Entity must invest in property improvements; also, FibraHotel agrees under the same terms to invest $75,000 in such property. The sale of the property was recognized in January 2020, when the aforementioned clauses were complied with.

Following the execution of the purchase-sale contract, the Entity conducted an impairment study for the Fiesta Americana Hermosillo hotel, and determined in 2016 an effect of $57,064, presented in "Depreciation, amortization, real estate leasing, and cost of disposal and impairment of assets", in the consolidated statement of comprehensive income or loss. During 2019 and 2018, the Entity updated the impairment study and determined an additional effect of $6,200 and $19,498, recorded in the same line of the consolidated statement of comprehensive income or loss. As a result, the profit for sale of the property was $4,128 recorded in 2020.

In December 2019, the Entity executed an agreement with FibraHotel to establish a transaction incentive in the event of the purchase-sale taking place, which will be determinable in February 2021, as long as the hotel's average EBITDA for the 2017-2020 period exceeds the average of the 2017-2019 period. If the difference is positive, FibraHotel will pay an incentive by multiplying the difference by 0.7 and applying an EBITDA multiple of 10.06 times to the result. As a consequence of the COVID-19 pandemic, the Entity does not expect to collect this incentive, as it does not meet the condition of a positive difference.

Land in Nayarit – In December 2019, the Entity executed a preliminary purchase sale agreement of 29,956 m^2 of land in Bahía de Banderas, Nayarit with Inmobiliaria Antia, S. de R.L. de C.V., subject to term and conditions precedent. The price was set at $240,000, with the buyer making a down payment of $24,000. The balance was paid on February 24, 2020, upon the execution of the final purchase sale agreement, date on which the Entity met the precedent conditions regarding the approval of its corporate Board and the issuance of the respective land deed in its name. For tax purposes, the Entity accrued the full sales price and deducted the restated acquisition cost in 2019 although, for accounting purposes, it considered it did not meet the revenue standard requirement established for recognition of the sale. Accordingly, as of December 31, 2019, it only recorded the down payment received under "Advances from Customers" and the asset under "Assets available for sale" in the consolidated statement of changes in financial position. The sale was recognized in the consolidated results of the Entity in February 2020.

Fiesta Americana Condesa Cancún - In August 2017, the Entity executed a purchase-sale contract subject to certain precedent conditions for the sale of the Fiesta Americana Condesa Cancún hotel to FibraHotel. Such conditions occurred at the beginning of 2018. The hotel was sold for $2,892,000 in February with retroactive effects as of January 2018. The net effect from the sale was $1,345,750, which is presented in the consolidated statement of comprehensive income or loss, under other (revenue) expenses, net, and generated interest income of $90,181.

Simultaneously a long-term lease agreement on that hotel became effective, and both parties agreed to give economic effect to the lease from 1 January 2018 onwards. The Entity and FibraHotel agreed each to invest approximately $60,000 to renovate public areas during 2017 and 2018; a commitment that was extended to $75,000 for the Entity through a first amending agreement dated January 17, 2020.

On February 17, 2020, both parties signed a second amending agreement, temporarily increasing fixed rent payments for 18 months from January 2020 to June 2021.

On May 28, 2020, both parties signed a third amending agreement considering the effects of the COVID-19 pandemic, as amended on June 18, 2020, by which they agreed that FibraHotel would pay the Entity the equivalent of the operating loss incurred by the hotel during the second half of 2020. That amounted to $27,835 at the end of 2020. As of December 31, 2021, this amount has been collected.

f. ***Restructuring provision***

As of October 2020, the Entity adopted the measure of reducing its staff in its corporate offices to achieve savings that would enable it to face the COVID-19 pandemic. At the end of 2020, this reduction resulted in termination of employment expenses of $53,482 and a provision of $17,874 to meet payments for the same concept. During 2022, the reduction of staff in corporate offices continued, generating costs for the completion of jobs per $63,588 and a provision per $17,417 at the end of 2022. Both provisions comply with the requirements of IAS 37 "Provisions, contingent liabilities and contingent assets": To be recognized as a restructuring provision in the existence of a detailed formal plan for such restructuring and that the Administration has generated a genuine expectation valid in those affected that the plan will be implemented.

g. ***Impairment of assets***

In 2013, a subsidiary of the Entity acquired land in Acapulco Diamante for $129,064, and the contract of sale provided for the possibility of additionally acquiring construction rights of the selling party, from the debtor La Isla Residencial, S.A. de C.V., in the amount of $60,000. That eventual acquisition was subject to suspensive condition. In 2015, the subsidiary and the selling party agreed to eliminate the suspensive condition and the subsidiary paid $55,000 for the debtor's alluded construction rights.

During 2019, the subsidiary was merged by absorption into the Entity. During 2021, the debtor's main shareholder died in the city of Puerto Vallarta, so the Entity, as the successor to the acquiring subsidiary, assessed the right of construction considering the counterparty's credit risk and determined that there was a possible impairment. The amount of $55,000 was charged to the results at the end of 2021. As of December 31, 2022 this right has expired.

Furthermore, as a result of the COVID 19 pandemic, the Entity subjected its long-term assets to impairment tests, stressing future cash flow and discount rates hypotheses. Even with these scenarios, the Entity estimates that there is no impairment effect on its properties and equipment as of December 31, 2020.

h. ***Renewal and modification of hotel operation contracts***

In May 2019, the Entity executed an amending agreement with FibraHotel involving 49 hotels operated under the Fiesta Inn and One brands to change the duration of the respective hotel management agreements and the Entity's fee percentage.

For 36 hotels operated under the Fiesta Inn brand, the fee calculated as a percentage of revenues decreases by between 2.0 and 4.8 percent, while for 13 hotels operated under the One brand, the fee percentage decreases by 2.8 percent. Similarly, the original termination date of the management agreements executed for all the hotels covered by the agreement was unified and will conclude on December 31, 2040. These agreements may be renewed for five-year periods with the agreement of the parties. This agreement takes effect on January 1, 2020.

In May 2021, the entity agreed that, for all Hotels Fibra Hotel and only during the year 2021, it shall have no obligation to the owner to constitute the reserve for major repairs, repositions, replacements and additions of furniture and operating equipment referred to in the operating contracts or the annual capital investment program investments referred to in clause sixth (b) of the lease. By common agreement, the entity and the owner shall authorize the expenses to be incurred under this heading, valuing what is strictly necessary for the proper operation of the hotels, such as investments in equipment and materials for hotels of the brand category in all hotels of this brand, or those required for hygiene and safety by the origin of significant demand for the Hotel as tour operators and up to the maximum amount, per hotel.

In July 2021 the operation of the Fiesta Americana Grand Guadalajara, Fiesta Americana Puerto Vallarta, Fiesta Americana Grand Coral Beach, One Acapulco Diamante hotels was ceded to new leasing entities, The latter acquire the contractual status of the entity in the existing operating contracts for those hotels, so with effect from 1 July 2021 the transferees acquire, Rights and Obligations respectively, the derived products, in your favor or in charge of the operation contracts and the agreement to the operation contract.

In April 2021, the entity agreed with the Fiesta Inn Tijuana Otay Hotel to amend clauses 1, 2, 8, 17 and 21 of the lease with effect from the date of signature. 1) purpose, validity and option: a forced term for both parties of 10 years, divided into 2 5-year periods, the first period of which shall begin on April 1, 2021 and expire on March 31, 2026. The second period shall begin on March 31, 2026 and shall expire on March 31, 2031. The second period shall be subject to the fact that at the end of the 5th anniversary of the extended lease term, no variable supplementary income was generated during the 3 months in a row, the lessor will have the option of proposing to the lessor an increase in fixed and/or supplementary variable rent and in the event that the lessor does not accept the proposed increase, the lease could be terminated unilaterally without penalty to the parties.

In March 2022, a contract was concluded to change from the operating model to franchise for the following hotels; Hotel Fiesta Inn Coatzacoalcos, Hotel Fiesta Inn Poza Rica and Hotel Fiesta Inn Tampico.

i. ***Performance guarantees***

Certain hotel operation agreements executed by the Entity include a minimum performance clause, consisting of annual amounts per room in pesos or dollars.

If in any reporting period the hotels with this clause do not reach the agreed operating profit, the Entity will grant a discount on its fees, and in case of a remaining shortfall, the Entity will fund the shortfall as compensation. At the end of each financial year, the rebates and compensations are considered final, and with a few exceptions, the Entity has no right of recovery.

The Entity recorded $67,965, $35,621 and $72,594 at the end of 2022, 2021 and 2020 respectively, corresponding to the Live Aqua San Miguel de Allende, Fiesta Americana Satélite, Fiesta Americana Viaducto, Live Aqua Beach Resort Punta Cana and various Fibra Uno hotels.

j. ***Execution of management contracts in the Dominican Republic***

In August 2019, the Entity executed an agreement to operate a hotel under the Live Aqua brand for 15 years in Punta Cana, Dominican Republic, with 345 rooms. Due to the onset of the COVID-19 pandemic, the hotel delayed its opening until the first quarter of 2021.

With the purpose of fulfilling its hotel operation obligations in the Dominican Republic, the Entity has incorporated an affiliate in that country. The subsidiary hired executive staff to operate the Live Aqua hotel in Punta Cana. The start date for the Live Aqua hotel in Punta Cana, Dominican Republic was February 1, 2021.

During February 2022, the Entity entered into a contract to operate a 15-year hotel under the Funneq brand in Punta Cana, Dominican Republic, with 345 rooms adjacent to the Live Aqua. Each contract is subject to a suspension condition that the owner obtains the financing for its construction.

k. ***Gamma Copacabana management agreement***

On August 29, 2019, the Entity entered with Operadora Azul Copacabana, S.A. de C.V. a hotel operation and license agreement for a period of 20 years, subject to suspensive condition, in respect of a 431-room hotel located in Acapulco, Guerrero, which will be operated under the Gamma brand. The condition refers to refurbishments necessary to operate the hotel under the standards of this brand by March 1, 2020, when the Entity would pay a contract execution premium of $20,000.

Due to the outbreak of the COVID-19 pandemic, the suspensive condition was eliminated by agreement between the parties, by an amendment dated October 26, 2020, which extended the deadline for adaptations until 2021, with the possibility of adjusting it according to the evolution of the pandemic, and simultaneously the Entity paid the execution premium on October 29, 2020. The Gamma Copacabana Hotel began operations on October 29, 2020.

l. ***Delay in planned opening of hotels***

The COVID-19 pandemic affected the schedule of planned openings for 8 new hotels during 2020, as on the one hand construction times were affected by security measures issued by the authorities, and on the other hand, hotel occupancy restrictions forced the postponement of openings. As of the date of issuance of the financial statements, 7 hotels have already been opened.

m. ***Execution of operating contracts in Cuba***

In February 2018, the Entity signed operating contracts for two Fiesta Americana All Inclusive hotels in Cuba. The first is a hotel with 633 rooms in Playa Varadero; the second is a hotel with 749 rooms, located in Playa Pesquero, Holguín Providence, on the eastern coast of Cuba. Both hotels have local investment and started operations in January 2019. The start of the COVID-19 pandemic led to severe flight restrictions to the island of Cuba, as well as a shortage of supplies for the operation, so the Entity requested early termination from the counterparty, an application that was accepted and was effective as of May 31, 2020. Currently the Entity and the owner of the hotels are negotiating on the outstanding collection and determination of balances in order to be able to reach a settlement and terminate the agreement.

