POSADAS

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

Prolongacion Paseo de la Reforma 1015, Torre A, Piso 9
Col. Santa Fe Cuajimalpa, Alcaldia Cuajimalpa
Mexico City, 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 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, 2020

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

Debt Instruments	**Senior Notes**
Ticker symbol	**"POSADA"**
Amount	**US$392,605,000**
Issue Date	**June 30, 2015**
Maturity Date	**June 30, 2022**
Issue term	**7 years**
Interest and calculation procedure	**Annual fixed interest rate at 7.875% calculated on the basis of 360 days *per annum***
Interest payment periods	**Every six months beginning December 30, 2015**
Place and method for paying interest and principal	**Accrued principal and ordinary interest payable at maturity, by wire transfer, through Citi Agency & Trust, as "Trustee"**
Negotiable Instrument subordination	**Priority of Payment (*Pari Passu*))**
Amortization and early amortization	**Single payment beginning 2020 at 101.969% and after 2021 at 100% until maturity date. Issuer entitled to amortize early, fully or partially, as described in the "Make-Whole" clause.**
Guarantee	**"Senior Notes" are unsecured and one subsidiary act as guarantor thereof**
Trustee	**Citi Agency & Trust, como "Trustee"**
Rating by rating institution and its meaning*	**S&P Global Ratings, "D", Fitch México S.A. de C.V., "withdrawn", Moody´s de México S.A. de C.V., "Ca" *See websites: www.standardandpoors.com/es, www.moodys.com/pages/default_mx.aspx**
Common representative	**Citi Agency & Trust, as "Trustee"**
Depositary	**Citi Agency & Trust**
Tax rules	**Applicable withholding rate on date of this report, regarding interest paid on Senior Notes is subject (i) for foreign resident individuals and legal entities, for tax purposes, to a 4.9% withholding rate provided that a series of conditions are met, (ii) if any of these conditions, such as in article 7, second paragraph of the LMV[T.N.] is not met, residents abroad may be subject to a 10% withholding rate. In both cases, advisors should be consulted regarding the tax consequences of investing in Senior Notes, including the enforcement of specific rules relating to their particular situations. It is possible that the tax rules in force may be modified during the Program period and during the Issue term.**
Calculation Agent	**Citi Agency & Trust**

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

[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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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.

b) Executive Summary

The executive summary briefly summarizes information regarding the 2020 performance of Posadas. This information is insufficient for an exhaustive financial analysis or 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 biggest hotel operator in Mexico based on the number of hotels and rooms, (Source: 2020 Posadas Chain Study with Information from Smith Travel Research Census Database to December, 2020).

As of December 31, 2020, the Company had 181 hotels and resorts operated and/or franchised under Posadas' brands, representing a total of 28,633 rooms in Mexico and the Caribbean; 85% distributed in urban destinations and the remaining 15% in beach destinations. Consequently, it serves a broad base of tourist and business travelers.

For most of 2020, out of the 181 hotels, the Company was the majority owner of 12 hotels, operated 137, franchised 15 and leased 17.

The Company has expanded through strong brand positioning and development, which ensure service consistency and client recognition. The Company operates its hotels in Mexico principally through Posadas' brands, which diverse aspects have been updated: 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 y One Hoteles. Furthermore, new brands such as IOH and Dayforia are about to be launched onto the market.

Live Aqua, s the 5-star Urban, Beach and Boutique Resorts brand1 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 offering and experiential excellence under this brand. in. Our most demanding guests can find a sophisticated yet relaxed atmosphere, avant-garde design and international cuisine, to satisfy 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 with 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 real properties located in the most important beach destinations of our country.

The Explorean s 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.

Fiesta Inn is the 4-star[2] Business Class chain addressed to business travelers. Fiesta Inn adapts to current business 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.

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

The **Gamma** rand is a collection of 3 and 4-star 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 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.

With **IOH** promoting existing and creating new brands, we make manifest investors' trust in Posadas' strength. Such is the case of IOH to be materialized in 2021. IOH not only merges opportunities to satisfy national travelers searching for flexibility in their multipurpose trips, but there also prevail design and digital solutions for guests. We expect to open our first IOH hotel in the city of Merida in 2021.

In 2020 and as part of Posadas' growth, we have designed the franchise for the Fiesta Inn and The Explorean brands, which join our portfolio of franchiseable brands: Curamoria, Gamma and one.

We also strategically updated our Fiesta Americana and Grand Fiesta Americana brands.

The effects of the SARS-CoV-2 virus (COVID 19) pandemic caused a significant impact on Company operations and results. We cannot yet fully assess the effects; however, it put significant pressure on liquidity due to the suspension of almost all our operations from March to May 2020. Subsequently, in accordance to Federal and State epidemiological warning light provisions, all the chain hotels began gradually opening and to this date have been operated with limitations. Until this date, no state allows 100% (one hundred percent) of hotel operations or of the latter's consumption centers. This reality led us to take various measures, such as agreements with suppliers, a new operating model that allowed us to detect efficiencies and face obstacles and be able to turn these challenges into opportunities.

Regarding new hotel development, the Company strengthened the hotel portfolio with 6 openings during 2020 and one more in 2021, which once again represented the internationalization of our operations in the non-Mexican Caribbean:

1. Grand Fiesta Americana Oaxaca
2. One Tuxtla Gutierrez
3. Fiesta Inn Guadalajara Aeropuerto
4. Gamma Morelia Vista Bella
5. Curamoria Naay Tulum
6. Gamma Acapulco Copacabana
7. Live Aqua Beach Resort Punta Cana (Dominican Republic, 2021)

The hotels that ceased to operate under our brands are:

1. Fiesta Americana Punta Varadero
2. Fiesta Americana Holguin Costa Verde
3. Holiday Inn Merida
4. Live Aqua Playa del Carmen
5. One Coatzacoalcos Forum
6. Gamma Leon Universidad
7. Gamma Ciudad Obregon
8. FI San Cristóbal

In the ongoing 2021:

9. Fiesta Inn Express Puebla Explanada
10. FI Toluca Aeropuerto

As of December 31, 2020, we have a development plan to open 25 new third-party investment hotels (except for our minority stake in the Tulkal project) and mainly under the franchise scheme.

Likewise, we signed 2 new 60-room hotel franchise contracts. With the aforementioned signings, to March 2021 we have 23 contracts signed for 4,385 rooms representing a 15% increase of the current total inventory for hotels opening under all of the Company's brands in the next three years, under different operation: leasing, administration and franchise mechanisms. In the COVID 19 context and at the owners' request, 8 (eight) hotel operating contracts under our brands were terminated that together represent a total of 2,155 rooms. Likewise, the contract regarding a hotel still in plans was terminated.

Regarding our growth strategy outside of Mexico, in August 2019 we entered into a fifteen-year operating contract for a 347-room hotel under the Live Aqua brand in Punta Cana, Dominican Republic, which opened in February 2021. This project is in addition to the contract signed in September 2017 to operate a Grand Fiesta Americana brand hotel under in Punta Cana, Dominican Republic.

Regarding investment, the consolidation of our position as operators and owners of 12.5% of the "Tulkal" hotel project on the Riviera Maya stands out. In this development two hotels are being built: a 515 room Fiesta Americana and a 340 room Live Aqua with estimated opening in 2021, however, this may be delayed.

According to the company's plan to sell non-performing assets, on February 24, 2020, the sale of a land lot in Nuevo Vallarta, Nayarit was concluded for the amount of $240 million pesos

On January 31, 2020, we received $108 million from the sale of the Fiesta Americana Hermosillo hotel announced on April 29, 2016, and in March 2021 we executed the previously announced sale of the Fiesta Americana Hacienda Galindo hotel for the amount of $156 million.

Regarding operations, in the pandemic context, before reopening hotels, we assessed all our properties, making sure they had the necessary cleaning and sanitization measures and we implemented some actions, such as consulting the ABC Medical Center and the 3M Company in order to apply prevention, hygiene and disinfection protocols.

Once our hotels gradually resumed operation in June – providing limited services- and in order to regain trust and ensure the safety of our collaborators and guests, we created the "Work Safely" program, which includes workplace cleaning and hygiene protocols throughout the workplace, and the necessary protective equipment to work safely. We also created the "Travel Safely" program for travelers, which encompasses application of health protocol initiatives, new operating procedures adapted to the new reality, including digital check-in, digitization of service menus, amongst others, the offer of travel insurance allowing guests flexibility to lodge in our more than 180 hotels, amongst other hygiene and security measures.

Likewise, supported by marketing programs aimed at boosting travelers' confidence, we launched the *"Travel Again"* campaign, rewarding customers who trusted in our services. We also designed international "*Mextraordinary*" campaigns for the Resorts Collection.

It is important to mention that reservations for both promotions are totally change and cancellation flexible.

To provide safe and efficient services to our guests and as a result of adjustments entailed by the new sanitary protocols, through our physical program, we have scaled up the digital welcome, through check-in kiosks in most of our city hotels, which offer a fast, personalized, and most importantly, contactless check-in. We also have new Flex-Office marketing models.

Furthermore, at the end of 2020 we launched our Fiesta Rewards application, which includes a pre-check in function for guests, who afterwards will only need to program their key at the kiosks to start having a memorable stay.

Our clients' loyalty is one of the greatest foundations of the Company. In 2020, our "Fiesta Rewards" loyalty program contributed 31% of system occupancy. During 2020, 90,781 new members joined, achieving a total of 283,000 active members.

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 2020, the Santander Fiesta Rewards credit card had more than 173,000 cardholders; in the same year, 30,500 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.

During this year, Fiesta Rewards was present in different communications media: television, digital, billboards, magazines, and internal media. Likewise, it also maintains commercial alliances with American Express and Club Premier, amongst others.

To benefit our vacation programs, we entered into an alliance with RCI to sell a new vacation product that will give purchasers access to this inventory platform at attractive prices and incorporate our vacation program partners onto a platform with greater access range to inventory outside of our system, and in turn to our hotels as part of said offer.

Today, Posadas' portfolio has 9 hotel market brands and 4 Vacation Property market brands; the last has 24 Mexican territory sale points where our products are offered, thus being one of the major leaders in the vacation property industry.

The Company operates the following Vacation Products

Vacation Properties:

- **Fiesta Americana Vacation Club** a vacation club in which members purchase a "40 year right to use" represented by annual points related to a concrete development. 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 16 years.

  In 2020 there were 32,117 members.

- **Live Aqua Residence Club** (LARC): is a vacation membership with a select option of vacation residences and high-level 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 development. 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 access 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.

  In 2020 there were 1,214 members.

- **Fiesta Americana Vacation Club Access** (before "Re_SET"): is an exclusive discount plan for our clients allowing them to choose as they wish the travel moment, to destinations either in Mexico or abroad.

  In 2020 there were 903 members.

- Vacation Plans

  - **KIVAC**: is a prepaid vacation and point repurchase package plan that allows travel to destinations located in Mexico and the United States of America. The validity period for the points is up.

    In 2020 there were 40,993 members.

  - **Kívac Xpand**, s a Kivac points package complementary program, which allows you to all-year travel without seasonal restrictions, providing access to new international destinations and more than 10,000 hotels in Mexico. In 2020, it generated more than $5,294,048 Mexican Currency redemption points.

  - **Kívac Travel Suite,** so that Mexican companies could incorporate their Mexican employees into the benefit packages, a new product called Kivac Travel Suite was launched. It consists of a points bag model to be used by company collaborators to access a travel plan with destinations in Mexico and the United States.

In 2020, Vacation Properties generated 287,169 rooms nights resulting in $ 363.3 million of hotel income.

Regarding the company in general, year-end income was $5,226 million, 42% less compared to 2019, and negative EBITDA comparable to $937 million in 2019. In accordance with IFRS 16-leases that entered into force on January 1, 2019, negative EBITDA is $86 million. The consolidated profit and loss for the year was a $2,119 million loss, with a cash balance as of December 31, 2020 of $502 million of which $114 million were restricted cash.

Generation in USD of approximately 30% of the 2020 annual consolidated income for the corporate year, worked at the closing of that corporate year as a direct hedge for dollar-denominated obligations.

Due to the Caribbean expansion strategy, as well as to fulfill its Dominican Republic hotel operator obligations, the subsidiary PSDS Operadora del Caribe, S.R.L. was incorporated in 2019.

In order to face industry challenges, as well as for greater clarity of goals and efficient guest-centered processes, the company established a new organizational structure. It is worth mentioning that this is an internal functions change, so no reclassifications were made to the 2020 income statement:

- <u>Development:</u> Responsible for the expansion of Posadas through operation and franchise contracts of all its brands for Mexico and the Caribbean.
- <u>Strategy, Liaisons and Human Capital:</u> Safeguarding organic growth, taking care of intangible assets, and seeking exponential growth through strategic liaisons.
- <u>Administration and finance:</u> Management of income, expenses, and investments of Posadas to maximize the company's patrimonial value. As well as observance of norms for all legal and tax tasks.
- <u>Loyalty (includes Vacation Properties):</u> Builds medium and long-term relationships with individual clients, capitalizing Posadas' brands, distribution channels and alliances, turning them into a differentiating asset. Designs products and solutions to retain customers, personalizes benefits for members, partners, and travelers. Ensures market competitiveness and directs demand to our hotels. This new segment integrates the following vacation programs (Fiesta Americana Vacation Club, Live Aqua Residence Club, Fiesta Americana Vacation Club Access and Kivac); as well as the Company's loyalty programs, such as "Fiesta Rewards".
- <u>Upscale & Luxury:</u> Responsible for high quality standards and generates the highest investor profitability, as well as income from available room fees.
- <u>Midscale & Economy:</u> Standardizes of Fiesta Inn, IOH, Gamma and one brands. Simplifies their processes and supervision, maximizing resources generating the highest profitability for investors and Posadas. Positioning and penetration.

- Inventory Price, Distribution and Technology Optimization: Implements strategies, processes and technology that allow providing our clients with the correct service, at the right time and through the right means, at an optimal price.
- Planning: Responsible for Posadas' financial and strategic planning.

Likewise, the new corporate structure is composed of the Executive Committee and a new extended committee, which is specified in section: 4) *Administration, c) Administrators and shareholders.*

In relevant tax matters, in this regard and monitoring the tax interest corresponding to tax year 2006, 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 as of April 30, 2021, consequentially a new $ 222.8 million pesos tax liability was determined, in compliance with said ruling, which we presented for review. A guarantee was constituted for the original $ 975.4 million tax liability, which has become ineffective due to the final ruling and is in the cancellation process. For more details see section *See section 3) Financial Information, c) Material Loan Information.*

The 2013 consolidated tax rules resulted in additional payment obligations for different corporate years in a total amount of $2,376 million pesos, which includes accrued taxes and surcharges to April 7, 2017. Of this, $524 million pesos were liquidated in the corporate year ($488 million pesos were paid on April 7, and the remainder during the month of April 2017). The balance is to be paid annually between 2018 and 2023, as updated, for an approximate amount of $309 million pesos each, numbers to be updated for each payment obligation corporate year. As of the issuance of this report date, all annual payments have been met, including that corresponding to 2021, paid in March.

For more details see section *3) Financial Information, c) Material Loan Information.*

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 with a seven-year term. The funds will be 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. As of the issuance date of this annual report, the subsidiary had made a $14.8 M payment for deferred interest and obtained another twelve-month period extension of the principal.

To maintain ordinary company operations and the liquidity necessary to confront the challenges faced by the accommodation and tourism sector due to the Covid-19 epidemic uncertainty, the Company announced on March 24, 2021, the contracting a loan in the amount of $ 450 million pesos, and a trust guarantee on its Fiesta Americana Reforma and Fiesta Americana Guadalajara hotels. The loan was contracted on market terms. The amount of the resources received was mainly used to pay the eighth of the ten annual payments agreed 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.

To ensure business continuity, considering the significant COVID-19 related deterioration to the Company's operating income and cash flows, as well as the still uncertain COVID-19 impact on the Mexican tourism industry in the near future, the Company omitted an interest payment of approximately $ 15.5 million dollars each, payable on both June 30 and December 30, 2020, on its 7.875% Senior Notes due in 2022. The terms of most of our relationships with suppliers, lessors and owners were also negotiated.

Up to now, the Management Division has decided to preserve leasing and operating relationships, including those with performance clauses, excepting the contract terminations of the aforementioned hotels, and with some adjustments, almost all of a temporary nature, related to the corresponding consideration and obligations.

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.

The Company has benefited from lease payment reductions for hotel property leases. Suspended lease payments amount to $ 211,577 and have been accounted for as a variable lease in the yearly results. For more details, see note 3.c of the Audited Consolidated Financial Statements.

This consolidated financial information summary is presented for the years 2020, 2019 and 2018, 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	**2020 - IFRS**	**2019 - IFRS**	**2018 - IFRS**
Total Revenues	5,225.7	9,072.7	8,325.8
Corporate expenses	361.7	403.9	379.4
Depreciation, amortization and real estate leasing	980.5	931.8	937.1
Operating income	(1,000.4)	678.8	2,023.2
Comprehensive financing cost (income)	1,431.6	687.1	483.0
Taxes	(293.9)	66.3	592.0
Net Income	2,138.0	(67.4)	932.1
Majority net income	(2,118.7)	(79.9)	928.7
Balance Sheet Data (End of period)			
Current assets	3,764.3	5,285.8	5,846.0
Property and equipment, net	4,406.9	4,513.2	4,936.2
Total assets	19,244.1	20,695.5	17,170.3
Current liabilities	12,165.4	3,838.8	3,080.0
Long-term debt	135.1	7,371.3	7,785.8
Total liabilities	18,334.8	17,639.2	13,982.5
Stockholders' equity	909.2	3,056.4	3,187.8
Other Financial Information			
EBIT / Revenues	-19.1%	7.5%	24.3%
Net Income/Revenues	40.9%	(0.7%)	11.2%
EBITDA	-$231.4	$1,566.5	$2,425.3
EBITDA to Revenues	-4.4%	17.3%	29.1%
Total debt to EBITDA	-34.1	4.7 X	3.2 X
Current assets / Current liabilities	0.31 X	1.38 X	1.90 X
Total liabilities / Equity	20.17 X	0.01 X	4.39 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, 2020, 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	2016	2017	2018	2019	2020
Maximum Price	46.97	47.60	42.00	40.00	38.00
Minimum Price	41.50	35.00	29.90	35.50	20.00
Closing Price	46.00	38.00	40.00	38.00	21.30
Daily Average Volume (Thousands of shares)	7.96	113.40	100.85	65.51	21.60

Source: Bloomberg, except 2017 with information from Reuters. (The daily average volume is based on trading days).

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

The COVID 19 health and global economic crisis and its effects have affected and foreseeably may continue to adversely affect Posadas’ businesses, financial situation, and operating results. The rebound of the disease, the vaccination delay, or the ineffectiveness of infection containment mechanisms, as well as the economic deterioration scenario have decreased and may continue to decrease our services and products demand, prevent our clients from travelling or cause our clients to breach commitments undertaken for both hotels and products acquired from our Vacation Property segment. Also, it may limit the building capacity of the owners whose hotels we operate, 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, travel restrictions, substantial increases in air and ground travel costs, and decreases in airline capacity arising primarily from reduced or consolidated flights have also contributed to reduced demand for Vacation Product hotel rooms and villas.

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

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.

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

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 unprecedented, especially in a pandemic or post-pandemic context as in 2020 we were able to observe a generalized world economic impact.

Since the end of 2019, and until publication of this report, the world is undergoing a pandemic due to the current SARS-COV2 virus (COVID-19) outbreak first reported in Wuhan (China) on December 31, 2019. To date, governments and other global authorities have imposed measures to reduce its spread, including restricting freedom of movement, limiting gatherings of persons, limiting business operations, prohibiting travel, closing of borders, closing of companies, schools, confinement, and social distancing, amongst others. Pandemic intensity or decrease is difficult to predict, since to date there is no definitive medication for its control and although vaccines are already available, speed of population vaccination varies according to vaccine availability negotiated and/or purchased by governments, production, distribution, and application logistics capacity, as well as vaccine effectiveness against the new variants that have so far been discovered. Although in countries with more advanced vaccination processes the trend indicates contingency control, the protection effectiveness period is unknown or if it will be against new mutations.

Said control measures have adversely impacted world and regional economies, affecting the unemployment rate, discretionary expenses, consumer confidence, travel restrictions and regulations, generation of Company income and our ability to pay our liabilities, as well as those of owners, franchisees, or partners. As well as inventory shortage of our suppliers, 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 in the allowance amount for doubtful accounts.

Currently, 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 in the context of a weak world economy, 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.

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

(i) Income and Expenses: The company's efforts have been focused on preserving liquidity and, as a result, the March 31, 2021, cash balance was $502 million of which $ 114 million was restricted cash. During the months of April, May and part of June, the hotels were closed following to government instructions, while the vacation program segment continued its dynamic collection of membership sale. The authorities are, differentially and regionally, authorizing the reopening of non-essential activities, including hotel business, but all cases, with reduced capacity, consumption center limitations or operating prohibitions (restaurants, event rooms), and other public areas (gyms, recreations areas). The new operating rules increased operating expenses to comply with sanitary provisions and generate trust in our guests and collaborators.