It is worth mentioning that during the period that the Entity operated both hotels, the Entity has received a notice from a third party located in the United States expressing its rights to this property; however, until the ending of both operations, the Entity is unaware of any formal claim.

n. ***Termination of operating and licensing agreements and the execution of hotel leases.***

On June 15, 2021, the Entity entered into an agreement to terminate in advance the lease agreement for the Fiesta Americana Grand Puerto Vallarta hotel with effect from August 15, 2021. Due to the restrictions established by federal and local authorities due to the COVID-19 pandemic, the hotel could not be used in its entirety by the Lessor, for that reason, The Landlord suspended the payment of rents for the months of January to July 2021, which together amount to $80 million.

On April 30, 2019, the Entity early terminated the management and licensing agreements of the Fiesta Americana Grand Puerto Vallarta hotel with Parks Operadora Hotelera, S. de R.L. de C.V. (“Parks”) and at the same time executed a lease agreement involving this property for a mandatory ten-year term beginning on May 1, 2019.

This agreement obliges the Entity to segregate and pay as a supplementary rent 3.5% of the hotel's revenue for capital investments ("Capex rent"), and in order to establish a mechanism to comply with this obligation, the parties signed an amending agreement on April 30, 2020 including a subsidiary of the lessor as a representative to receive and perform on behalf of the lessor the investments that are necessary during the term of the contract from the segregated funds. The Entity recognized a Capex rent accrued from the beginning of the lease and through March 2020 for $13,943, which it paid in April 2020.

o. ***Termination of management agreements.***

During 2022, the entity prematurely terminated the operation contract of the Hotel One Leon and the franchise contracts of the hotels operating under the Curamoria Collection brand.

During 2021, the Entity terminated in advance the management contracts of the hotels Gamma Cancún Centro, One Tuxtla Gutiérrez y Fiesta Inn Toluca Aeropuerto.

During 2020, the Entity terminated in advance the management contracts of the hotels Fiesta Inn San Cristóbal de las Casas, Gamma Ciudad Obregón, Gamma León Universidad, Live Aqua Playa del Carmen and One Coatzacoalcos Forum.

In addition, in 2020 the operating contract of the Holiday Inn Mérida hotel reached the end of its term and was not renewed. The Entity charged all fees and expenses until the end of the operation of this hotel.

p. ***Rental discount agreements***

Due to the COVID-19 pandemic, the Entity negotiated with lessors, discounts on leased hotels rent payments, which fluctuated between 20% and 75% of the monthly fixed rent, during 2022, 2021 and 2020, the amount of the discounts amounted to 6.396, 261,588 and 211,577 respectively.

The Entity accounted for the discounts according to the practical expedient published by the *International Accounting Standards Board* ("IASB") in April 2020, which allows lessees to register rent forgiveness originated by COVID-19 as a variable lease payment, provided they meet certain conditions.

In addition, the Entity exercised a right to reduce the leased area for its corporate offices by 1,693 m^2 and 57 parking spaces with savings of $33,000 USD a month as of November 2020. This negotiation was accounted for as a lease modification, adjusting the value in use of that asset by $17,652 as of the date of the modification.

q. ***Mayan Riviera Trust***

During April 2017, the Entity formalized its participation in a hotel project of two hotels with 855 rooms together on the Mayan Riviera through the execution, together with other beneficiaries, to create a Business Activity Administration and Warranty Trust, with the contribution of land and cash. The amount of $225,000 in cash was contributed by the Entity in April 2017 (Trust incorporation date). On August 16, 2018, the Entity contributed an additional $225,000 to begin the construction phase.

In March 2018, the Entity also acquired a participation from one of the Trustors at $535,200. With this purchase, the Entity increased its Trust holding from 6% to 12.5%. In 2019, the Entity authorized certain amendments to the Trust agreement to enable Trustor A to obtain financing and make its contributions without compromising the property or the Entity’s equity based on the payment of this financing, unless a relevant damage occurs and the property is not repaired, in which case the collection of contributions would be subordinated to the payment of the loan.

During 2019 the Entity sought and obtained an increase to the density of the original hotel project; accordingly, the parties agreed to increase the rooms of the Fiesta Americana hotel to 735, and the Live Aqua hotel to 349 rooms (previously 515 and 340, respectively), which will be operated by the Entity. Therefore, in August 2019 the Entity signed with the Trustee a first agreement amending the hotel management contract, to formalize the increase in the number of rooms, and to update the Minimum Guaranteed Profit clause, which was set at USD$13,000,000 per year. In addition, to ensure the operation of the hotels for 20 years, then counterparty of the trading contract USD$12,000,000 as key money.

In October 2020, Trustors A and C agreed to the creation of a commercial company called Tulkal Hospitality Services, S.A. de C.V., which will serve as lessee of the hotels of the project described. As a result, previous management and licensing contracts were terminated and new contracts were executed between the Entity and this new lessee.

The Entity has contributed $28,600 directly to the trust to cover pro rata expenses in the project, and has additionally disbursed $55,552 to achieve the above-mentioned increase in project density, as well as to address various environmental issues. This investment is presented under “Investment in associates” in the consolidated statements of financial position.

On September 29, 2021, the entity reported the disposal of its 12.5% stake in the investment trust of the Rivera Maya development project. This transaction complemented the completion announced on July 8, 2021, of the hotels' operating and license contract in that project.

As a compensation, the entity received the sum of USD$72,679,707, mainly for the assignment of 12.5% trust rights, return of the merchant glove, expenses for real estate advice and reimbursement of development expenses.

r. ***Agreements reached with the Tax Administration Service (SAT) regarding tax liabilities***

In April 2017, the Entity reached a series of agreements with the SAT to resolve differences of criteria regarding trademark amortization, the deduction of interest derived from the acquisition of those trademarks, the tax treatment given to real estate infrastructure companies (SIBRAs), the amortization of usufruct rights and, more specifically, the effects generated by the termination of the tax consolidation regime. The agreements resulted in the recognition of an additional payment obligation in different years, for a total amount of $2,376,766. Of this amount, during April 2017, the remaining amount was settled in annual exhibitions between 2018 and 2023, with a nominal amount of approximately 308,686 each subject to indexing. For this reason, the long-term portion of the tax payable item in the consolidated statement of financial position was submitted as of 31 December 2021 and 2020. As of December 31, 2022, it is submitted in the short term for the last payment to be made in 2023.

s. ***Credit granted to the Fiesta Americana Mérida Hotel***

In June 2017, a subsidiary of the Entity, owner of the shares of the Fiesta Americana Mérida hotel, contracted a credit for a seven-year period for $210,000, at an annual 9.175% interest rate with a fiduciary warranty with Banco Nacional de México, S. A. (Banamex). Proceeds were used to pay taxes, improve the hotel’s public areas and for other corporate purposes. On January 23, 2018, a $10,000 principal prepayment was made. From July 2018, the Entity has paid monthly principal installments of $1,872 and as of July 2019 the amortization amounts to $2,050. The entity holds 51% of the subsidiary and is bound jointly to pay the credit under certain conditions.

As a result of the COVID-19 pandemic, in April 2020, the Entity requested CitiBanamex to waive and modify the conditions and obligations set forth in the credit agreement, regarding the principal and interest payment of April and May 2020, a waiver that was formalized by signing an amending agreement dated June 18, 2020. The agreement grants a deferral in the payment of interest on the credit from March 23, 2020 until March 23, 2021, and a deferral in the principal payment of the credit, so that principal payments, that according to the original amortization schedule had to be paid between April 2020 and March 2021, are accumulated and paid in a single installment on the last date of payment of the credit, which will be June 23, 2024. In addition, the agreement grants temporary exemption to financial covenants during 2020 and 2021 and assigns to the Trust the administration of the hotel's collections deposit bank accounts, which will be administered under instructions from CitiBanamex.

The third amending agreement to the amended and re-expressed contract, as of April 23, 2021, it states that interest will be paid quarterly until April 23, 2022, and on this same date the principal payment will be taken back monthly beginning with the amount of $2,458.

This secured loan is presented as long-term debt in the consolidated statements of financial position, except for the portion due within one year as per the amending agreement, in the following year in accordance with the amending conventions.

The subsidiarie foresees a working capital shortfall for the Fiesta Americana Mérida hotel during 2021 as a consequence of the COVID-19 pandemic, so it has asked CitiBanamex for a second deferral in principal payments and loan interest until April 2022, and an extension of the line of credit by $25,000. The additional credit line was not necessary and during 2022 the amortization schedule was executed in a timely manner. The balance as of December 31, 2022, of the credit amounts to $135,567 million net of debt issuance expenses (Total Debt). The balance as of December 31, 2022 of the credit amounts to $135,567 million net of debt issuance expenses (Total Debt).

t. ***Labor reform***

On April 23, 2021, a compulsory federal decree was published in Mexico, where various labor and tax regulations were amended in order to prohibit in general the subcontracting of personnel and to establish the rules under which specialized services can be subcontracted. During 2021 the entity completed all the necessary corporate actions to approve the adjustments to the constituent documents of Grupo Posadas, S.A.B. de C.V. and its Inmobiliaria del Sudeste, S.A. de C.V. in order to conform them to the established legal framework in force; similarly, it took all other actions to implement the administrative changes necessary to comply fully with the terms of the new legal framework as of its entry into force. Also, on 12 August 2021, the entity obtained its registration of the provision of specialized services or specialized work (RESPE) which allows it to) to provide contact center and interaction services through telephone and telematics communication media in customer service or service activities, telemarketing, tv sales, reservation center, collections, information services by operator, attention to order lines, conduct surveys, and in general interaction with persons for any purpose through these means, on behalf of (or for the benefit of) own or third parties, b) to provide lodging services with the aim of seeking that the establishments entrusted to them operate under standards, strategies, operational, commercial and administrative methods that are characteristic of the hotel chain to which the establishment is integrated, which includes the following:

- Senior management services, planning, consulting, supervision, organization and coordination of the establishment, in the operational, administrative, financial and treasury areas, accounting, relations with authorities, commercial, human resources, all under the guidelines, policies or standards of hotel chains.
- Implementation and monitoring of the standards, strategies, operational, commercial and administrative methods of the hotel chain to which the establishment is integrated.
- To receive and execute the powers for the management of the establishment before authorities and third parties

u. ***Corporate Restructuring***

In November 2022, the entity merged its subsidiaries, Dirección Corporativa Posadas, S. A de C. V, Promoción y Publicidad Fiesta S. A. de C. V. and Inmobiliaria Administradora del Bajío, S.A. de C.V. into Soluciones de Lealtad, S. A. de C. V. This merger had no effect on the attached consolidated financial statements.

v. ***Acapulco Diamante Trust***

In June 2022, the agreement was signed to develop a complex of apartments on land that the company acquired since 2013 in the Acapulco Diamante area of Acapulco, Guerrero. The project consists of the contribution of the land by the entity and a third as developer of a building with 128 departments, of which Posadas will retain 29 units. The entire complex will operate under the brand name Live Aqua Residence Club. The estimated opening date is 2025. During 2022, the entity granted pledge of the trustee rights to ensure compliance with the Senior Notes Due 2027.

3. Application of new and modified International Financial Reporting Standards

a. ***Application of new and revised International Financial Reporting Standards (IFRS or IAS - International Accounting Standards,) mandatorily effective for the current year***

In the current year, the Entity has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.,

Amendments to IFRS 3 Reference to the Conceptual Framework	The Entity has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	The Entity has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

	If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Entity has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments two standard. IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements..

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Entity has not applied the following IFRS new and modified marketing standards that have been issued but are not yet in effect.

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management does not expect the adoption of the above-mentioned standards to have a significant impact on the Entity´s consolidated financial statements in future periods, except as follows:

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The Entity´s Management anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information.’ Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.”

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities

- Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The entity´s management anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

4. **Significant accounting policies**

a. ***Statement of compliance***

The consolidated financial statements of the Entity have been prepared in accordance with IFRS, as issued by the IASB.

b. ***Basis of preparation***

The consolidated financial statements have been prepared on the historical cost basis, as it explained in the accounting polices listed below.

i. *Historical cost*

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

ii. *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date The fair value for purposes of measuring and/or revealing these consolidated financial statements is determined in such a way, with the exception of share-based payment transactions that are within the scope of IFRS 2, leasing operations that are within the scope of IFRS 16, and valuations that have some fair value similarities, but are not fair value, such as the net performing value of IAS 2 or the value in use of IAS 36.

c. ***Going concern***

The consolidated financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern.

d. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Posadas and entities controlled by the Entity and its subsidiaries. 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 percentage of Posadas' holding of voting rights relative to the percentage and dispersion of voting rights 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 income (loss) 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 (loss) 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	**Participation (%) 2022, 2021 and 2020**
Inmobiliaria del Sudeste, S.A. de C.V.	51%
Dirección Corporativa Posadas, S.A. de C.V. (1)	100%
Posadas USA, Inc.	100%
Inmobiliaria Administradora del Bajío, S.A. de C.V. (1)	100%
Soluciones de Lealtad, S.A. de C.V.	100%
Promoción y Publicidad Fiesta, S.A. de C.V. (1)	100%
Kohunlich Adventures, S.A. de C.V.	100%
Operadora del Golfo de México, S.A. de C.V.	100%
PSDS Operadora del Caribe, S.R.L. (2)	100%

(1) Subsidiary entities merged into Soluciones de Lealtad during 2022.
(2) Subsidiary incorporated in 2019 in the Dominican Republic.

All intragroup balances, transactions and cash flows between members of the Entity are eliminated on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

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

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

e. ***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.

f. ***Financial assets***

All ordinary purchases or sales of financial assets are recognized and derecognized on a trade date basis. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of assets within the period established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the above, the Entity may make the following irrevocable choice/designation in the initial recognition of a financial asset:

- It may irrevocably choose to make subsequent changes in the fair value of a capital investment in other comprehensive results if certain criteria are met; and
- It may irrevocably designate a debt instrument that meets the amortized or fair value cost criteria through other comprehensive results if doing so significantly eliminates or reduces an accounting asymmetry.

i) *Amortized cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss and is included as "interest income".

ii) *Impairment of financial assets*

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event (see (ii) above);
(c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

iv) *Measurement and recognition of expected credit losses*

Measuring expected credit losses is a function of the probability of default, the loss given the default (i.e. the magnitude of the loss if there is a default), and exposure to non-compliance. The default assessment of the probability of non-compliance and loss is based on historical data adjusted for forward-looking information as described above. With regard to exposure to non-compliance, for financial assets, this is represented by the gross book value of the assets on the reporting date; for financial guarantee contracts, the exposure includes the amount set on the reporting date, along with any additional amount expected in the future by default date determined based on historical trend, the Entity's understanding of debtors' specific financial needs, and other future-relevant information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows owed to the Entity under the contract and all cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine expected credit losses are consistent with the cash flows used in the measurement of the receivables lease in accordance with IFRS 16 Leases.

For a financial guarantee contract, where the Entity is required to make payments only in case of non-compliance by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss forecast is the expected payment to reimburse the holder for a loss of credit incurred less than any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected lifetime credit loss in the reporting period prior, but determines on the current filing date that the conditions for expected lifetime credit loss are no longer met, the Entity measures the margin of loss by an amount equal to 12 months expected credit loss at the current report date, except for the assets for which the simplified approach was used.

The Entity acknowledges a impairment loss or loss on the outcome of all financial instruments with an adjustment corresponding to their book value through a loss provision account, except for investments in debt instruments measured at fair value through other comprehensive results, for which the provision for losses in other comprehensive and cumulative results in the investment revaluation reserve is recognized , and does not reduce the amount in books of the financial asset in the financial position statement.

v) *Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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 recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

g. ***Cash, cash equivalents, investments in securities and restricted cash***

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.

The restricted cash in 2022 and 2021 corresponds to lines destined to productive chains and reserves of the Real Estate credit of Inmobiliaria del Sudeste S. A. de C. V, and in 2020 to the remaining resources obtained by the sale of the Fiesta Americana Condesa Cancun hotel.

h. ***Inventories***

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

i. ***Vacation Club inventory***

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

When there are long-term vacation club inventories, they are recorded in the long term and correspond to the cost of converting hotel buildings that are under renovation to provide the vacation club service. 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.

j. ***Property and equipment***

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, production 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	2 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 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.

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.

Property and equipment committed for sale refers to properties for which purchase-sale contracts have been executed and which will take effect within a period exceeding 12 months as of the date of the consolidated statements of financial position.

k. ***Intangible assets and other assets***

This item includes all direct costs, primarily commissions on Kívac sales, which are recognized in the consolidated statements of comprehensive income (loss) once the service is rendered and accordingly revenue is recognized. An estimate of amounts expected to be utilized over the following 12 months is determined and classified within current assets. In addition, it also includes relative commissions of the FAVC Access product, which are amortized in the consolidated state in a straight line in 60 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. When no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

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

2. *Derecognition of intangible assets*

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

l. ***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.

m. ***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 long as the criteria continue to be met.

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.

n. ***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, assets, and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

o. ***Leases***

The entity as lessee

The Entity assesses whether an agreement originally includes a lease. The Entity recognizes a right-of-use asset and a lease liability for all the lease agreements in which it acts as the lessee, except for short-term leases (12 months or less) and low-value assets (such as tablets, personal computers, small office furniture items and telephones). For these leases, the Entity recognizes lease payments as an operating expense by using the straight-line method throughout the lease duration, unless another method is more representative of the time pattern of the economic benefits obtained from the consumption of the leased assets.

The lease liability is initially measured at the present value of the lease payments not paid at the commencement date, discounted by the rate implied in the agreement. If this rate cannot be readily determined, the Entity uses incremental borrowing rates.

Lease payments included in the lease liability measurement consist of:

- Fixed lease payments (including fixed payments in-kind), less any lease incentive received
- Variable lease payments which depend on an index or rate, initially measured by using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain it will exercise the options; and
- Penalty payments resulting from lease termination if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate item in the consolidated statement of changes in financial position.

The lease liability is subsequently measured with the book value increase to reflect interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect lease payments made.

The Entity restates the lease liability (and makes the respective adjustment to the related right-of-use asset) when:

- The lease term is modified or there is a significant change in lease circumstances, thereby resulting in a change of the purchase option exercise assessment, in which case the lease liability is measured by discounting restated lease payments based on a restated discount rate.
- Lease payments are amended as a consequence of changes in indexes or rates or a change in the expected payment under a guaranteed residual value, in which case the lease liability is restated by discounting restated lease payments based on the same discount rate (unless the change in lease payments is due to a variable interest rate change, in which case a restated discount rate is used)
- A lease agreement is amended and the lease amendment is not recorded as a separate lease, in which case the lease liability is restated based on the amended lease term by discounting restated lease payments based on a discount rate restated as of the effective amendment date

The Entity booked some of these adjustments during the periods presented.

Right-of-use assets consist of the initial measurement of the respective lease liability, lease payments made on or before the commencement date, less any lease incentive received and any initial direct cost. The subsequent valuation is based on cost less accumulated depreciation and impairment losses

If the Entity acquires an obligation arising from the costs of dismantling and removing a leased asset, restoring the place where it is located or restoring the asset underlying the condition required by the terms and conditions of the lease, a provision measured in accordance with IAS 37 must be recognized. To the extent that the costs relate to a right-of-use asset, they are included in the related right-of-use asset unless they are incurred to generate inventory

Right-of-use assets are depreciated over the shorter of the lease period and the useful life of the underlying asset. If a lease transfer’s ownership of the underlying asset or the cost of the right-of-use asset indicates that the Entity intends to exercise a purchase option, the right-of-use asset will be depreciated over the useful life. Depreciation begins on the lease commencement date.

Right-of-use assets are presented as a separate item in the consolidated statement of changes in financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Real estate and equipment' policy Variable rent leases which do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. Related payments are recognized as an expense in the period in which the event or condition generating the payment occurs and are included under "Other expenses" in the consolidated income statement.

As a practical expedient, IFRS 16 offers the possibility of not separating non-lease components and accounting for any lease and its respective non-lease components as a single agreement. The Entity has not applied this practical expedient. In the case of contracts with lease components and one or more lease components or additional non-lease components, the Entity assigns the contract payment to each lease component according to the relative stand-alone selling price method and the aggregate of standalone selling prices for all non-lease components.

The entity as a lessor

The entity does not maintain lease contracts as a lessor.

p. ***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.

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 reporting and functional currencies of the foreign operation are as follows:

Country	Recording and functional currencies
United States of America	US dollar
Dominican Republic	Dominican peso

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.

q. ***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. The results of the defined plan will be recognized when the agreement occurs.

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.

Short-term and other long-term employee benefits

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

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

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

Statutory employee profit sharing (PTU)

The 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 statements of comprehensive income (loss).

As result of the 2014, Income Tax Law, on December 31, 2021 and 2020 PTU is determined based on taxable income, according to Section I of Article 9 of such Law. As a result of the amendment to the Federal Labor Act in 2021, the amount of profit-sharing shall be limited to a maximum of three months of the worker's salary or the average participation received in the last three years; the amount that is most favorable to the worker shall be applied

r. ***Income taxes***

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

1. *Current tax*

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

Current tax is payable on the taxable basis for the year. Taxable profit differs from the net income as it is reported in profit or loss because it excludes components of revenues or expenses that are accruable or deductible in other years and excludes components, which have never been accruable or deductible. The Entity's liabilities for current taxes are calculated using the tax rates that were established at the end of the reporting period.

A provision is recognized accordingly where the determination of the tax is uncertain, but it is considered likely to result in a future outlay of funds for a tax authority. Provisions are valued at the best amount that is expected to be payable. The evaluation is based on the judgment of tax experts supported by the Entity's previous experiences in this type of activity, and in certain cases, the opinion of an independent tax specialist.

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 that recognition.

s. ***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.

Restructuring

A restructuring provision is recognized when the Entity has developed a detailed formal plan to carry out the restructuring, and a valid expectation has been created among those affected, that the restructuring will take place, either because the implementation of the plan has begun or because it has announced its main characteristics to those affected by it. The restructuring provision should include only direct disbursements arising from it, which include the amounts necessarily arising from the restructuring; and that are not associated with the Entity's ongoing activities.

t. ***Financial liabilities***

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

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 amortized cost of a financial liability.

Derecognition of financial liabilities

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

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

u. ***Revenue recognition***

The Entity recognizes its revenues as follows:

i. Revenues from the hotel operation, which includes the operation of owned and leased hotels, are recognized as the hotel services are rendered to guests, which include the rental of guestrooms and rooms for events, sale of food and beverages, etc.; in the case of leased hotels, the Entity determines whether it is acting as agent or principal by assessing whether it provides hospitality services on its own account or for a third party, whether it assumes the risk of the available rooms inventory, whether it assumes the credit risk for the amounts collected from customers, and whether the consideration for its services is equivalent to a fee for hotel operation and management contract. Based on this determination, the Entity concluded that for leased hotels it could recognize the revenues from hotel services for the gross amount it expects to collect for such services, except for the hotel Fiesta Americana Condesa Cancún, where the Entity concluded that it is acting as an agent of the lessor.

ii. Revenues from the Vacation Club business are recognized as revenue at the time of the sale, because the Entity believes that, when it sells the vacation property right, it has fulfilled its performance obligation, by transferring a right before third parties, and by transferring the control of the real properties to the buyers of memberships, who may then remove the Entity from the operation under certain normal business conditions.

iii. Revenues from the sale of Kívac points are recognized once the hospitality service is rendered, including an estimate of those points that 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 from Vacation Club”, as short-term and long-term in the consolidated statements of financial position.

iv. Revenues from the sale of FAVC Access are recognized in 60 months. The amount of the contracted service is presented under the heading “Deferred revenue timings by Club Vacacional” in short and long terms in the consolidated statement of financial position.

v. Revenues 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

vi. Other revenues (expenses) from the sale of no strategic assets are recognized when control of the assets has been transmitted to the to the buyer and/or the precedent conditions of the purchase-sale contracts are fulfilled.