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

(ii) Operations:

On March 23, 2020, the Company through a March 23 material event report informed the public of the pandemic’s initial impact on our operations and mitigation mechanisms implemented, its advances in different countries and social distancing measures taken by national and foreign governments.

On March 30, the General Health Council of Mexico published the decree of "Force Majeure Health Emergency due to Epidemic Disease SARS-COV2 Virus (COVID-19)" in the Official Gazette of the Federation (DOF, due to its initials in English) on March 30, 2020. Likewise, the Ministry of Health published in the March 31, 2020 DOF the “Decree establishing extraordinary actions to respond to the SARS-CoV2 virus health emergency”, whereby, amongst other measures, non-essential activities were suspended. None of the Company activities carried out were deemed essential, excepting those aimed at providing services to clients that do carry out essential activities, and always on a limited basis. In compliance with the foregoing, we suspended operations to the general public and receipt of lodging reservations at the chain's hotels ceased during the *“Social Distancing”* policy period, which began on March 30, 2020, and formally continued until May 30. On May 29, the federal government published guidelines for the gradual and regional return of economic activities. Each state government issued additional measures for these purposes and based on federal and state indicators, the gradual and limited opening of our public operations will be scheduled. To date, only a few states have restarted reopening of economic activities to the general public and, in all cases, gradually and staggered according to the regional indicator to evaluate epidemiological risks. State measures have been modified moment by moment and authorized reopening has been reversed and may continue to be partially reversed depending on epidemiological indicators and measures dictated by state authorities.

Likewise, various governmental levels authorities have established sanitary security protocols and mechanisms which we must implement prior to reopening our hotels or certain activities (event halls). The plurality of new applicable regulations can be overwhelming, as can the consensus of different authorities for their issuance and monitoring, whose application guidelines are still unknown to us and could be subject to different application criteria amongst themselves and to the way we have adapted them in our different work centers. These protocols require modification of guest servicing processes, special cleaning and hygiene, installations and procedures of all kinds, the establishment of barriers or physical distancing between people, continuous monitoring of employee activities and health, and training, availability of tests in hotels for collaborators and for foreign travelers, amongst others. Even if we consider that our protocols and additional measures comply with the corresponding new provisions, the possibility of exposure to contagion in public spaces remains or the authorities may have a different opinion.

(iii) Financing:

Our debt level increase may negatively affect our financial and operating activities or the ability to incur additional debt. Additionally, as a result of the aforementioned risks, we may be required to raise additional capital and our financing access and cost will depend, amongst other things, on global economic conditions, financing markets, the availability of sufficient financing amounts, our prospects, our credit ratings, and generally hotel industry perspectives.

Due to the considerable deterioration of the global economic outlook and the impact on the sector, the securities rating institutions modified the Company's ratings as follows:

- On March 25, 2020, S&P Global Ratings Agency informed the adjustment of the Company's rating to CCC+ with negative outlook (published in the March 27,2020 material event)
- On March 23, 2020, FITCH Ratings informed a rating adjustment to CCC+ and on the local scale to B- (mex) with negative outlook (published in the March 27, 2020, material event).
- On April 27, the rating agency Moody's decided to adjust the Company's rating to Caa1 previously B2 (published in the April 27,2020 material event).
- On June 19, 2020, FITCH Ratings modified its corporate rating to CC and the issuance of Company Notes due 2022 for USD$393 million to CC/RR4. Simultaneously, it withdrew the local scale rating and adjusted it to CC (mex). According to the Fitch communication, the principal emphasis is the pressure on the liquidity profile caused by social distancing measures, and which kept the hotels practically closed from the end of March to the end of June of 2020
- On July 31, 2020, Fitch Ratings adjusted its corporate rating to RD and the issued Notes due 2022 for US $393 million to C/RR4.
- On June 26, 2020, S&P Global Ratings adjusted the corporate rating and of the "7.875% Senior Notes" due on June 30, 2022 to 'CC' with a special negative review.
- On June 26, 2020, Fitch Ratings adjusted the corporate rating to 'C' and the issued Notes due 2022 to 'C/RR4'.
- On June 29, 2020, Moody's adjusted the corporate rating to 'Ca' with a negative perspective.
- On July 1, 2020, S&P Global adjusted the corporate rating and of Senior Notes due on June 30, 2022, to 'D'.
- As of the issuance date of this report, the rating given by Fitch was withdrawn.

If our credit ratings are further downgraded, 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 advanced, 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 indebtedness cost may increase further

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, which may further limit our business operations or cause new financing to not be obtained due to current restrictions.

Considering the developing nature of the situation, it is too early to calculate the full COVID-19 impact and its variables. We consider it to be an unprecedented event in international tourism.

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 may negatively impact our ability to access additional short-term and long-term refinancing or financing, or to do so on favorable terms, which would negatively impact our liquidity and financial condition.

As reported in the June 25 and December 30, 2020, material events, the Company omitted to pay the interest due on June 30, 2020, and December 30, 2020 for its 7.875% Senior Notes due in June, 2022, which, if various requirements are met, could cause a possible acceleration of the original term for this USD $393 million debt, but the Company has not received any communication related to said accelerated maturity date. However, the amount equivalent to this debt ($7,772 million) is presented as short-term liability in the December 31, 2020, financial position statement. The Company had been negotiating with certain holders and is in the process of restarting negotiations with those who represent themselves as acting for least 25% of the holders. It is considered that, if this debt payment term is accelerated, an ordinary judicial proceeding would take more than a year to be enforced in Mexico. Mexican or foreign insolvency proceedings could also be used to reorganize the company's liabilities. The early maturity of this and other financial liabilities, due to non-compliance or crossed maturity, lengthiness of the effects of the pandemic, sufficient and timely generation of income and liquidity, as well as assurance of a satisfactory financial debt restructuring, represent a material uncertainty that may raise doubts of the Company's ability to continue as an ongoing Enterprise.

Credit risk

The deterioration of our financial situation has impacted and may continue to negatively affect financing costs and conserving and obtaining new financing, including financial loans. Downgrades by the rating agencies may increase the cost and/or limit our financing availability which would make difficult the availability of capital increase 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.

In the future, the Company may 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, 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 or requiring additional capital. Perhaps said activities may not occur on favorable terms.

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

Taxes

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 this regard and monitoring the tax interest corresponding to tax year 2006, reported in the 2015 consolidated financial statements, it is informed that in September 2020 the proceeding that declared partial nullity of the tax liability was finally resolved and as of April 30, 2021, as a consequence a new tax liability for $ 222.8 million pesos was determined, the compliance of said determination we submitted to review. A guarantee was constituted for the original amount of $ 975.4 million tax liability, which has been voided as a result of the final ruling and is in the process of being cancelled. 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 with the contingency and/or a fortuitous event could impact the previous agreements with the governmental authority, such as a change in administration. For additional information see section 3) *Financial Information*, c) *Material Loan Information*.

Posadas's suppliers may be deemed the type of taxpayers of 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 discretion of the SAT, 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, in addition, if they do not prove the material existence of the operations covered in the tax receipts, these will be considered tax crimes as simulated acts or contracts.

On the other hand, incursion into new markets causes that our operations may be subject to tax obligations, which may or may not be subject to withholdings in other jurisdictions or to 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 or less burdensome than the effects of operating in national markets.

Finally, 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.

Geographic Dependence

To the 2020 corporate year closing, Company operations are concentrated mainly in Mexico, with 181 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 and another in 2019 to operate a hotel under the Live Aqua brand, both for a 15-year term, 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 is currently in process but has been hampered by pandemic restrictions. Posadas will incur certain yet to be established termination costs.

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, 2020, only three investors own 16 hotels, another investor is the owner of 65 hotels with 9,478 rooms that represent 36% 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 have adverse effect on future contract negotiations, renewals and modifications, as may also a systemic termination of current contracts 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 competitively affecting the properties and eventually the fees the Company receives due to their operation. In the current context of operation suspension and slow reopening, this concentration may also affect the capacity of the owners to bear operating expenses.

Growth Strategy

The Company has designed a growth strategy for its hotel, Vacation Product, and other service businesses in Mexico, 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 (KIVAC Travel Suite and *FAVC Access*). 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 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 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 capacity to manage limited operating flow, including financing availability. The growth strategy may be impacted by the economic crisis resulting from the effects of COVID 19. The tourism business has been specially affected, which has not been less important for lodging establishments and passenger transportation. The overcoming of difficulties will be very important to reactivate economic activity and transportation of persons in general, and especially in and to the markets where we operate, or guests originate. There can be no assurance that Company expansion plans will be achieved, or that new brands or hotels or Vacation 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.

Within the pandemic context, operating contracts for 2 hotels in Mexico that were being projected have been terminated and 5 are on pause.

As part of its growth strategy, the Company had 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 COVID health emergency, including 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, the Company growth plans in new hotel and Vacation Product areas may be affected.

As part of its Caribbean expansion plan, the Company signed a contract in 2017 to operate a hotel under the Grand Fiesta Americana brand and another in 2019 to operate a hotel under the Live Aqua brand, the latter opened its doors in February 2021, both for a 15-year term and located in Punta Cana, Dominican Republic; said management and operation 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 as well as that the failure to fulfill the same standards may affect Company profitability and brand.

The risks confronting 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 the 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 not have the same knowledge or familiarity levels of the new markets' dynamics and conditions and their 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 a 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 be benefited due to the 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 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 expenses inherent to the industry, in this manner perhaps negatively affecting our business, operating results or financial condition. Furthermore, 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 sought 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, as well as diversifying and marketing its vacation property segment. Up to now, these measures have been sufficiently successful, but we cannot guarantee that they will be effective in the future within the consolidation framework of international hotel businesses.

Moreover, hereinafter, all lodging establishments must implement, during the time of the public health threat, special COVID-19 related hygiene and health protocols, as well as the option to carry out PCR and/or antigen tests to detect COVID 19 in hotels, so that guests can return to their destination, according to the travel restrictions established by the United States of America, one of the main markets of origin of our resort hotels.

However, the perception of safety in potential guests may presuppose competition amongst establishments or destinations which best generate in guests a perception of safety when traveling. This may increase even more the operating expenses necessary not only to fulfill the new measures, but also to stand out in different markets and offers.

The group and convention and business travel markets continue to be heavily impacted by the pandemic. The destinations and limitation of activities of this nature according to epidemiological indicator lights, economic or health restrictions of our potential clients, and the new normal have modified and could modify for a longer term, the dynamism of these guest segments compared to the performance and trends prior to the pandemic and therefore the results of our hotel brands.