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

Costs and expenses presented in the consolidated statements of comprehensive income (loss) 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. The liability is presented under the heading of "other liabilities and accrued expenses" in the consolidated statements of financial position.

y. ***Earnings (loss) per share of the controlling interest***

Basic earnings (loss) per share are calculated by dividing the net income (loss) attributable to the controlling interest by the weighted average number of shares outstanding during the period. As of December 31, 2022, 2021 and 2020, 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 0, 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.

a. ***Critical judgment in implementing accounting policies***

The following are the critical judgments and important sources of uncertainty that 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:

- *The evaluation of the Entity's role as agent or principal in the real property leases.*

  Complex situations are assessed regarding property leases where both lessor and lessee may take decisions about an identified asset, and the way in which each party benefits from such assets, in order to determine whether the Entity act as an agent or principal, which affects the recognition of revenues, operating costs and expenses, and the decision to record assets from use rights and their respective payment obligation for the lease term.

- *Vacation Club revenue recognition*

  Management makes judgments to decide when the performance obligations in the membership contracts of Vacation Club, such as the transfer of an enforceable right with regard to third parties, and upon transferring control over real property to membership buyers which have an effect on revenue recognition.

- *Classification criteria of the Entity's operating segments*

  The Entity classifies its businesses into four operating segments, based on internal reports prepared under a managerial approach.

- *The estimated amount of investments in securities other than cash equivalents*

  At the date of preparation of the consolidated statement of financial position, the Entity estimates the amount of its cash needs in the short-term considering its operating cycle, the debt service of the following year, and the budget authorized by the Investment Committee for capital investments. The surplus is presented as Investments in securities, other than cash equivalents.

- *The discount rates and terms of the hotels leased by the Entity*

  The Entity values leased assets and defines which are of low-value. Those for which usage rights are recorded are analyzed to determine contractual terms, renewal possibilities based on economic benefits, committed payment projections and the discount rates used for each asset type to determine the amount to be recorded.

b. ***Key sources of uncertainty in estimates***

The key assumptions regarding the future and other key sources of uncertainty in the end-of-period estimates are explained below, which have a significant risk of resulting in significant adjustments in the book values of assets and liabilities over the coming year.

- *The allowance for doubtful accounts and returns related with Vacation Club.*

  Estimates are used to determine the allowances for doubtful accounts, mainly considering collection arrears according to the financing plans established. The allowance for Vacation Club returns is determined based on a percentage of probability that memberships will be canceled.

- *The presentation of deferred revenues and other Kívac assets, current and long-term*

  Kivac points that are expected to be utilized during the following 12 months from the date of the consolidated statement of financial position are classified as current, considering the expected Kívac collection, which is the trigger that entitles the purchasers to use the hospitality service of this product.

- *Long term asset impairment*

  If there is evidence of impairment, the Entity conducts a review to determine whether the carrying amount exceeds its recoverable value of its assets. During this analysis, it is necessary to make estimates regarding the value in use assigned to the buildings. Value-in-use calculations require the Entity to determine the future cash flows that should arise from the cash-generating units and an appropriate discount rate to calculate the present value. The Entity uses projections of cash flows, estimating the historical performance, the related market conditions, and determination of occupancy levels and rates.

- *The future benefit of tax losses*

  In order to determine whether these losses can be carried forward, the Entity projects earnings and taxable income that will be generated individually in the following years through a detailed business plan at the Business Unit level, which includes the sale of non-strategic assets, new investment projects, and the reorganization of entities within the group, among others, which would generate sufficient profits and provide possibilities to utilize tax losses before they expire.

- *The effects of the contingencies faced by the Entity*

  The Entity is subject to legal proceedings in the ordinary course of business, for which it assesses the likelihood of an unfavorable outcome, considering the status of the legal process at the date of the estimate and the opinion of legal advisers; said evaluations are periodically reviewed.

- *The useful life and residual value of properties and equipment*

  The Entity uses independent appraisers to estimate the useful life and the residual value of its assets, which considers the useful life according to engineering studies and construction costs and components (foundations, electrical, hydro sanitary and air conditioning installations).

6. Cash, cash equivalents and restricted cash

	2022	2021	2020
Cash	$ 120,246	$ 61,635	$ 62,506
Cash equivalents:			
Overnight investments and restricted cash	1,789,671	1,880,056	423,667
Other	29,016	18,427	15,559
Total	$ 1,938,933	$ 1,960,118	$ 501,732

As of December 31, 2022, 2021 and 2020 the amount of cash equivalents includes $184,904, $110,796 and $113,559, respectively, restricted cash that in 2022 and 2021 correspond to lines for production chains and reserves of the credit of Inmobiliaria del Sudeste, S.A. de C.V., In 2020 it represents the remaining resources obtained by the sale of the Fiesta Americana Condesa Cancun Hotel (See note 2e).

7. Accounts and notes receivable

	2022	2021	2020
Notes receivable from Vacation Club (a)	$ 1,454,778	$ 1,399,885	$ 1,457,119
Kivac and FAVC Access (a)	587,800	593,672	608,079
Other receivables from Vacation Club (c)	192,114	328,524	270,797
Clients and agencies (b)	748,983	599,950	483,750
Others	53,466	39,943	13,923
	3,037,141	2,961,974	2,833,668
Less - Allowance for doubtful accounts	(232,622)	(260,980)	(264,926)
	$ 2,804,519	$ 2,700,994	$ 2,568,742

a. *Notes receivable from Vacation Club, Kivac and FAVC Access*

The Vacation Club membership sales are 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 12 months old may be reactivated; accounts aged greater than 12 months are normally cancelled. However, estimates of the reserve for doubtful accounts are recorded based on the entire portfolio.

Composition of the trading portfolio:

	2022	2021	2020
Maturity of notes receivable from Vacation Club,			
Kívac y FAVC Access			
Less than 90 days	$ 452,096	$ 403,058	$ 417,636
Between 91 and 330 days	708,288	624,852	646,707
Between 331 and 365 days	882,195	965,647	1,000,855
	$ 2,042,579	$ 1,993,557	$ 2,065,198

b. *Accounts receivable from clients and agencies*

The average credit term related to amounts owed for hotel services is 16 days. The Entity does not charge interest on outstanding amounts. Normally, amounts owed within this portfolio are not aged significantly. During 2022, 2021 and 2020 the Entity identified and wrote-off $2,918, $14,002 and $24,168, respectively, of the reserve for doubtful accounts, since it was determined that such amounts did not have possibility of being recovered.

	2022	2021	2020
Clients and agencies-			
Less than 90 days	$ 644,035	$ 487,117	$ 300,865
Over 90 days	104,948	112,833	182,885
	$ 748,983	$ 599,950	$ 483,750
Allowance for doubtful accounts-			
Clients and agencies	$ (58,287)	$ (66,494)	$ (52,893)
Notes receivable from Vacation Club	(174,335)	(194,486)	(212,033)
	$ (232,622)	$ (260,980)	$ (264,926)

a. Other Accounts receivable from Vacation Club

The other accounts receivable from Vacation Club are made up of account receivable the maintenance fees, club fees, interest on financing and other debtors.

The Entity faces a risk of concentration of the owners of hotels it operates, as four investors represent 45% of Inventory process the trading of rooms. This concentration may affect the ability to operate under policies freely established by the entity, and may press operating margins..

8. Vacation Club inventory

	2022	2021	2020
Vacation Club inventory	$ 137,243	$ 139,689	$ 238,621
Villas and residential lots	23,788	23,837	23,812
	$ 161,031	$ 163,526	$ 262,433

Vacation Club inventories recognized in cost of membership sales during the period in respect of continuing operations was from $119,764, $98,932 and $32,574, on December 31, 2022, 2021 and 2020, respectively.

During 2022, $117,318 Inventory was recognized from the early termination of Club Vacational membership contracts as a result of non-compliance with the payment of maintenance fees

9. Property and equipment committed for sale

	2022	2021	2020
Short-term:			
Property and equipment – Net			
Hotel Fiesta Americana Hacienda Galindo	$ -	$ -	$ 113,686

10. Long-term notes receivable

The balance of the long-term portion of accounts receivable from sales of Vacation Club memberships (FAVC and LARC), Kívac and FAVC Access are as follows:

	2022	2021	2020
Long-term notes receivable:			
Vacation Club memberships	$ 3,987,850	$ 3,937,459	$ 3,733,163
Kívac and FAVC Access	758,534	457,918	385,757
	4,746,384	4,395,377	4,118,920
Less:			
Reserve for Vacation Club returns	(293,563)	(272,749)	(242,986)
Allowance for Kívac's doubtful accounts	(24,993)	(60,267)	(61,196)
Total	$ 4,427,828	$ 4,062,361	$ 3,814,738

The maturities of the long-term Vacation Club memberships on December 31, 2022 are as follows:

To collect during	Amount
2024	$ 1,345,519
2025	1,142,175
2026	757,687
2027 onwards	742,469
Total long-term notes receivable	$ 3,987,850

The Entity performs an analysis of the sales of Vacation Club memberships to identify revenues whose transactional status is associated with an element of uncertainty about uncollected memberships. In accordance with IFRS 9, an allowance for returns is recorded based on the Entity's experience, calculated according to the expected impact of the future flows associated with the transaction.

11. Property and equipment

	2022	2021	2020
Buildings	$ 5,018,729	$ 4,987,147	$ 4,897,044
Furniture and equipment	1,186,557	1,186,715	1,159,352
Computers	95,329	116,474	106,518
Vehicles	24,777	20,449	20,778
	6,325,392	6,310,785	6,183,692
Less - Accumulated depreciation	(3,455,882)	(3,281,611)	(3,097,730)
	2,869,510	3,029,174	3,085,962
Land	958,546	1,087,600	1,087,600
Construction in progress	76,309	70,811	233,321
	$ 3,904,365	$ 4,187,585	$ 4,406,883

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost:							
Balance at the beginning of 2020	$ 1,087,600	$ 4,780,412	$ 1,144,775	$ 102,817	$ 26,649	$ 237,475	$ 7,379,728
Additions and improvements	-	37,847	31,580	307	-	182,129	251,863
Transfers to assets classified as held for sale	-	-	-	-	83	-	83
Transfers of prepayments	-	8,952	10,949	3,598	(2,885)	4,409	25,023
Transfers from construction in progress	-	74,553	30,540	119	-	(135,692)	(30,480)
Disposals	-	(4,720)	(58,492)	(323)	(3,069)	(55,000)	(121,604)
Balance as of December 31, 2020	1,087,600	4,897,044	1,159,352	106,518	20,778	233,321	7,504,613
Additions and improvements	-	18,090	47,770	8,606	695	80,008	155,169
Transfers of prepayments	-	12,311	11,886	894	187	962	26,240
Transfers from construction in progress	-	181,984	47,856	1,049	-	(243,480)	(12,591)
Disposals	-	(122,282)	(80,149)	(593)	(1,211)	-	(204,235)
Balance as of December 31, 2021	1,087,600	4,987,147	1,186,715	116,474	20,449	70,811	7,469,196
Additions and improvements	-	32,205	49,604	1,193	3,923	102,478	189,403
Transfers of prepayments	-	7,000	9,415	97	597	(10,807)	6,302
Transfer to trust investment (See Note 2v)	(129,054)	-	-	-	-	-	(129,054)
Transfers from construction in progress	-	17,974	52,587	3,289	-	(86,173)	(12,323)
Disposals	-	(25,597)	(111,764)	(25,724)	(192)	-	(163,277)
Balance as of December 31, 2022	$ 958,546	$ 5,018,729	$ 1,186,557	$ 95,329	$ 24,777	$ 76,309	$ 7,360,247