Competition for operating agreements

When the Company seeks growth through the operation of new hotel properties, it competes against other entities seeking the same opportunities. The Company competes against other entities that have greater financial resources or that have better-recognized international brands so as to enter into operating contracts with hotel owners. In addition to competing for new opportunities, the Company also competes against other hotel chains when its existing operating contracts expire. Therefore, the Company cannot ensure that it will continue entering into or renewing successfully its operating contracts or that it will do so under similar or more satisfactory economic terms or characteristics. Competition may generally reduce the number of future growth opportunities, increase the bargaining power of hotel owners, and reduce the Company's operating margins. Likewise, said competition has forced the Issuer to negotiate operation and licensing contracts, 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 brand focused on boutique hotel collection franchises, specially aimed at hotels which intend to preserve their own brands and characteristics but observing our reservation channels. This means a foray into a new market that, until now is unknown to Posadas, related to different brand hotel franchises under a collection and in which Posadas is not a leader. Therefore, the Company cannot guarantee its 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.

As part of the Posadas' growth, we have designed the franchise for the Fiesta Inn and The Explorean brands, which together with Curamoria join the portfolio of Posadas franchisable brands.

Management Contracts and Brand Licensing

As of December 31, 2020, the Company had 137 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 guarantees 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. To date, no hotel operating contract has been anticipatorily terminated due to the previous circumstance.

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

Owners may assert the right to terminate operating contracts, even when 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. A significant loss of agreements due to early terminations may harm our financial performance or our ability to make our business grow.

Furthermore, 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 is not 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 transmission 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 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 force majeure effects caused by governmental authorities imposed operating restrictions as a result of the pandemic could result in the Company's ability to limit or adjust the payment of certain performance guarantee obligations. However, and despite this possibility, the Company has chosen to negotiate with the owners, which could give the Company fewer advantages than those derived from the application of force majeure provisions.

During 2020, the Company stopped operating the Holiday Inn Merida hotel. In the pandemic context, the following hotels Fiesta Americana All Inclusive Punta Varadero, Fiesta Americana All Inclusive Holguin, Live Aqua Boutique Playa del Carmen, Fiesta Inn San Cristobal de las Casas, Gamma Leon, Gamma Ciudad Obregon, One Coatzacoalcos, have ceased to operate under operating and license agreements.

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, 2020, 17 operated under a leasing arrangement. In the first 2020 quarter, the lease agreement for the Fiesta Inn Guadalajara Aeropuerto hotel became binding and the Live Aqua Playa del Carmen Hotel lease agreement was terminated. 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 which is much more probable in an abnormal limited operation context or limited occupancy derived from social distancing measures.

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

All lease agreements stipulate fixed rental income portion that we pay regardless the income or revenue. To December 31, 2020, we were current in rental payment for all leased hotels. In 2020, as a result of the state of emergency due to force majeure declared by the General Health Council, the predicate of force majeure which may release lessors from lease payments became effective. Although the Company has entered into various temporary agreements in this regard with the lessors of the real properties it leases, these agreements may be insufficient compared to the income expectations and related expenses. Negotiations are still ongoing that may lead to a disagreement.

The *force majeure* effects caused by the operating restrictions ordered by the authorities in reaction to the pandemic may result in the Company's ability to limit or adjust the payment of certain leasing obligations or enable the early termination of leasing contracts. However, and despite this possibility, the Company has decided to negotiate with the owners, but such negotiations may grant less advantages to the Company than those derived from the application of force majeure provisions in leasing agreements.

In the 2019 corporate year, the IFRS 16 modifications became effective. According to the aforesaid, lessees must recognize the right to use as an asset and the corresponding liability. The right to use an asset is initially calculated at cost and is later measured at cost (with some exceptions) minus accumulated depreciation and losses due to deterioration, adjusted for any re-valuation of the liability due to leasing. A liability due to leasing is initially measured at present value of the minimum leasing payments, as well as by the impact of lease modifications, amongst others. Lease payments will be divided into principal and an interest portion that will be presented as financing and operating cash flow respectively.

In this regard, Posadas decided to adopt this norm under the modified retrospective method for hotel (and car) leasing that to the 2019 closing are represented as operational leasing, sacrificing comparability with the 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 asset entry for leased hotels, including transportation equipment, totaled $4,146.5 million to December 31, 2019, and $4,045.3 million to December 31, 2020.

Franchising Contracts

The Company has also resolved to grow through Gamma and One brand-based franchising. As well as to expand the hotel segment franchised under the One Hotels brand designed for newly built hotels. In 2019 it added to its franchise brand portfolio The Explorean and Curamoria, a franchise collection brand. This is a foray into a new market that until now was unknown to Posadas and in which Posadas is not a leader, therefore the Company cannot ensure that it will be successful in executing and operating franchising contracts in new formats. In 2020, it authorized the Fiesta Inn brand franchise, designed for new and conversion hotels. Furthermore, this new operating method implies that the owner or a third party other than the Company will manage the hotel's operation. These products mean that Posadas must invest in creating, adapting, and maintaining the franchise system supporting the services offered to this system's users. Moreover, it implies that third parties' hotels outside of Posadas' control will operate under its unauthorized brands and distribution platforms. 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 variable fee charges based on the income or revenue, insofar as these contracts are not updated, 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 the hotel owners may affect preservation of the 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, 2020, 15 hotels were operated under franchise.

Cash flow generation derived from franchise hotels depends on the fulfillment of the obligations undertaken by the franchisees and lacking 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 has for operating agreements.

The loss of the right to commercially exploit the managed 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 particularly impacted by the current economic slowdown or by the perception of violence or guests come from places affected by said contingencies. The preceding has had and continues to have a material adverse effect on the operating and financial results of our business.

Approximately 25% of the rooms that we manage are in classified as luxury hotels. 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, the national and international perception of violence, as well as the 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.

Fibra Hotel and other fibras[T:N.]

To December 31, 2019, 46% of our hotels are the property of Fibras. Of the total hotel rooms operated by the Company, 38% are the property of one Fibra trading on the Mexican Stock Exchange which at some moment may face liquidity problems to keep maintaining its hotels in optimum conditions that could affect the brands operated by Posadas and its results. Likewise, this lack of liquidity could affect the payment of collectible 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 said resorts. Most of the time, to pay the price of the memberships, interest-accruing monthly payments are granted. The related applicable provisions grant the purchaser the right to rescind the purchase contract without justification 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 (at present the regulating Official Mexican Standard is being publicly commented and foreseeably it may impose increased requirements, restrictions, and costs) 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, evidenced in a yearly assignation of Vacation Product points. We typically charge an initial payment of between 10% and 30% of the total membership price and offer monthly installment payment plans that comprise both capital and interest payments on the unpaid balance of the purchase price. We recognize as income the entire value of a purchase contract when 10% of the purchase price is paid. Our policy is to cancel, against the corporate year's profits, those memberships that unsuccessfully passed through all recovery collection proceedings. When 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 breaches and negatively affect our financial statements.

Also, historically, our Vacation Product sales had been substantially denominated in U.S. dollars. Due to the financial crises, a significant portion of our Vacation Product revenues have been recalculated at the 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 the cancellation of the pertinent contract, thus freeing inventory for a new sale. With respect to our members who liquidated 100% (one hundred percent) of their membership, failure to pay maintenance fees entitles the member to terminate the right to use contract, after paying a residual value to the company, or the company may rescind the contract. However, the preceding breaches of obligation may cause the Company to allocate funds to cover said expenditures.

Considerable amounts must be invested by the Company to maintain and obtain inventory and this inventory investment requires lengthy time periods to complete its implementation and availability. Lack of

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

inventory to sell time-share arrangements could negatively impact sale possibilities of Vacation Product memberships

Posadas is negotiating the hiring of a third party to carry out advertising of its Dominican Republic vacation products and present 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 less than 10%, on a consolidated basis, of the Company's total revenues to December 31, 2020, 2019 and 2018. 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. Furthermore, the implementation and development of these businesses may imply distracting our executive officer team and detouring of 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, the contact center (call center), accounting processes, payroll payments, and technology services, amongst others. If any of these businesses cease to provide their respective services to us, or if they provide them less effectively, the Company results, operations and financial condition may be adversely affected.

Investments and remodeling

At the close of 2020 with consolidated income of $5,226 million, with a negative EBITDA of $86 million pesos, according to IFRS 16-leases.

As part of the investment and disinvestment strategy in real estate assets, in 2018 the Fiesta Americana Condesa Cancun (FACC) hotel was sold for the net amount of $2,004 million, of this amount $1,489 million were invested in the following principal projects:

- Remodel totally the Live Aqua Beach Resort Cancun (rooms, common area and restaurants), for a total investment of $453 million, of which $276 million correspond to Posadas (the remainder was contributed by the lessors). The remodel concluded at the beginning of 2019.
- Consolidation of our position as operators and owners of 12.5% of the "Tulkal" hotel project on the Riviera Maya. Two hotels are under construction in this development: A Fiesta Americana with 515 rooms and a Live Aqua with 340 rooms, with opening date set for the fourth quarter of 2021. To the close of 2019, Posadas has contributed $1,088 million.
- Remodel of the 203-room Fiesta Americana Chapultepec hotel in Mexico City concluded in December 2020. This remodeling was $173 million.

In 2019, derived from good Vacation Club segment results, the Company decided to convert the 249-room Fiesta Americana Grand Los Cabos hotel into a time share. This conversion took place in 2020.

Asset and/or remodeling investments ceased in 2020, due to the prioritization of operating expenses, to ensure business continuity, resulting from the significant COVID-19 related deterioration to the Company's operating income and cash flows.

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 financing 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.

In April 2018, the Company signed a sale purchase agreement for the “Ramada Plaza” hotel located in Laredo, Texas, USA. The price agreed for the operation was US$2.5 million, which was received between April and June 2018. After this sale, the company does not maintain hotel operations in the United States of America.

On January 31, 2020, we received $108 million from the Fiesta Americana Hermosillo hotel sale announced on April 29, 2016, and likewise in March 2021, we received $156 million as the sale proceeds of the Fiesta Americana Hacienda Galindo hotel, advertised in 2017.

In accordance with the company's plan to sell unproductive assets, on February 24, 2020, we concluded the sale of a piece of land in Nuevo Vallarta, Nayarit for $ 240 million pesos.

Pursuant to the terms of the obligations contained in the Indenture which is the basis of the issuance of the 2022 Senior Notes, the disposal of assets as per the provisions of breach of the terms of said issuance is cause for accelerating the loan. Likewise, it provides that the company must apply the proceeds towards substitute assets or investments within the course of one year from the receipt of the sale proceeds, a situation that perhaps may not be carried out in this liquidity limitation context, which would be one more reason for acceleration.

Holding Company Structure

Based on the corporate restructuring information leaflets made public in 2014, 2016 and 2017, management has transformed the Issuer into an operating corporation as well as a holding corporation for the shares of a limited group of subsidiaries. The foregoing transfers, at the pace and to the extent permitted and possible, the management of the hotel operation business, licensing of brands, granting of franchises, realty holder, vacation product marketer, and other hotel service marketing systems, payroll, amongst others, intending that the issuer undertake the greatest number of possible activities and responsibilities.

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, operating and franchising hotel contracts, as well as the employer of the employees of owned and managed hotels, and of the executive committees of managed hotels. 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, and franchising contracts. Beginning on June 1, 2016, the Company has been undertaking direct operation of the owned and leased contracts, the service personnel of said hotels, as well as the operation of Vacation Product sales activities. Part of the real properties will be held by the Company’s subsidiaries. This regrouping of assets and operations also encompasses the 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.

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.

Since the Company is a holding company, the possibility that the Issuer may ultimately satisfy the demands of its creditors firstly depends 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 informational 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 consolidation 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 Company 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 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, 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, the Issuer may not guarantee that the Company's 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 consumers' rights protection regulations, specific governmental authorization may be required to conduct our usual operations, as adjusted to the new corporate format resulting from the restructuring or costs relatively significant due to executing these operations. The Issuer cannot ensure that in the authorization obtainment process, there will be no delays nor impediments nor disbursements that make it unable to obtain authorizations relevant to completing the corporate restructuring or normally operate or, if applicable, attain the efficiencies expected.

iii) Changes to the 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 effects other than those set forth in the informational leaflet 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 would have to disburse thereby.

iv) Foreign legal provisions

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

v) Share price fluctuation

The corporate restructuring detailed in the informational leaflet may generate price fluctuations in Company shares. It cannot be guaranteed that such fluctuations will be positive.

vi) Tax implications

In spite of the fact that efficiency is one of the objectives sought by this restructuring, we cannot guarantee that an unforeseen tax may not be incurred thus causing a material adverse effect or that the tax authorities may have a different tax interpretation regarding such restructuring.

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.

Dependence on our key employees

Several of the Company's executives have vast operating experience, industry knowledge and these qualifications are recognized 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 intended to enhance its procedures and reduce its operating costs. The Company may be unable to reduce costs or attain efficiencies or be unable to confront issues arising from operating changes pursuing said end, which could negatively affect its performance and, in the applicable case, its effects and the costs to mitigate these.

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, 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 a 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.

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 ese measures may be insufficient. During the first semester of 2020, the private cloud infrastructure was updated with the latest equipment and devices.

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 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 these policies will be applied to all cases.

On the other hand, to control liquidity we are concentrating on negotiating payment term modifications to the consideration paid 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

In the Company's operation, it has entered into and may continue to carry out operations with related parties. Although these type of operations are regulated by the Related Parties Operations Policy issued by the Board of Directors and the person responsible on the Corporate Practices Committee for updating the status of known operation in the corresponding report, and that these operations are considered to be of a significant nature, and that have been carried out under market conditions, the shareholders or creditors of the company or any third party that thinks they may have an action, could dispute these operations seeking their nullity or questioning whether they were carried out under market conditions.

Information security and computer system hacking

The Company safeguards the correct functioning of computer 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, 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 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 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 Policy
- 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 and monitors action plans compliance.

The occurrence of any breakdown, intentional acts, 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 good will. 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.

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 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 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 and 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 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 the various government levels, and such laws and legal provisions may be amended from time to time. The effects of these amendments on our activity, 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, and make our activity less profitable. Moreover, such controls and procedures may not be mitigated or may modify or restrict the manner in which the company is currently operating.

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

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 the case of 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-administrative obligations may be imposed on us.

In addition, we have a significant number of employees working at our own hotels. Although we have not experienced significant labor stoppages or disruptions to this date, the failure to timely renegotiate 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 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, and new amendments are being negotiated by the Mexican Congress. 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.

The subcontracting amendment is currently being discussed by the Congress of the Union. Practically the majority of the employees engaged in the activities of the Company's corporate purpose are hired under it, including the staff of the own and leased hotels, sales and administrative staff of the vacation package sales rooms, our call center staff (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. Until now, the rules under which the authority will determine whether the services we provide to third parties will be considered subcontracting are unknown and whether there will be subcontracting allowed by the new provisions, the registration requirements for the subcontractor registry and the registration revocability criteria of the competent administrative authority. Likewise, the Company must ensure for itself and for the hotels it manages that should they receive services from third parties considered under the subcontracting rules, the services are performed by entities with the corresponding registry and that comply with periodical tax and labor liabilities. 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 of the same in any manner would constitute a joint obligation that the State transfers to the service beneficiary, despite the trust placed on in 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. Likewise, the authority could interpret that the criminal predicate of aggravated tax fraud has materialized.

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 to the compliance process, 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 violate these provisions.

Likewise, the Company provides services to the general public, and it is legally prohibited from discriminating for any reason or refusing to provide service to the public, unless a judicial order exists to the contrary. However, 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.[1] 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 March 31, 2020, 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 can 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 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 obligation resulting from its non-compliance with administrative provisions, ownership of assets or rights. Also, to employment, criminal or consumer protection proceedings.

The Issuer has 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 majority investor. Some environmental organizations have recently brought proceedings against development of the project, however, according to verbal information shared by our partners, these proceedings are still in stages too early to estimate the impact of a negative result on the Company's investment project.

On the other hand, the Company has initiated several collection proceedings regarding accounts receivable in its favor, or proceedings challenging the applicability or constitutionality 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 and exchange rate risk on our debt, and we have entered into derivatives contracts.

Historically, the majority of our indebtedness had been denominated in U.S. dollars. As of December 31, 2020, 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 would 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 the greater volatility in the derivatives and securities exchange markets, there may be fewer financial entities available with which we could continue entering into derivative financial instruments to protect the Company against currency exchange risks, and the financial conditions of our counterparties may be adversely affected under stressful conditions.

To the 2020 corporate year closing, approximately 40% of our cash was denominated in dollars. At present, we do not have any derivative contract.

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 contract and maintain such insurance.

The policies contracted by the Company offer coverage terms and conditions that we believe are usual and customary for our industry. Generally, our "all-risk" policies 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 environmental and health 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.

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. 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. 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, accidents or incidents on our properties, including any informational incident involving guest 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 in the Riviera Maya development project has led some third parties to file legal proceedings against said development or against us, which significance is still unknown. Such proceedings are outside the responsibility and management of the Company, but their effects could impact the value of our investment or affect the Company.

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

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.
- Domestic and international political and geopolitical conditions, including civil uprisings, 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;
- 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, 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;
- 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 injuries 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 supply of gasoline, affecting those zones in the country where the Company operates hotels, negatively impacting the effective rate

The Hotel Industry is Cyclical

The hotel industry is cyclical by nature. Of the 28,633 hotel rooms that the Company operated as of December 31, 2020 (including Vacation Products), 15% are located in beach destinations where the cyclical aspect is 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.

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 a hotel if it deems it advantageous or necessary, nor can the Company assure that the sale price of any of its properties will be sufficient to recoup or exceed 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.

Natural Disasters (Acts of God)

The real properties operated by the Company are subject for events of *forcé 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, 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 18 hotels in beach locations (Resorts) and of these 12 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 are exposed to the same meteorological hazards.

Epidemics and Pandemics

The hotel industry is also susceptible to all 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.

Currently, 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, the environment, 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. 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.

Environmental laws, ordinances, and regulations in the various jurisdictions in which we operate may make us liable for the costs of removing, cleaning up or eliminating hazardous or toxic substances on, under, or in the property we currently own, operate or lease or that we previously owned, operated or leased without regard to whether we knew of, or were responsible for, the presence of hazardous or toxic substances. The presence of hazardous or toxic substances or the failure to properly clean up such substances, if present, could jeopardize our ability to develop, use, sell or rent the affected realty or to borrow money using such property as a guarantee. We are also subject to other laws, ordinances and regulations relating to lead, 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.

Governments are implementing campaigns against single-use plastics. These measures include prohibitions, restrictions and tariffs on throw-away plastic articles or the implementation of improved recycling installations and the development of viable alternatives to substitute the articles most commonly found in marine litter. Diverse legislative initiatives exist which may be formulated as regards other articles, remains etc., at the national and international level. However, these new provisions may present an additional expense for the Company at this time when the pandemic has affected the Company’s liquidity.

The creation of new environmental protected 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 a more stringent enforcement of existing laws and regulations or the adoption of additional legislation or our interpretative criteria of the same would not have a material effect on our business and financial (or other) conditions or prospects.

Posadas acknowledges the importance of its environment, the significance of its activity in the communities in which it operates, as well as the conservation of natural resources, it is for this reason that it integrates the efforts of all its business units and aligns its practices for social, economic, and environmental development through its Sustainability Committee. This Committee which held its first session in 2018 and which principal objective is to promote and insert into daily practices, activities to establish an authentic culture which privileges sustainability guidelines, both in the business as well as with interest groups with which it interacts (collaborators, suppliers, clients, shareholders, investors, and partners).

Risks Relating to Mexico

Mexican Economic Conditions and Government Policies

The Company and a significant part of its subsidiaries are incorporated under Mexican law, and its corporate offices, as well as an important part of its assets, are located in Mexico. Thus, the Company’s operating results have been and, in the future, will be significantly affected by 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 2018, 2019 and 2020, the GDP was only 2%, (0.1%) and (8.5%) respectively, this due mainly to the (10.2%) DGP decrease in secondary and (7.9%) in tertiary activities.

Most of the Company's debt is US dollars denominated, however, during 2019 and 2020 the peso appreciated by 4.11% and a depreciation of 5.17, respectively.

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, 2020, 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 (Attachment). The peso has been subjected to significant past depreciations and may be depreciated in the future. Peso depreciation would negatively impact the Company's results and financial condition due to implicit increased financing costs. This 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 2020 was $18.8487 pesos per United States Dollar that represented a 5.7% marginal depreciation during the corporate year. To December 31, 2020, 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. Inflation may affect our client's purchasing power, and, in this manner, it may adversely affect the demand for hotel rooms and Vacation Products memberships. Inflation fluctuations may importantly affect the Company's financial situation and operating results. The annual inflation rates, in accordance with the National Consumer Price Index ("INPC", due to its initials in Spanish) measurements published by Banco de Mexico have 4.8%, 2.8% and 3.2% for 2018, 2019 and 2020, respectively.