Accumulated depreciation and impairment	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Balances at the beginning of 2020	$ -	$ (2,249,676)	$ (495,252)	$ (101,015)	$ (20,630)	$ -	$ (2,866,573)
Depreciation expense	-	(139,532)	(150,405)	(3,271)	(903)	-	(294,111)
Transfers to assets classified as held for sale	-	-	-	-	(47)	-	(47)
Disposals	-	4,633	7,134	163	2,690	-	14,620
Disposals of assets completely depreciated	-	-	48,381	-	-	-	48,381
Balance as of December 31, 2020	-	(2,384,575)	(590,142)	(104,123)	(18,890)	-	(3,097,730)
Depreciation expense	-	(223,810)	(157,102)	(1,897)	(987)	-	(383,796)
Disposals	-	120,597	21,892	568	1,211	-	144,268
Disposals of assets completely depreciated	-	-	55,647	-	-	-	55,647
Balance as of December 31, 2021	-	(2,487,788)	(669,705)	(105,452)	(18,666)	-	(3,281,611)
Depreciation expense	-	(187,745)	(139,731)	(3,986)	(1,010)	-	(332,472)
Disposals	-	25,306	5,656	-	-	-	30,962
Disposals of assets completely depreciated	-	-	101,323	25,724	192	-	127,239
Balance as of December 31, 2022	-	(2,650,227)	(702,457)	(83,714)	(19,484)	-	(3,455,882)
Total net investment as of December 31, 2022	$ 958,546	$ 2,368,502	$ 484,100	$ 11,615	$ 5,293	$ 76,309	$ 3,904,365

12. The Entity as a lessee

The Entity leases three types of assets: computer equipment, vehicles and real property. In the case of computer equipment, the Entity applies the low value exception and continues to record the expense as an operating lease. The average lease term for real estate is 10 years and 3 years for car leases.

During 2022, 2021 and 2020 there were new asset leases, as well as indexing updates to existing contracts resulting in the addition of usage rights assets for $270,659, $269,465 and $260,556, respectively. In August 2021, in order to agree with both parties, it was agreed to terminate the lease with Fiesta Americana Grand Vallarta early, which caused a decrease in the value of the use of this asset by $715,625. In November 2020, a reduction in the leased area of corporate offices was effected, which was recorded as a lease modification, resulting in a $17,652 reduction in the value in use of that asset.

The analysis of the maturity of lease liabilities is presented in Note 17.

Right-of-use asset	Real property	Vehicles	Total
January 1, 2020	$ 4,536,715	$ 50,280	$ 4,586,995
Additions	253,736	6,820	260,556
Disposals	(57,443)	(7,608)	(65,051)
December 31, 2020	4,733,008	49,492	4,782,500

Right-of-use asset	**Real property**	**Vehicles**	**Total**
Additions	259,844	9,621	269,465
Disposals	(984,009)	-	(984,009)
December 31, 2021	4,008,843	59,113	4,067,956
Additions	264,072	6,587	270,659
Disposals	-	(2,734)	(2,734)
December 31, 2022	$ 4,272,915	$ 62,966	$ 4,335,881
Accumulated depreciation			
January 1, 2020	$ (490,825)	$ (10,115)	$ (500,940)
Period movements	(544,915)	(21,078)	(565,993)
Disposals	39,791	6,014	45,805
December 31, 2020	(995,949)	(25,179)	(1,021,128)
Period movements	(430,261)	(18,342)	(448,603)
Disposals	268,384	-	268,384
December 31, 2021	(1,157,826)	(43,521)	(1,201,347)
Period movements	(457,882)	(12,258)	(470,140)
Disposals	-	1,561	1,561
December 31, 2022	$ (1,615,708)	$ (54,218)	$ (1,669,926)

Book value	**Real property**	**Vehicles**	**Total**
December 31, 2022	$ 2,657,207	$ 8,748	$ 2,665,955
December 31, 2021	$ 2,851,017	$ 15,592	$ 2,866,609
December 31,2020	$ 3,737,059	$ 24,313	$ 3,761,372

Amounts recognized in the consolidated statement of income	**2022**	**2021**	**2020**
Asset depreciation expense for usage rights	$ 470,140	$ 448,603	$ 565,993
Financial expense caused by lease liability	293,402	346,826	410,531
Lease payments	692,692	481,614	695,072
Spending related to low-value asset leases	45,165	66,061	87,962
Loss will change to dollar contracts	(107,199)	59,571	126,812

The Entity has commitments of $73,407, $34,023 and $97,550 as of December 31, 2022, 2021 and 2020, respectively, for leases of computer equipment considered low value.

13. Intangible assets and other assets

	2022	2021	2020
Kívac's sales commissions	$ 178,801	$ 292,478	$ 238,222
Expenditures for technology projects	213,668	218,713	248,618
Guarantee deposits	22,407	102,519	99,642
Development expenses and other	37,376	46,856	25,559
Other assets	86,168	98,852	300,650
	$ 538,420	$ 759,418	$ 912,691
Amortizable Intangible Assets (a)	$ 857,024	$ 807,261	$ 754,406
Amortization	(605,980)	(541,692)	(480,229)
	$ 251,044	$ 265,569	$ 274,177

a. Amortizable intangible assets.

Amortizable intangible assets are composed mainly of technology project expenses, development expenses and emission expenses. As of December 31, 2022, 2021 and 2020, Amortization the serves are of the $75,704, $64,835 and $54,661, respectively.

14. Trade accounts payable

The Entity has lines of credit contracted with. Banca Mifel, S.A., and BBVA, S.A up to the amount of $100,000 with collateral of 1.1x and 1.0x and $50,000 with collateral of 1.1x respectively. The purpose of these credit lines is to provide financial factoring for the Entity´s suppliers over a maximum payment term of 90 days. For each financial factoring transaction, interest is accrued at a fixed rate agreed between the suppliers and the financial institutions.

As of December 31, the amount of suppliers' invoices, which agreed to financial factoring, is as follows:

	2022	2021	2020
Banca Mifel, S.A.	$ 100,000	$ 100,000	$ 50,000
BBVA Bancomer, S.A.	50,000	-	50,000
	$ 150,000	$ 100,000	$ 100,000

15. Short and Long-term debt

a. **It is as follows:**

	2022	2021	2020
US dollar-denominated:			
"Senior Notes 2022", 7.875% fixed rate	$ -	$ -	$ 7,727,116
"Senior Notes 2027", 4% - 8% tiered rate	7,343,598	7,951,884	-
Signed in Mexican pesos:			
Loan, 9.175% annual rate	133,794	156,747	156,539
	7,477,392	8,108,631	7,883,655
Less - Current portion	33,830	23,521	7,748,597
Long-term debt	$ 7,443,562	$ 8,085,110	$ 135,058

The maturities of long-term debt as of December 31, 2022, are as follows:

Payable during	Thousands of American dollars	Thousands of Mexican pesos
2024		$ 101,736
2025 and therefore	US$ 393,235	7,613,620
		7,715,356
Less - debt issuance costs		(271,794)
		$ 7,443,562

b. On December 9, 2021, The US New York State Court approved the restructure plan (pre-Packaged) and on December 15 the restructured entity was indebted known as Senior Notes due December 30, 2027 for a total amount of US$398,581,321, It consists of US$392,605,000 plus 4% per year on the US$5,976,321 principal for the period August 1, 2021 to December 15, 2021. The Senior Notes Due 2022 ceased to be enforceable. Initially a total of US$360, 891,000 of Notes for Senior Notes due June 2022 exchanged and the remaining by US$31,714,000 would be exchanged no later than June 15, 2022. As part of the restructure plan approved on June 30, 2022, USD $26,850,570 of Senior Notes due in 2027 for Senior Notes Due 2022 holders who made the exchange request before June 14. Of these, USD $6,598,938 were sold from unqualified holders, a process that ended on July 25. For not submitting the necessary information during the US Bankruptcy Code Chapter 11 process in December 2021 and second instance by June 14, 2022, Senior Notes 2027 in the amount of USD $5,346,298 was definitively canceled. The outstanding “Senior Notes Due 2027” is USD $393,235,022. This liability is presented in the long term. As part of this agreement, certain conditions were modified with respect to the previous debt, establishing a step-up interest payment scheme starting at 4% per year for year one, 5% for year two, 7% for year three and four and 8% for years five and six. In addition, for years one and two, 50% of interest can be capitalized (paid in kind) by applying a rate of 6% and 7%, respectively, for the capitalizable portion which is at the option of the issuer. As of December 15, 2021, the holders of the Senior Notes Due 2022 did not pre-expire the principal's payment term, nor did they exercise their collection rights for accrued interest plus outstanding delinquent interest as of July 31, 2021 and December 31, 2020 for $413,553 and $724,019, respectively, once and as a result of the restructuring, The entity canceled the liability and its effect is presented in the consolidated statement of results and other integral results, under the heading of net extraordinary income.

The Entity committed most of its assets and the receivable portfolio of its vacation club business as part of the guarantee to the benefit of the Senior Notes Due 2027 bondholders. These assets that were contributed to a Guarantee and Administration Trust consist of the complex of three properties that integrate Fiesta Americana Reforma hotel, Fiesta Americana Guadalajara hotel and the following properties intended for the vacation club business: Grand Fiesta Americana Los Cabos, Live Aqua Residence Club Los Cabos, Fiesta Americana Acapulco, Fiesta Americana Cozumel, Fiesta Americana Cancun, Explorean Kohunlich and 16 apartments known as Nima Bay located in Puerto Vallarta, as well as the vacation property business portfolio for collection. The following subsidiaries are also guarantors of the Senior Notes: Posadas USA, Inc, Inmobiliaria Administradora del Bajío, S. A. de C. V, Soluciones de Lealtad, S. A. de C. V, , Promoción y Publicidad Fiesta, S. A. de C. V, Kohunlich Adventures, S. A. de C. V., Operadora del Golfo de México, S. A. de C. V, Administradora Profesional de Hoteles, S. A. de C. V., Dirección Corporativa Posadas, S. A. de C. V., Dirección Estratégica Posadas, S. A. de C. V., Desarrollo Arcano, S. A de C. V., and PSDS Operadora del Caribe, S. R. L. Also, a pledge contract was concluded between the entity as a debtor for the calendar and Banco Nacional de México, S.A., member of Grupo Financiero Banamex, División Fiduciaria, as a creditor, for which a pledge was constituted on the rights of the entity in the bank accounts where the entity itself receives the payments of the portfolio receivable from the business of vacation properties. During 2022, a pledge contract was concluded on trust rights arising from the entity's participation in the Acapulco Diamante project.

c. On June 22, 2017, a subsidiary of the Entity contracted a fiduciary warranty loan (based on the hotel's collection through credit cards) with Banamex for an amount of $210 million at an annual 9.175% interest rate, and maturity in 2024.

d. On June 30, 2015, the Entity completed a debt issuance for US$350 million in notes known as "Senior Notes 2022" through the Luxembourg Stock Exchange. The intention was to substitute the issuance of US$310 million known as "Senior Notes 2017" held by the Entity as of December 31, 2014. As a result, it was possible to buy back US$271.7 million of the "Senior Notes 2017", leaving a balance pending payment of US$38.3. The "Senior Notes 2022" accrue 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.