Interest Rates

As in the case of the value of the peso against the dollar and inflation levels, historically interest rates in Mexico have undergone volatility periods. These adverse situations have affected the Mexican economy, including inflation increases, and thus have resulted in substantial interest rate increases in the Mexican market during such periods. Interest rate movements may affect directly the Company's integrated financing result, thereby increasing its financing costs, in the event its bank debt is contracted at a floating rate. However, the recently experienced interest rates fall on international markets has reduced the Company's financial risk. Interest rates on 28-day CETES (Mexican Treasury Bills) for 2018, 2019 and 2020 are: 7.6%, 7.8% and 5.3% (at the corporate year closing 7.24%), respectively.

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

The risk of an economic downturn in the United States of America, Europe or other countries may imply changes to the inhabitants' spending patterns, such as postponing or cancelling travel decisions which may be reflected in lower occupancy in the Company's hotels, specifically those beach destinations with greater influx of tourists from the United States, such as Cancun and Los Cabos.

The Brexit associated economic problems could affect travelers coming 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.

It is foreseeable that the economic effects of the COVID-19 pandemic crisis will also significantly affect international market clients which are the source of tourists traveling to Mexico, regardless of whether travel restrictions are lifted in the near future.

Risks related to competitive advantages of other 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 their possibility of offering tourism products at more competitive prices, that may displace or limit our country's growth quota 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. *(Source: Study written by the National Tourism Business Council - CNET).*

This same effect may present itself if once the global economic activity is reactivated, the travelers originating from said countries decide to change their travel patterns and destinations.

As of December 31, 2020, approximately 85% of the Company's rooms were located urban destinations, and the remaining 15% are beach 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 and timely delivered, since its registration and trading, its quarterly, annual, and occasional reports, as well as of material events both to the BMV, as well as to the CNBV, in compliance with the 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 "2022 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.

The dates presented below were temporarily extended by the CNBV and the BMV, due to the state of emergency caused by the SARS-CoV2 virus. We will indicate for each item the new date.

I. <u>Annual Information</u>:

(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, same which due to *force majeure* could not be held within the period and was done on June 25, 2020:

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 increases and decreases in corporate capital.

4. A statement related to fulfillment of professional requirements and independence since initiation of the Audit that there is documentation evidencing implementation of a quality control system and consent so that the Report of 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. <u>Quarterly Information</u>:

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 numbers for the same period of the previous corporate year

III. <u>Legal Information</u>:

(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), should carry out diverse evaluation, review and information proceedings 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 record of minutes of the shareholders' meeting, record of the meetings of the debenture holders or other securities holders' meetings, accompanied by the attendance list signed by the ballot inspectors designated for this purpose, indicating the number of securities corresponding to each debenture holder and, if applicable, by whom they are represented, as well as the total number of securities represented.

(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 the verification of the Company's corporate by-laws or the certification that the same have not been modified, extended for the 2020 corporate year to September 1.

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. <u>Material Shareholdings</u>:

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.

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

To this date, the share number in the repurchase fund amounts to 16,855,600 shares, therefore. 495,881,988 Series A shares are circulating.

The 2015 and 2016 General Extraordinary Shareholders Meetings modified the third, fifth, ninth, twelfth, twenty-first and thirty-first clauses of the corporate by-laws to adapt them to legislative changes concerning disclosure of corporate acts, the name of the corporate headquarters, and the broadening of its corporate purpose to include the operations of its subsidiaries merged into the issuer.

The last amendment to the Company's bylaws is recorded in public instrument number 34,853 dated September 05, 2017, by Juan Jose Barragan Abascal, Notary Public number 171, Partial Formalization of the Record of the Minutes of the Extraordinary and Ordinary Shareholders Meeting dated August 31, 2017, which modifies the fifth clause, section (r) and (u) (corporate purpose), same which was recorded under Commercial Folio number 17145* on January 29, 2018.

In the Extraordinary and Ordinary Annual General Shareholders Meeting dated April 12, 2018, no change to the securities registered in the RNV nor modifications to clauses were made. The merger of Servicios Gerenciales Posadas, S.A. de C.V. as merged corporation into Grupo Posadas as the surviving Company was approved. According to the 2017 corporate year results and reports, dividends were declared in the ratio of $0.40 peso cents per share in circulation, amongst other ordinary and annual resolutions.

In the General Extraordinary and Ordinary Shareholders Meeting, dated March 29, 2019, no changes were made to the securities registered in the RNV nor modification to the clauses, approving the take-over by merger of Inversora Inmobiliaria Club, S.A. de C.V. and Konexo Centro de Soluciones, S.A. de C.V., with and into Grupo Posadas, S.A.B. de C.V., the first two entities disappearing in their capacity as merged corporations and the last entity surviving in its capacity as the surviving corporation. Said merger became effective on October 3, 2019.

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 the ratification of the members of its board of directors.

On April 19, 2021, the ordinary general shareholders' meeting took place, which, among other things, resolved on the annual results and reports, as well as the ratification of the members of its board of directors.

f) Public Documents

The information contained in this Annual Report may be consulted or supplemented with the Company's investor relations area at telephone (52 55) 5326-6757, or directly at the domicile of the Company located at Prolongacion Paseo de la Reforma Number 1015, Piso 9, Torre A, Col. Santa Fe Cuajimalpa, Mexico City, 05348, Alcaldia Cuajimalpa de Morelos as well as on the Internet page of the Securities Exchange at www.bmv.com.mx, where the Better Corporate Practices Code may also be consulted.

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

2) THE COMPANY

a) History and Development of the Company

Grupo Posadas, S.A.B. de C.V., was incorporated 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 is domiciled at Prolongacion Paseo de la Reforma Number 1015 Piso 9 Torre A, Col. Cuajimalpa, Mexico City, 05348, and its telephone is 53-26-67-00.

The Company has its roots in 1967, when Gaston Azcarraga Tamayo established Promotora Mexicana de Hoteles, S.A. for the purpose of participating in the tourism sector by building and operating a hotel in the Federal District, the Fiesta Palace, now known as Fiesta Americana Reforma. In 1969, Promotora Mexicana de Hoteles associated itself with American Hotels, a subsidiary of American Airlines so as to establish Operadora Mexicana de 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 going through 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 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, 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.] 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.

[T.N.] The Spanish translates as "Securities Exchange Corporation" in English, 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.

From the corporate point of view, 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), one of the world’s leading hotel management companies, 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 group of companies 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 time-share system. The real property operates under the “all-inclusive” format. 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 we concluded the sale of the Nayarit land lot for $240 million pesos.

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 closed sale.

In 2013, Posadas executed a strategy to sell non-priority assets or non-strategic assets. In this context, in June it agreed with FibraUno to sell the real properties 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 in relation to offices located at Av. Prolongacion Paseo de la Reforma 1015, Torre A.

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

In May 2013, we took advantage of the federal government's tax forgiveness program regarding 7 tax liabilities attributed to the Company. Thus, we withdrew the corresponding defense proceedings and paid $143 million.

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 allows most of the time, 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. This allows preservation of the local touch that makes them distinctive. To March 31, 2018, there are 10 Gamma hotels franchised.

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.

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 of third-party hotels, as well as of the corporate offices and (ii) Konexo, the contact center ("Call Center"), amongst whose relevant clients are the Company's subsidiaries and Compras (before Summas) 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.

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 operational in 2020.
- August 2019: 15-year operating contract under the Live Aqua brand with 345 rooms. This project is estimated to be operational in 2021.

In the financial, corporate and realty field, the following activities stand out from 2017 to publication 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 due 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.

- In 2013, Posadas began its corporate restructuring project, which continued in 2018 in accordance with the plans published in the Corporate Restructuring information leaflets dated February 29, 2016, and August 15, 2017, this restructuring continued in 2018, with the merger of the subsidiary Servicios Gerenciales Posadas, S.A. de C.V. de Grupo Posadas corresponding to the hotel committee’s payroll, therefore the Company undertook the total patrimony and obligations said corporation. Likewise, a foreign subsidiary was dissolved, once the sale of the hotel located in Laredo, Texas was executed. During 2019, Inversora Inmobiliaria Club, S.A. de C.V., guarantor in the indenture of the Senior Notes 2022, merged into Grupo Posadas, S.A.B. de C.V., becoming effective on October 3, 2019. As a consequence of these mergers, Operadora del Golfo de Mexico S.A. de C.V. prevails as guarantor of said issue.

- On May 2, 2016, the Company informed the lease and future sale of the Fiesta Americana Hermosillo hotel with 220 rooms, which will continue being operated by Posadas. On January 31, 2020, we received $108 million derived 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 and the planned opening is at the beginning of 2021. In 2018, Posadas began construction of this development and by the end of the corporate year, had made a $1,052 M contribution increasing its holding in the trust to 12.5%. During 2019, the Company additionally contributed $27.1 million, corresponding to the Trust's operating expenses that correspond to it according to its shareholding percentage and authorized certain modifications to the Trust contract to enable the Trustor to finance its contribution. In 2020, the Company has contributed $27 million and, according to the 2020 budget, a $5 million contribution, at least, is pending, to be destined to trust operating expenses and other payments derived from the signed operation contract. Likewise, all the “Tulkal” brands owned by the Company have been transferred free of charge. The plan is to in 2021 commence operating of at least one of the hotels in the complex. In any event, it will be necessary that the Company contribute to the trust and to the real property lessee entity to defray ordinary and pre-operating expenses. Posadas has executed a contract to operate said properties under the brands Live Aqua and Fiesta Americana.

- On June 22, 2017, the subsidiary Inmobiliaria del Sudeste, S.A. de C.V., owner of the Fiesta Americana Merida hotel contracted a secured trust loan for $210 million for a seven-year term. 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 March 2021 to give time for the recovery of demand for Fiesta Americana Merida hotel, measured per occupancy factor.

- In relation to material tax issues and monitoring the tax liability corresponding to the 2006 tax year, informed in the 2015 consolidated financial statements, it is informed that in September 2020, there was issued a final ruling that declared partially null said tax liability. Consequently, on April 30, 2021, a new tax liability in the amount of $222.8 mdp was determined in compliance with the aforesaid ruling, and which we submitted to review. A guarantee for the original tax liability of $975.4 million was constituted, which has become unenforceable due to the final ruling and is in the process of cancellation. For further details, see section: *3) Financial Information, c) Material Loan Information.*

- 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 the 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

- During 2018, the Live Aqua Beach Resort Cancun room and public area remodeling was carried out, for $453 million, of which Posadas invested $276 million (the remainder was contributed by lessors). Hand in hand with the remodeling, the lease agreement was renewed for fifteen years, with an option of 5 additional years.

- In April 2018, the Company signed a sale contract for the "Ramada Plaza" hotel located in Laredo, Texas, U.S.A. The price agreed upon for the operation was US$2.5 million which was received between the months of April and June of 2018.

- On February 20, 2019, pursuant to the contract ("Indenture") of the 7.875% Senior Notes Due 2022, the Company announced, through the BMV, to the market 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, making a payment of US$7,4 that represents the total consideration to the holders of the repurchased Bonds and payment of the interest accrued by said Bonds. After the cash purchase offer, the balance of the "7.875% Senior Notes Due 2022" is of US$392,605,000.

- In the resolutions resulting from the General Extraordinary and Ordinary Shareholders' Meeting, held on March 29, 2019, it was approved that Inversora Inmobiliaria Club, S.A. de C.V. and Konexo Centro de Soluciones, S.A. de C.V. would merge with and into Grupo Posadas, S.A.B. de C.V., the first two disappearing as merged corporations and the last company surviving as the merger corporation. Said merger became effective on October 3, 2019.

- 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 provisions of the 2022 Senior Notes these funds would be applied to payment of the consideration stipulated in the Investment Plan contained in the selfsame trust contract. Said trust considers five hotel projects and its estimated duration would be approximately 12 months, but it has been extended due to the current market conditions. To the issuance date of this annual report, the balance in the trust is $17.9 million.

- In August 2019, a contract to operate a Live Aqua hotel for 15 years in Punta Cana, Dominican Republic was signed, it is estimated to start operations in 2020. Due to the imminent opening, the Company established a subsidiary in that country that will be responsible for operating the hotel.

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

- To ensure business continuity, as a result of the noteworthy COVID-19 deterioration on the Company's operating income and cash flows, as well as the still uncertain impact that COVID-19 will have on the Mexican tourism industry in the near future, we were obligated to omit interest payments for an amount of approximately $15.5 million dollars each, payable on both June 30 and December 30, 2020, with respect to its 7.875% Senior Notes due 2022. We also negotiated the terms of most of our relationships with suppliers, lessors, and owners.

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

The 2020 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 2019 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 2020, 2019 and 2018 consolidated financial statements of Grupo Posadas S.A.B. de C.V. and Subsidiaries issued by Galaz, Yamazaki, Ruiz Urquiza S.C., (Deloitte).

<u>Principal Investments 2018-2020</u>

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 between 2018 and 2020:

For 2018, the consolidated annual capital expenses totaled $671 M:

- 73% was used for maintenance and remodeling of hotels, specifically the Live Aqua Beach Resort Cancun, Fiesta Americana Hacienda Galindo, Fiesta Americana Merida and Fiesta Americana Condesa Cancun.
- 22% was used for Vacation Properties.
- The 5% remaining was utilized for corporate and technological.

For 2019, the consolidated annual capital expenses totaled $501 M:

- 54% was used for the maintenance and remodeling of hotels, specifically the Live Aqua Beach Resort Cancun, Grand Fiesta Americana Chapultepec.
- 25% was used for Vacation Properties.
- The 21% remaining was utilized for corporate and technological.

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.
- 18% was used for Vacation Properties.
- The 16% remaining was utilized for corporate and technological.

b) Business Description

i) Principal Activity

The principal activities of Grupo Posadas, S.A.B. de C.V. and its Subsidiaries are the construction, purchase, leasing, promotion, franchising, operation and management of hotels that mainly operate under the commercial brands of: Live Aqua Urban Resort, Live Aqua Beach Resorts, Live Aqua Boutique Resort, Live Aqua Residence Club, Grand Fiesta Americana, Fiesta Americana, Curamoria, The Explorean, Fiesta Americana Villas, Fiesta Inn, Fiesta Inn Express, Fiesta Inn Loft, Gamma and One Hotels. During 2020, the opening of one hotel under the new IOH brand is anticipated.

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 now under the "Live Aqua Residence Club" (previously "The Front Door") 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.

Since 2010, Posadas started marketing the Kivac product (and its corporate extension Kivac Travel Suite), consisting of the sale of points exchangeable for stays in the group's hotels. This is an advance sale of accommodation services, and the points serve as account units. It also 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 evidences seasonal behavior throughout the year. For beach hotels, occupancy tends to be higher during the winter and vacation periods (Easter Week, Summer), while city hotels have very stable occupancies throughout the year.

The Company plans to operate and franchise in Mexico 23 additional hotels with 4,385 rooms projected to start operating before the first half of 2023. This will represent a 15% room offer increase and, of this, 31% corresponds to economy and business formats, including the Gamma brand. Of this hotel total, 5 will operate as Live Aqua, 1 as Grand Fiesta Americana, 3 under the Fiesta Americana brand, 2 under the Curamoria brand, one under the IOH brand, 2 under the Fiesta Inn brand, 4 under the three-star hotel chain "One Hotels", and 5 under the Gamma brand. Of the projected hotels, 17 are under construction by diverse owners. 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 forecited Mexican development plan at approximately $16,898 million (US$852) of which Posadas contributed 6% of the resources, which have already been invested.

Since 2018, the Company has been significantly developing and investing in new *Business* standard development projects brands, fully refreshing the One and Fiesta Inn experiences, focusing the strategy on current travelers' needs and new working formats. As a flexible solution, IOH is also added to the portfolio. There are already 6 One hotels with the new image generating high guest satisfaction and 7 under construction.

Posadas is an important purchaser of goods and services in the Mexican hotel industry. During 2020 4 sectors were developed:

New negotiations:

For the "Travel with Confidence" Campaign, articles and services of categories never before negotiated were procured, from PPE (personal protective equipment) to supplies to guarantee hygiene and safety in our facilities. The main negotiation was the Alliance with 3M that included the negotiation of prices and distribution of products as soon as possible, including the installation of dispatchers throughout the Mexican Republic and this supported by a Communication Campaign of said Alliance

Processes:

Optimization of operational processes: Management and administration Cataloging issues were transferred for execution in our Shared Services Center.

Operational efficiency: work continued on cataloging recurring products and services, at a percentage of 80% -83%

Payment conditions:

Renegotiation of payment terms to be able to achieve at 80/20 for Corporate suppliers according to the Group's 90-day policy and/or Nafin's factoring credit lines.

Sustainability:

Negotiation of all plastic-containing supplies in search of biodegradable alternatives (disposables, plastic bags).

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 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.

Some of its main suppliers are: Ecodeli, Sigma Food Service, Jianlu, Accenture, Dell Leasing, Teléfonos de México, Beta Proceso, Jabones y Productos Especializados, Oracle, Bimbo, Atlantic Meat, among others. It should be mentioned that the Issuer is not dependent on any supplier

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

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 through a developer. Raw material price volatility for hotel operations would directly affect operating expenses. Year after year, the Company has attempted to carry out corporate negotiations with its suppliers so as to obtain better prices and standardized 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.*

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

The technological platform 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.

The Company Loyalty program maintains in alliance with Santander Bank, a credit card under the shared brand Santander-Fiesta Rewards, with which the clients obtain travel benefits. To 2020 corporate year closing, the Santander Fiesta Rewards credit card has more than 173,000 card holders, in the same year 30,500 new cardholders were affiliated.

Fiesta Rewards has significantly contributed to Posadas having valuable clients and maintaining stable income, during diverse business cycles. Fiesta Rewards members receive diverse benefits such as points, preferential rates, pre-sales, exclusive experiences, and point exchanges for nights of accommodation in Posadas' affiliated hotels, catalog items, airline tickets, car rental, amongst other things. Fiesta Rewards is the most recognized hotel chain loyalty program in Mexico in terms of the number of active members.

At the end of 2020, the Fiesta Rewards application was launched, which includes a pre-check in function for guests, who only need to program their key at the kiosks to start having a memorable stay.

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.

The timeshare marketing system differs from hotel room distribution channels. It is mainly based in the implementation of a promotional system by launching campaigns to attract potential clients to the Vacation Products experience, providing them with complementary passes, and through a local sale program and showroom network. Vacation Products sales cost around 35% of the product and part of this process may be executed by specialized third parties contracted for such purpose. 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 sales, Fiesta Americana access and Kivac, the Company usually offers its clients an average five-year deferred payment plan for both programs. Most sales are made in installments for both programs. Regarding Kivac, clients may only use their effectively paid points. Regarding timeshare, payment is not related to membership rights, which are sold for 40 years. In Vacation Products marketing, clients pay a financing cost for the grant of a payment term.

The abovementioned Kivac product was launched on the market in 2010 aimed at commercializing hotel inventory, through the sale of points redeemable for stays. The points are valid for 5 years. With the purpose of benefiting both companies and employees in Mexico, a new product was launched in 2019 called Kivac Travel Suite, which consists of a benefit model for company employees with access to a travel plan for destinations in Mexico and U.S. In 2020, there were 40,993 members; 140,603 calls were answered, and 59,132 transactions were executed.

During 2018, we created Kivac Xpand, the perfect complement for the Kivac points packages, which allows travel throughout the year without restrictions as to seasons, gives access to new international destinations and more than 10 thousand hotels in Mexico. In 2019, it generated more than $7,078,177 redeemed points.

In 2019, we renewed and renamed the "Re_SET" product created in 2017 into Fiesta Americana Vacation Club Access in response to the trend of connecting with new customers, lifestyles and technological changes. It consists of an exclusive discount plan with which families and groups of friends have the liberty of traveling a greater number of times, when they wish, whether in Mexico or abroad. In 2020, there 903 members. 12,340 calls were answered and a total of 2,590 transactions were executed.

For their part, the products Live Aqua Residence Club (LARC) and Fiesta Americana Vacation Club (FAVC), closed 2020 with 1,214 and 32,117 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 found the following:

A. Daimler Servicios Corporativos México S. de R.L. de C.V.
B. Aerovías de Mexico S.A. de C.V.
C. G.V. Servicios Aéreos S.A. de C.V.
D. Provident Servicios, S.A. de C.V.
E. Representaciones de HTLS de México S.A. de C.V.
F. LG Electronic México
G. Logis One S.A. De C.V.
H. XIGNUX S.A. DE C.V.
I. Conductores Tecnológicos de Juárez, S.A. de C.V.
J. Huawei Technologies Engineering de México S.A de C.V.
K. Cervecería Cuauhtémoc Moctezuma S.A de C.V
L. Kimberly Clark de Mexico S.A.B. de C.V

During 2020, the following results were obtained in the following sales segments:

- We had 1.9 million reservations (one reservation every 16 seconds).

- Room income generated through “Corporate” decreased 50%, compared to 2019.
- Our own channels (including groups) maintain a contribution of 66% of the bookings.
- Migration of all our hotels and the Distribution platform to an OPEN PRICING model that allowed us to simplify our rate structures and increase our RevPAR, which are the basis for significant company growth.
- Our distribution cost per reservation was USD $ 9.78 / reservation (including commissions), even though we had losses, it remained below USD 10.
- The voice channel and OTAS remained the most important channels generating the largest number of reservations, representing, respectively, 20% and 21% of the reservations.