On May 16, 2016, an additional issuance was made for US$50 million as part of the "Senior Notes 2022" program, accruing interest at an annual rate of 7.875%, maturing in 2022. With this additional issuance of "Senior Notes 2022", in November 2016 the balance of US$38.3 million of the debt known as "Senior Notes 2017", with maturity in 2017, was paid in advance. With the additional issuance, the "Senior Notes 2022" program achieved the total amount of US$400 million.

In February 2019, the Entity made an offer to repurchase up to $515,000 of its "Senior Notes 2022" at par plus interest accrued as of the settlement date, by using the net surplus derived from the sale of its hotel Fiesta Americana Condesa Cancún. On March 22, 2019, following the expiration of the offer, the Entity paid US$7.4 million to the holders of repurchased bonds, plus interest. After this transaction, the "Senior Notes 2022" program balance was US$392,605,000. The "Senior Notes 2022" program was replaced by the "Senior Notes 2027" program.

e. The most significant restrictions and obligations contained in debt agreements as of December 31, 2022, prohibit the Entity from:

- Incurring additional indebtedness.
- Granting guarantees.
- Making certain restricted payments or investments.
- Selling assets over US$1,000,000.
- Declaring dividends.
- Making certain intercompany transactions.
- Merging with other companies.

As of December 31, 2022 and 2021, the Entity has complied with the restrictions and covenants of the "Senior Notes 2027".

The Entity is in breach of the financial covenants of the "Senior Notes 2022", as of December 31, 2020, it has breached the interest coverage ratio of 2.5 times, and has failed to pay semi-annual interest in June and December 2020 for US$30,917,644. For this reason, the Entity recorded default interest on the basis of the terms of the credit. At the end of 2020, the entity reclassified in the short term the amount of principal and interest in the consolidated statement of financial position.

As discussed in Note 2f, the Entity sold the Fiesta Americana Condesa Cancún hotel. This transaction generates an obligation under "Senior Notes 2022", which consists of investing the net surplus resources from the cash consideration received for the sale, within a term of 365 days after the sale.

At the end of 2022, 2021 and 2020, the entity presents an amount for $184,904, $110,796 and $113,559 of restricted cash within Account Balance the cash equivalents unit of the same amount as mentioned in Note 6.

f. Below is detail of key financial items of the Entity and the subsidiary guarantors of the "Senior Notes 2022, 2027":

	2022		2021		2020	
	Guarantors	Total consolidated	Guarantors	Total consolidated	Guarantors	Total consolidated
Total revenues	$ 8,826,517	$ 9,077,990	$ 7,258,205	$ 7,406,734	$ 5,054,379	$ 5,225,743
Depreciation, amortization and impairment	854,336	884,712	864,028	897,234	882,138	914,765
Lease expense	14,482	14,482	(242,492)	(242,492)	(200,824)	(200,824)
Consolidated income (loss)	211,321	222,740	47,517	57,939	(2,041,941)	(2,137,997)
Total assets	17,367,100	17,948,788	17,644,564	18,244,481	18,468,663	19,244,078
Total liabilities	$ 16,511,279	$ 16,693,773	$ 17,030,347	$ 17,232,188	$ 18,007,404	$ 18,334,849

16. Income taxes

The standard income tax rate applied to the reported tax income is 30% for 2022, 2021 and 2020, respectively.

Taxation in the United States of America - The subsidiary that operated in that country was subject to income taxes at a rate of 21%.

Taxation in the Dominican Republic – The subsidiary that operated in that country was subject to income taxes at a rate of 27%.

a. Income tax expense recognized in profit or loss:

	2022	2021	2020
Current tax -			
Current ISR (1) (2)(3)	$ 1,347	$ (1,710)	$ (3,773)
ISR previous years	36,546	21,844	40,735
	37,893	20,134	36,962
Deferred ISR (benefit)	292,179	108,924	(330,909)
Total income tax (benefit)	$ 330,072	$ 129,058	$ (293,947)

(1) ISR of the years 2022 and 2021 of $1,347 and $300, respectively, generated by PSDS Operadora del Caribe, S. R. L., entity subsidiary based in Dominican Republic.

(2) ISR of the year 2021 and 2020 for $200, and $1,561, respectively, generated by entity subsidiaries based in Mexico.

(3) During 2021 and 2020 Posadas USA, Inc., a subsidiary of the Entity reflects an ISR for the year of $ (2,210) and $(5,334) respectively, derived from applying during the same financial year the stimulus known as "tax losses carry back" from which a tax refund from previous years is expected.

b. The reconciliation of the legal income tax rate and the effective rate expressed as a percentage of profit (loss) before income taxes is:

	2022	2021	2020
Statutory rate	30%	30%	30%
Less:			
Effects of permanent differences and tax effects of inflation and actualization	55	202	3
Reserve and actualization of tax loss carryforward benefit	(25)	(163)	(20)
Effective rate	60%	69%	13%

As a result of adopting IFRS 16, earnings before tax include the amount of $251,464 in 2020, for this adoption. Without these effects, earnings before tax would be $(2,180) and an effective rate of 13% for the mentioned exercises.

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

	2022	2021	2020
Notes receivable	$ (1,371,230)	$ (1,332,076)	$ (1,315,081)
Allowance for doubtful accounts	180,594	196,982	174,314
Real estate inventory	(56,874)	(57,608)	(26,564)
Property and equipment	317,034	263,772	143,551
Intangible assets and other assets	(162,061)	(207,010)	(75,639)
Reserves and deferred income	699,887	717,955	613,729
Tax loss carryforwards reserve	1,499,086	1,798,271	1,768,969
Interest pending to be deducted	118	5,937	329,843
Right-of-use assets - net	105,465	117,975	-
Unrealized exchange rate fluctuation	(134,141)	(134,141)	(134,141)
Deferred ISR asset	$ 1,077,878	$ 1,370,057	$ 1,478,981

d. The benefit of restated tax loss carryforwards for which the deferred ISR asset has been partially recognized, can be recovered subject to certain conditions. As of December 31, 2022, 2021 and 2020, the tax loss carryforwards amounted to $,5,116,581, $7,209,363 and $7,473,249, respectively. As of December 31, 2022, 2021 and 2020, the entity has decided not to recognize an active deferred tax on outstanding tax losses of $119,627, $1,215,127 and $1,576,687, respectively.

e. Tax loss carryforwards

Expiration dates and restated amounts of tax loss carryforwards as of December 31, 2022 are:

Year	Amount
2023	$ 23,516
2024	566,670
2025	2,408,315
2026	13,118
2027	8,567
2028	16,288
2029	535,536
2030	1,518,641
2031	25,842
2032	88
	$ 5,116,581

f. Tax credits:

As a result of several agreements reached with SAT in April 2017, the Entity recognized an ISR liability to be paid on the current portion that will be paid in 2023 by $412,162.

17. Lease liabilities

	2022	2021	2020
Circulating	$ 424,501	$ 398,451	$ 401,090
Non-circulating	2,593,003	2,861,409	3,644,212
Lease liabilities	$ 3,017,504	$ 3,259,860	$ 4,045,302

Maturity analysis

	2022	2021	2020
Year 1	$ 678,150	$ 661,734	$ 762,652
Year 2	617,783	644,407	728,393
Year 3	590,227	583,458	709,770
Year 4	539,645	560,565	656,638
Further	1,839,475	2,267,130	3,192,206
Less: Not accrued interest	(1,247,775)	(1,457,434)	(2,004,357)
Total lease liabilities	$ 3,017,504	$ 3,259,860	$ 4,045,302

The discount rate consists of the U.S. Treasury rate, increased by a spread according to the Entity's rating in effect at the beginning of each lease, and adjusted by the real estate guarantee, in the case of real estate. For leases of properties containing term renewal options, the Entity considers on a case-by-case basis whether it will exercise the option to renew at the end of the initial compulsory period, based on the economic benefits it expects to obtain.

18. Employee benefits and other accrued liabilities

	2022	2021	2020
Employee benefits	$ 265,944	$ 249,177	$ 245,750
Other accrued liabilities	31,067	13,001	247,935
	$ 297,011	$ 262,178	$ 493,685

19. Employee benefits

The Entity sponsors funded defined benefit plans for qualifying employees. The defined benefit plans are administered by an independent Fund that is legally separated from the entity. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The Entity manages a plan, which also covers seniority premiums, consisting of one payment equal to 12 days' wages for each year worked based on the latest wage, limited to twice the legal minimum wage. The related liability and the annual benefit cost are calculated by an independent actuary in accordance with the bases defined in the plans, using the projected unit credit method.

The Entity has defined benefit plans for its qualifying employees and those of its subsidiaries. In conformity with these plans, employees are entitled to retirement benefits, which range from 40% to 45% of the final wage upon reaching the retirement age of 65 years; similarly, there is an early retirement option under certain conditions. Post-retirement benefits are not granted.

The defined benefit plans do not require contributions from employees.

The plans typically expose the Entity to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate that is determined based on the yields of the high quality corporate bonds; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of December 31, 2022 by independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022	**2021**	**2020**
	%	**%**	**%**
Discount rate(s)	9.45	7.75	6.75
Expected rate(s) of salary increase	5,.00	4.75	4.75
Others *(Applies for males and females)*	Early retirement 60 years age and 20 years of service Normal retirement 65 years age		

Amounts recognized in comprehensive income in regard to these defined benefit plans are as follows:

	Seniority premium		
	2022	**2021**	**2020**
Service cost:			
Current services cost:	$ 10,475	$ 9,490	$ 8,636
Net interest expense:	6,000	4,852	4,377
Components of defined benefit costs recognized in profit or loss	$ 16,475	$ 14,342	$ 13,013

	Pension plan		
	2022	2021	2020
Service cost:			
Current services cost:	$ 14,203	$ 22,037	$ 20,935
Net interest expense:	17,941	16,560	10,725
Components of defined benefit costs recognized in profit or loss	$ 32,144	$ 38,597	$ 31,660
Total of defined benefit plan recognized in income	$ 48,619	$ 52,939	$ 44,673

	Seniority premium		
	2022	2021	2020
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (9,106)	$ (8,423)	$ 5,416
Actuarial (gains) and losses arising from experience adjustments	(4,256)	1,164	2,103
Defined benefit cost items recognized in other comprehensive income	$ (13,362)	$ (7,259)	$ 7,519

	Pension premium		
	2022	2021	2020
Remeasurement of the net defined benefit liability:			
Actuarial (gains) and losses arising from changes in financial assumptions	$ (28,410)	$ (19,286)	$ 13,187
Actuarial (gains) and losses arising from experience adjustments	16,758	(19,007)	(6,854)
The return on plan liability (excluding amounts included in net interest expense)	5,600	2,999	975
Defined benefit cost items recognized in other comprehensive income	$ (6,052)	$ (35,294)	$ 7,308
Total of defined benefit plan recognized ir other comprehensive income	$ (19,414)	$ (42,553)	$ 14,827

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the entity's obligation in regard to its defined benefit plans is $265,944, $249,177 and $245,750, as of December 31, 2022, 2021 and 2020, respectively.

Movements in the present value of the defined benefit obligation in the period:

	Seniority premium 2022	2021	2020
Opening balance defined benefit obligation	$ 79,858	$ 74,262	$ 59,979
Current service cost	10,475	9,490	8,636
Past service cost losses	(23)	(843)	-
Interest cost	6,000	4,852	4,377
Remeasurement (gains) losses:			
Actuarial (gains) and losses arising from changes in financial assumptions	(9,106)	(8,423)	5,416
Actuarial (gains) and losses arising from experience adjustments	(4,256)	1,164	1,943
Liabilities assumed in a business combination		-	-
Benefits paid	(546)	(644)	(6,089)
Defined benefit obligation total before present value	$ 82,402	$ 79,858	$ 74,262

Movements in present value of the plan assets in the period:

	2022	2021	2020
Contributions from the employer	$ 546	$ 644	$ 6,089
Benefits paid	(546)	(644)	(6,089)
Total plan assets at fair value	-	-	-
Closing balance defined benefit obligation	$ 82,402	$ 79,858	$ 74,262

Movements in present value of defined benefit obligation in the period:

	Pension plan 2022	2021	2020
Opening balance defined benefit obligation	$ 250,667	$ 253,354	$ 215,437
Current service cost	14,203	22,037	20,935
Interest cost	17,941	16,560	15,680
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in financial assumptions	(28,410)	(19,286)	13,187
Actuarial gains and losses arising from experience adjustments	16,758	(19,007)	(6,812)
Cost of past services including losses/(gains) for adjustments	(385)	55	-
Past services reduction	(6,549)	-	-
Benefits paid	(50,346)	(3,046)	(5,073)
Defined benefit obligation total before present value	$ 213,879	$ 250,667	$ 253,354

Movements in present value of the plan assets in the period:

	2022	2021	2020
Opening fair value of plan assets	$ 81,348	$ 81,866	$ 73,255
Interest income	4,934	5,526	4,955
Remeasurement (gains)/losses:			
The return on plan assets (excluding amounts included in net interest expense)	(5,599)	(2,998)	(975)
Contributions from the employer	-	-	9,704
Benefits paid	(50,346)	(3,046)	(5,073)
Total plan assets at fair value	30,337	81,348	81,866
Closing defined benefit obligation	$ 183,542	$ 169,319	$ 171,488
Defined benefit obligation total as of December 31, 2022	$ 265,944	$ 249,177	$ 245,750

The significant actuarial assumptions for the determination of the defined obligation are the discount rate, the expected wage increase and mortality. The rest of the revelations were considered to be insignificant.

The consolidation of defined profit obligations, which will not be reclassified subsequently to results and which are presented within the cumulative total results accumulated in the consolidated statements of changes in the capital of accounts for the years 2022, 2021 and 2020, was of earnings (losses), respectively $18,952, $(462) and $(43,015) Account Balance.

20. Financial instruments

a. ***Classes and categories of financial instruments and their reasonable values.***

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics.
- The book values of financial instruments;
- Reasonable values of financial instruments (except financial instruments when the book value approaches Fair Value Measurement its market); and
- The levels of the Fair Value Measurement equity hierarchy of the financial assets and liabilities for which Fair Value Measurement the market was disclosed.

The levels of the hierarchy from Fair Value Measurement 1 to 3 are based on the degree to which Fair Value Measurement the item is observable:

- Level 1: Fair Value Measurement the measurements of the market are those derived from quoted (unadjusted) prices on active markets, for identical assets or liabilities;
- Level 2: Level Fair Value Measurement 2 measurements are those derived from inputs other than the listed prices included in Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. as price derivatives); and
- Level 3: Fair Value Measurement level 3 metric measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (non-observable entries).

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.

b. ***Capital risk management***

The Entity manages its capital to ensure that it will continue as a going concern, while striving to maximize the return to stockholders through the optimization of debt and equity structure. During 2022 overall strategy of the Entity has not been changed compared to 2021 and 2020.

During 2021 and 2020 the management of the entity reviewed its capital structure due to the liquidity limitation caused by the COVID-19 pandemic, modeling the impacts on the financial projections it presented to the senior management, the Board of Directors and shareholders of the entity. As part of this review, the Board considered the cost of capital and its associated risks.

The Entity analyzes the capital structure for each project independently, in order to minimize the risk for the Entity and optimize stockholder returns.

The Entity's Management, on a monthly basis, reviews the net debt and accrued interest and its relation to the EBITDA. 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 the end of the reporting period was as follows:

	2022	2021	2020
Debt (i)	$ 7,477,392	$ 8,108,631	$ 7,883,655
Leasing	3,017,504	3,259,860	4,045,302
Cash, banks and investments in securities	1,938,933	1,960,118	501,732
Net debt	8,555,963	9,408,373	11,427,225
Stockholders' equity (ii)	$ 1,255,015	$ 1,012,293	$ 909,229
Net debt to equity index	6,82	9.29	12.57

(i) Debt is defined as short and long-term borrowings in national and foreign currency, as described in Note 15.

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

c. ***Categories of financial instruments***

	2022	2021	2020
Financial assets:			
Cash	$ 120,246	$ 61,635	$ 62,506
Cash equivalents	1,818,687	1,898,483	439,226
Account and notes receivable	7,232,347	6,763,355	6,383,480
Financial liabilities:			
Trade accounts payable	$ 775,160	$ 602,189	$ 628,007
Debt	7,749,186	8,363,286	7,991,046
Other liabilities and accrued expenses	1,048,735	916,205	1,359,343
Lease liabilities	3,017,504	3,259,860	4,045,302

d. ***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.

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

e. ***Foreign currency risk management***

The Entity believes that the risk is material because as of December 31, 2022, 98% of its debt is denominated in US dollars. Considering the net monetary position in US dollars as of December 31, 2022, 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 $497,188.

The current exchange rates in Mexican pesos are as follows:

		December 31,		February 22,
	2022	**2021**	**2020**	**2023**
Mexican pesos per US dollar	$ 19,3615	$ 20.5835	$ 19.9487	$ 18.3970

f. ***Interest rate risk management***

The Entity is exposed to low market risks related to fluctuations in interest rates, because its debt on December 31, 2022 accrue interest at fixed rates. Therefore, an increase in interest rates does not result in a significant risk to the Entity.

g. ***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.

h. ***Liquidity risk management***

During 2021 and 2020, as a result of the impact on revenues from the COVID-19 pandemic, a liquidity risk materialized for short-term debt of the Entity. The restructuring plan was approved by the New York City Court on December 9, 2021 and implemented with Senior Notes Due 2022 holders on December 15,2021 The main sources of liquidity of the entity have been the Statement of cash flows assets of the operating activities mainly by the operating income of own and leased hotels, the administration income, the sale and financing of Vacation Club memberships, Items that have been affected by the COVID-19 pandemic, the proceeds of the sale of non-strategic assets and a financing that was used to bridge certain payments that needed to be made in the first quarter of 2021 as was the eighth annuity of ISR, loan that in October was liquidated before its maturity with the proceeds of the sale of assets mentioned above.

In 2022, a recovery in revenues of 23% was observed from its previous year and a higher generation of cash flow from the operation with an Account Balance cash unit of $1,938, similar to that of 2021, after paying with cash the two semestrialities (Payments in June and December 2022) Senior Notes interest due in 2027.

As of December 31, 2022	Weighted average effective interest Rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	4.1%Usd / 9.175%MN	$ 18,739	$ 201,309	$ 218,919	$ 1,300,114	$ 8,295,613	$ 10,044,693
Suppliers		775,160	-	-	-	-	775,160
Leasing		167,849	163,181	316,624	1,189,788	1,928,151	3,765,593
Other liabilities and accrued expenses		1,048,735	-	-	-	-	1,048,735
Total		$ 2,010,483	$ 364,490	$ 545,542	$ 2,489,902	$ 10,223,764	$ 15,634,181

As of December 31, 2021	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	4%Usd / 9.175%MN	$ 3,971	$ 191,156	$ 199,121	$ 604,815	$ 9,774,265	$ 10,773,328
Suppliers		602,189	-	-	-	-	602,189
Leasing		171,322	171,130	333,277	1,203,200	2,385,538	4,264,467
Other liabilities and accrued expenses		916,205	-	-	-	-	916,205
Total		$ 1,693,687	$ 362,286	$ 532,398	$ 1,808,015	$ 12,159,803	$ 16,556,189

As of December 31, 2020	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875 / 9.175%	$ 8,523,472	$ 10,371	$ 37,455	$ 116,472	$ 75,904	$ 8,763,674
Suppliers		628,007	-	-	-	-	628,007
Leasing		203,066	188,443	371,195	1,438,470	3,848,867	6,050,041
Other liabilities and accrued expenses		1,359,343	-	-	-	-	1,359,343
Total		$ 10,713,888	$ 198,814	$ 408,650	$ 1,554,942	$ 3,924,771	$ 16,801,065

The amounts included as Debt accrue interest at a fixed rate. The Entity expects to fulfill its obligations with the cash flows from operations and any resources received from the maturity of financial assets.

i. ***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 -– Except for what is mentioned later, the Entity's Management consider that the carrying amounts of the current financial assets (including investments in securities) and financial liabilities recognized at amortized cost in the consolidated statement of financial position, approximate their fair values since they are short-term.

As of December 31, 2022, 2021 and 2020, the fair value of the Vacation Club long-term receivables is $3,530,770, $3,706,869 and $4,437,094 which is greater than its carrying amount. The Fair Value Measurement entity uses a present value technique using a discount rate to measure the time-to-value of these receivable documents. This is done through the use of a (zero) curve of interest rates on government bonds. This curve is obtained from the integral price provider "PIP".

The entity considers that the book value of the lease liability is close to Fair Value Measurement its market.

The financial instruments measured after the initial recognition to Fair Value Measurement TASs, grouped at level 1, are those derived from quoted (unadjusted) prices in active markets for identical assets or liabilities, the Fair Value Measurement long-term debt is as follows:

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

	2022	2021	2020
Thousands of US dollars:			
Senior Notes 2022	US$ -	US$ -	US$ 392,605
Senior Notes 2027	US$ 304,861	US$ 325,725	US$ -
Thousands of Mexican pesos			
Senior Notes 2022	$ -	$ -	$ 7,831,959
Senior Notes 2027	$ 5,899,565	$ 6,704,561	$ -
Banamex	$ 113,002	$ 129,415	$ 145,283

On December 31, 2022, a portion of the Entity's revenues, generally around 30%, has been directly or indirectly denominated in US dollars. This is because room rates at beach hotels (primarily Cancun and Los Cabos) maintain rates in US dollars. Furthermore, a portion of the sales and financing of Vacation Club memberships have been historically denominated in US dollars.

Given that part of the Entity's revenues is directly or indirectly denominated in US dollars and to minimize its exposure to interest rates denominated in Mexican pesos, the Entity's policy has been to maintain a significant portion of its debt in US dollars. This has been achieved through contracting debt in US dollars when allowed by market conditions.

21. Stockholders' equity

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

	Number of shares 2022, 2021 and 2020
Authorized capital	
Less:	512,737,588
Repurchase of shares	(16,855,600)
	495,881,988

b. As of December 31, 2022, 2021 and 2020, the share capital is composed solely of Series “A” ordinary stocks, representative of fixed capital, free-to-subscribe.

c. A Stockholders’ Ordinary General Meeting also held on April 5, 2022, April 19, 2021 and June 25, 2020 decided to keep the maximum amount of resources for the purchase of own shares at $535,000.

d. As of December 31, 2022, 2021 and 2020, the legal reserve fund, presented within retained earnings, amounts to $99,187 (nominal value) and represents 20% of the nominal capital. This reserve fund may not be distributed to stockholders except in the form of a stock dividend.

e. 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.

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.

The following are the accumulated earnings that could be subject to withholding up to 10% ISR on distributed dividends:

Year	**Amount that could be subject to withholding**	**Amount not subject to withholding**
Retained earnings through December 31, 2013	$ -	$ 4,566,541

22. Balances and transactions in foreign currency

Significant monetary position in foreign currencies as of December 31 is:

	2022	**2021**	**2020**
Thousands of US dollars:			
Current:			
Monetary assets	98,216	108,640	46,034
Monetary liabilities	(11,074)	(11,535)	(432,478)
	87,142	97,105	(386,444)
Long-term:			
Monetary assets	49,300	41,495	36,240
Monetary liabilities	(393,235)	(398,581)	-
	(343,935)	(357,086)	36,240
Net liability position	(256,793)	(259,981)	(350,204)
Equivalent in thousands of Mexican pesos	$ (4,971,888)	$ (5,351,314)	$ (6,986,112)

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

23. Revenue, cost of sales and operating expenses

a. ***Revenue:***

	2022	2021	2020
Hotel operation	$ 2,908,951	$ 2,181,583	$ 1,494,422
Vacation Club	4,507,159	4,092,835	3,070,258
Management fee, brand and other expenses	1,661,880	1,132,316	661,063
	$ 9,077,990	$ 7,406,734	$ 5,225,743

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

	2022	2021	2020
Hotel operation	$ 1,443,591	$ 1,138,727	$ 1,152,904
Vacation Club	3,840,031	3,328,529	2,492,825
Management fee, brand and other expenses	991,756	1,034,887	999,593
	$ 6,275,378	$ 5,502,143	$ 4,645,322

c. ***Administrative expenses:***

	2022	2021	2020
Salaries, employee benefits and other	$ 503,710	$ 427,166	$ 423,198
PTU	138,298	36,659	260
Electricity	149,458	136,239	111,152
Maintenance	98,951	74,760	63,160
Professional fees	78,400	62,632	23,605
Credit card commissions	47,635	35,865	24,585
Property taxes and duties	32,003	29,660	29,614
Office rentals	4,321	4,277	3,171
Services and supplies	16,999	22,114	20,956
Insurance and bonds	9,403	9,216	14,762
Equipment leasing	930	927	14,449
Doubtful accounts	-	-	18,332
Others	25,440	16,266	20,754
	$ 1,105,548	$ 855,781	$ 767,998

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

	2022	2021	2020
Marketing and publicity	$ 85,029	$ 146,988	$ 88,760
Salaries, employee benefits and other	46,507	39,916	40,199
Travel expenses	1,136	440	800
Subscription fees	296	2	325
Others	7,281	4,915	1,638
	$ 140,249	$ 192,261	$ 131,722

e. ***Other (revenues) expenses, net:***

	2022	2021	2020
Other (revenues) expenses, net			
Real estate selling	$ -	$ 38,968	$ 55,627
Fiduciary rights	-	(235,696)	-
Recoverable expenses	-	434,574	-
Others	20,692	15,397	32,244
	$ 20,692	$ 253,243	$ 87,871

24. Related party transactions

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

	2022	2021	2020
Direct, short and long-term benefits	$ 109,530	$ 140,200	$ 94,158

25. Operating segments

Information condensed by operating segments is presented according to Management's criteria. Given that Management evaluates the performance of each segment based on the EBITDA, the Entity does not segregate the amount of depreciation and amortization between different segments. In addition, as the Entity centrally manages the segments' cash flows to cover investment and financing needs, therefore it does not separately report cash flows by segment. The main long-term assets and related investment cash flows made by the Hotel operation and Vacation Club are those presented in the consolidated statements of financial position and consolidated statements of cash flows.

a. ***Hotel operation*** - Revenues generated by this segment are represented by the rental of hotel rooms, the sale of food, beverages and related services (laundry, telephones, spa, etc.) to guests. The expenses incurred by the segment are related to the payroll of the personnel that attend guests in hotels, the cost of food, beverages, and hotel operating expenses, including sales and administrative personnel, office expenses, electricity, insurance and property taxes. In the case of leased hotels, an additional rent expense is generated.

b. ***Vacation Club*** - Revenues generated by this segment include the sale of memberships, interest income generated by financed sales, annual membership fees and income from the effective use of the "Kivac" and "FAV Access" programs. Costs and expenses include the value of real property sold under FAVC and LARC regime, marketing expenses incurred for prospective clients, collection expenses, payroll of personnel located at the sites where Vacation Club operates, including electricity and insurance, the payroll and office expenses of sales and administrative personnel, along with the cost of hotel exchanges.

c. ***Hotel management, brand and other*** - Revenues generated by this segment include fees billed to hotels under the terms of hotel management contracts; brand use and franchise fees, as well as billing of different centralized services. The costs and expenses incurred by this segment primarily involve payroll of the personnel that supervise hotel operations, the cost of the reservation services, centralized accounting, purchasing and technology service expenses and the recovery of GDS (Global Distribution System) costs.

2022

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Total revenues	$ 2,936,098	$ 4,511,651	$ 1,698,481	$ 9,146,230	$ -	$ (68,240)	$ 9,077,990
Cost and general expenses	2,092,624	3,727,496	1,207,243	7,027,363	-	(68,240)	6,959,123
Corporate expenses	-	-	-	-	576,534	-	576,534
Depreciation, and amortization	-	-	-	-	878,316	-	878,316
Other expenses	-	-	-	-	(20,692)	-	(20,692)
Operating income (loss)	$ 843,474	$ 784,155	$ 491,238	$ 2,118,867	$ 1,434,158	$ -	$ 684,709
					Financial expenses, net		131,897
					Equity in associate		-
					Income before income taxes		$ 552,812

2021

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Total revenues	$ 2,198,466	$ 4,096,282	$ 1,154,491	$ 7,449,239	$ -	$ (42,505)	$ 7,406,734
Cost and general expenses	1,503,729	3,221,505	1,227,738	5,952,972	-	(42,505)	5,910,467
Corporate expenses	-	-	-	-	397,226	-	397,226
Depreciation, and amortization	-	-	-	-	897,234	-	897,234
Other expenses	-	-	-	-	(253,243)	-	(253,243)
Operating income (loss)	$ 694,737	$ 874,777	$ (73,247)	$ 1,496,267	$ 1,041,217	$ -	$ 455,050
					Financial expenses, net		253,053
					Equity in associate		15,000
					Income before income taxes		$ 186,997

2020

Statement of comprehensive income (loss):	Hotel operation	Vacation Club	Hotel management, brand and other	Total	Other corporate expenses	Eliminations	Total consolidated
Total revenues	$ 1,504,763	$ 3,071,972	$ 675,843	$ 5,252,578	$ -	$ (26,835)	$ 5,225,743
Cost and general expenses	1,174,786	2,469,593	1,364,994	5,009,373	-	(26,835)	4,982,538
Corporate expenses	-	-	-	-	361,680	-	361,680
Depreciation, and amortization	-	-	-	-	914,765	-	914,765
Other expenses	-	-	-	-	(32,871)	-	(32,871)
Operating income (loss)	$ 329,977	$ 602,379	$ (689,151)	$ 243,205	$ 1,243,574	$ -	$ (1,000,369)
					Financial expenses, net		1,431,575
					Equity in associate		-
					Income before income taxes		$ (2,431,944)

26. Commitments

a. As of December 31, 2022, 2021 and 2020, the Entity has entered into lease contracts for computer equipment and other, which usually have a term of three years. Lease payments are based on the value of the leased equipment and vary in function with the requirements of the Entity's operational departments. For the years ended December 31, 2022, 2021 and 2020, lease expense amounted to $35,755, $66,061 and $87,962, respectively. The estimated rental payments for the following years is shown below:

Years	Amount
2023	$ 32,831
2024	25,925
2025	14,651

27. Contingencies

a. The Entity faces a tax lawsuit for the year 2006, for an unpaid liability assessed by the SAT's International Tax Inspection Office in the amount of $767,248. By judgment given by the High Chamber of the Federal Court of Administrative Justice, the partial invalidity of the tax credit was declared, which the Tenth Collegiate Tribunal in Administrative Matters of the First Circuit confirmed in session of September 4, 2020, so that the trial has been finally decided. The Entity is awaiting the tax authority to issue a decision determining a new tax credit in compliance with the judgment, the amount of which has yet to be determined.

On 24 March 2021, the administrative decision contained in the Office of 22 March 2021, issued by the Central International Audit Administration, attached to the General Administration of Major Contributors, of the Tax Administration Service, was notified, through which a tax credit for the income tax for $222,896, surcharges and fines for the fiscal year 2006 was determined in compliance with the final judgment referred to in the previous paragraph.

Against this credit, the entity filed a petition for nullity, which was lodged with the First Metropolitan Regional Chamber of the Federal Court of Administrative Justice. In order to agree to its interests, the entity submitted a letter of withdrawal itself, which was ratified on 1 September 2021, so the dismissal of the trial was decreed.

In addition, against the Office described above, a complaint was filed before the Superior Chamber of the Federal Court of Administrative Justice by default in compliance with the final judgment rendered by the Superior Chamber. In order to agree to its interests, the entity filed a written waiver of the complaint appeal, so by judgment of December 1, 2021, the Superior Chamber had the entity by discontinuance of the default complaint filed.

On March 30, 2022, the entity paid the tax liability for $174,062 for the benefit of section 70-A of the Federation Tax Code for the purposes of obtaining the tax liability, and the matter has therefore been finally concluded.

As of December 31, 2022, 2021 and 2020, the entity has created a reserve to cover contingencies for the period $3,922, $2,872 and $3,027, respectively, registered under the heading "Long-Term Accumulated Liabilities" in the consolidated statement of financial position.

b. On January 29, 2021, the decision contained in the Office of January 18, 2021, issued by the State Director of Service auditor the Tax Unit of the Tax Administration Service of the State of Quintana Roo, was notified, through which it determines to the entity a tax credit in the total amount of $9,545, for alleged omissions in the payment of payroll tax for the 2017 and 2018 financial years, updates, surcharges, fines and execution expenses.

On March 11, 2021, the entity filed an appeal for revocation against the aforementioned office, which is currently pending resolution.

c. During 2003 a former subsidiary of the Entity, named Posadas de Argentina, S.A. signed a contract to operate a hotel in the city of Mendoza, Argentina. The counterparty undertook to build a hotel within two years from the contract signing date. However, the counterparty rescinded the contract, for this reason, Posadas de Argentina, S.A. filed a provisional claim to safeguard its rights.

   At the time of the sale of the South American operation to Accor, S.A. in October 2012, the Entity was uncertain about the success of the current lawsuit, and undertook with Accor, S.A. to assume any costs arising therefrom. Once the lawsuit was over, the Argentinean courts acquitted the defendant and ordered Accor, S.A. to pay costs, which the Entity was obligated to cover. The Entity settled US$563,000 in 2018 and US$1,101,200 in 2019 of legal costs, which it recorded in the consolidated statement of comprehensive income as a discontinuous transaction, and after obtaining confirmation that there is no longer any outstanding debt, in 2020 it canceled US$503,800 of provision exceeded to deal with such litigation.

d. The Entity is engaged in a series of legal actions derived from the regular course of its operations. Given their status and the difficulty of determining a probable contingent amount, no reserves have been established in this regard.

28. Authorization to issue the financial statements

The accompanying consolidated financial statements as of December 31, 2022 were authorized to be issued on February 22, 2023 by the Board of Directors with the prior opinion of Audit committee and authorized for issue, by Ing. José Carlos Azcárraga Andrade, Chief Executive Officer, Ing. Arturo Martínez del Campo Saucedo, Corporate Chief Financial Officer; 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 Securities Market Law.

The consolidated financial statements as of December 31, 2021 and 2020 were approved in General Stockholders Meetings held on April 5, 2022 and April 19, 2021, respectively.

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