The number of reservations and room nights received in 2020 were considerably affected by the pandemic, however, we were able to maintain our competitive advantage, a comparatively low distribution cost, through negotiations with our suppliers and optimizing our channels. Additionally, our resort web channel, www.lacoleccionresorts.com, aimed at the international market, grew around 90% compared to the previous year. As a result of this success, we will replicate the technology, strategies and lessons learned for our remaining websites during 2021.

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.

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 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. In 2014, the Company put on the market a new franchising service system under the Gamma brand and in 2018 it expanded its newly constructed hotels franchise program under the One Hotel brand. In 2019 its franchised brands expanded with Curamoria, and during 2020 the Fiesta Inn and The Explorean brands were added.

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 pay royalties to Posadas. Royalties are calculated as a percentage of each hotel’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, 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-centered philosophy.

To December 31, 2020, the average life of the Company’s hotel management contracts (except its owned hotels) was 10.9 years. Detailed per brand, it was: 10.6 years for Live Aqua, 10.2 years for Grand Fiesta

Americana, 11.9 years for Fiesta Americana, 11.9 years for Fiesta Inns, 19.4 years for Fiesta Inn Loft, 11.4 for Fiesta Inn Express, 15.6 years for Gamma, 13.7 years for One Hotels and 19.6 for Curamoria. 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:

Posadas Mix of Brands					
Brand	**Category**	**Hotel Rooms**	**Rooms by range**	**Location**	**Segment**
Live Aqua Residence Club	Luxury	2 125	20-100	Luxury residences for Vacation Properties	International tourists and high end locals
Live Aqua Hotels & Resorts	Luxury	4 729	130-400	Upscale Resorts and large cities	International tourists and high end locals
Grand Fiesta Americana Hotels & Resorts	Grand Tourism	9 2,354	200-600	Large cities and upscale Resorts	Domestic and International tourists and business travellers
Curamoria Collection	Boutique	1 36	Jan-60	Upscale Resorts and large cities	International tourists and high end locals
Fiesta Americana Hotels & Resorts	Family / Business	14 3,952	80-650	Large cities and upscale Resorts	Domestic and International tourists and business travellers
Fiesta Inn Hoteles Business Class	Business	71 10,328	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 & Resorts	Family	19 2,640	80-200	Small and mid size cities	Domestic and International business travellers
One hotels	Economy	47 5,858	100-140	Mid and large size cities in industrial locations	Domestic business travellers
Fiesta Americana Vacation Club	Family	5 1,749	100-300	Resorts	Domestic and International tourists
The Explorean Discovery Resorts	Family	2 96	40-100	Resorts	Ecotourism, Domestic and International tourists
Total		**181** **28,633**			

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.

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 segment of the Company has four lodging service marketing modalities. On 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 points the Company allied itself with The Registry Collection.

Other relevant contracts

In addition to the hotel management, license and franchise contracts, the timeshare sale and related strategic alliances, the hotel business has become highly dependent on information and connectivity systems, and on certain providers of hotel 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.

iv) Principal Clients

Given the nature of the hotel industry, the Company considers that it is not significantly dependent on any or several clients as users of hotel services 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; 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 become economically more competitive and may complicate the operating results of this markets.

The segment of business travel and tourism for groups and conventions has returned more slowly and there are places where it is not yet allowed or not in attractive volumes. It still seems early to predict the impact that the new normal could generate in these travelers in the medium and long term.

Furthermore, there is a trend to consolidate hotel ownership in groups such as FibraHotel and other institutional real property investors. At present, we operate 70 hotels owned by FibraHotel representing 38% of total hotels operated by the Company and 3 other owners concentrate the operation of 16 third-party hotels representing 9% of the total.

This trend is expected to continue in the near future. The loss of FibraHotel or other family groups as a client, would seriously and adversely affect the Company's operating results and financial situation.

v) Applicable Legislation and Tax Situation

In general, hotel and time-share 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, in addition to the limitations which they may impose on its activity.

In this same line of reasoning, the authorizations most relevant to hotel service operations are related to licenses or authorizations concerning operations, food, and beverage supply, including alcoholic beverages, swimming pools, civil defense, health, wastewater use and disposal, consumer protection, hotel registration and classification, environmental, 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.

We have no knowledge of contingencies that, consequently, may result in the assumption of, or cause a material adverse damage to hotel operations related to the obtainment or compliance with said authorizations or modifications to the same. However, we are continuously correcting any deviations from or adapting our operations to the existing or new applicable rules. It may be necessary to enter the Company in the providers of specialized subcontracting services registry, should it required pursuant to the norms to be issued.

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. However, this is not the case in 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.

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 was 30% in 2017 and 2016 and years thereafter. Due to repeal of the Income Tax Law in effect until December 31, 2013, tax consolidation rules were eliminated. Therefore, the Issuer is obligated to pay the deferred income tax determined as of that date in the subsequent corporate years beginning in 2014. This deconsolidation tax was recognized in the Consolidated Comprehensive Results statement to December 31, 2013, under the heading of profits tax and amounted to $882 M. The updated balance to December 31, 2016 after 3 annual payments amounted to $309 M, recognizing the corresponding short and long-term liabilities. Notwithstanding the foregoing, the SAT reviewed the aforementioned deferred tax ruling. Derived from the agreement resulting from the interpretative differences of the applicable legislation, the Company closed the SAT audit with other agreements. For further detail, see section: *3) Financial Information, c) Material Loan Information.*

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.

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

In December 2013, the 0% tax rate for hotel services rendered to 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.

While the aforementioned Law repealed the 2014 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.

Regarding the impact of environmental normativity related to climate change, see: *2) The Company, vii) Environmental Performance.*

US Tax Regulations

According to current United States law, the subsidiaries operating in that country are subject to 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%.

vi) Human Resources

To December 31, 2020, the Company had 14,794 employees. In Mexico, around 47% 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, 2020, 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.

The Company has operative staff training programs and has training schools specifically designed for operating the Fiesta Americana, Fiesta Inn, and One Hotels brands. The training programs include kitchen and reception employees up to hotel managers. Posadas also supports rotating hotel executive officers at its different properties for the purpose of enhancing their management skills. Occasionally, Posadas hires temporary employees. Campaigns such as "Empower Your Development" are offered to the executive staff, allowing employees to receive training through Posadas DNA.

The company continues with its 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 ensuring that all its operating and under construction properties and businesses comply with applicable environmental laws and regulations. In Mexico, most hotels have entered into agreements with the Federal Environmental Protection Agency submitting themselves to exhaustive policy and procedure reviews to deserve the Environmental Tourism Quality Certificate conferred by *Profepa* upon proving that all environmental rules have been complied. The degree of progress in said procedures is satisfactory and varies from hotel to hotel.

In the process of construction and current operation of the Hotel in the Dominican Republic, the Norms, Laws and Regulations issued by the Ministry of Environment and Natural Resources have been observed, including: Environmental Impact Statement, reduction of water footprint, reduction of gas footprint greenhouse effect, amongst others. In the second half of 2021, the Green Key Badge registration process will begin.

Since 2000, the Company has a department denominated Risk Unit, exclusively engaged in dealing with environmental and civil defense issues that may occur both at Company's hotels and corporate offices. The Risk Unit reports to the General Hotel Operations Division through the Engineering and Maintenance Division. In turn, the person responsible for said division is backed by the hotels' maintenance managers in complying with the laws established by the competent authorities, as well as by the Company's environmental and civil defense policies. If the Risk Unit detects a discrepancy, it elaborates a Corrective Action Plan setting out the actions to be taken to comply with the applicable norm.

All real properties managed by Posadas focus on complying with 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. This is an indispensable requirement to hotel operations. In creating new and existing hotel projects, Corrective Plans and maintenance tasks, the Unit works jointly with NFPA-certified and specialized consultants, as well as with insurance companies to monitor compliance with the required certification standards.

Grupo Posadas' sustainable tourism model has positioned it as leader in environmental issues in this sector in Mexico.

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.

For the purpose of working jointly to certify the “Environmental Tourism Quality” category of all the hotels, Grupo Posadas and *Profepa* signed a concertation agreement. Certification demands the implementation of federal, state and municipal policies, norms, and laws, as well as diverse means to control and evaluate procedures, such as keeping a record of the consumption of fossil fuels, electricity, gas and water. Likewise, these include keeping an inventory of greenhouse gases with the National Emissions Registry.

We currently promote natural resources and biodiversity preservation by activities that contribute to caring for todays' environment for the resources necessary for life. Posadas joins the fight against pollution and climate change taking care of the environment 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.
- 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.
- Green buildings, endemic plants and walls with insulating materials, breeze transformed into air conditioning, mainly Grand Fiesta Americana Los Cabos
- Compliance with conditions imposed by environmental authorities in their various determinations during the project development and later in the hotel operation.

Acknowledgements for green initiatives to December 31, 2020:

- PROFEPA / Tourist Environmental Quality Certificate.
- Certificate guaranteeing federal, state, and municipal regulatory compliance by companies in the tourism sector in Mexico.
- SECTUR / “S” Certificate.
- Certificate acknowledging the sustainability of the operations of Mexican tourism sector companies.

- FEE / Green Key international certificate.
- Certificate guaranteeing compliance of sustainable operations and adherence to the UN Sustainable Development Goals for international tourism sector companies.
- FEE / Blue Flag Distinction
- Recognition that guarantees compliance with environmental safety, services, education, and beach water quality of international tourism sector companies.
- SECTUR and Ministry of Health / "H" Badge
- Certificate that guarantees compliance of regulatory sanitary food production by Mexican tourism sector companies.
- CRISTAL / International Standards Crystal Certificate.
- Certificate that verifies sanitary regulatory compliance of food production for companies in the international tourism sector.

The market shows a marked trend towards consumption of sustainable products and services. In this sense, our clients are not the exception therefore the 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.

The Federal government has passed decrees to establish the Caribbean Biosphere Reserve. The operating rules are yet to be defined. Also, some of our hotels are close to diverse protected natural spaces. The hotels located inside or next to these zones may need to adjust their operations and incur additional compliance costs or investment.

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. An example of this are the events that occurred during 2020: the worst year in tourism history according to the World Tourism Organization, with a billion fewer international arrivals.

Without a doubt, the effects of the pandemic at the end of 2020 are an unprecedented impact on the global economy and tourism, especially. This in an environment of uncertainty derived from the fluctuating control measures instituted in different countries.

According to the World Tourism Organization information, 2020 world tourism showed a drop in international tourist arrivals of 73%, the lowest in the decade.

All world regions have been hard hit by the pandemic:

The Asia-Pacific region was the first to suffer the pandemic effects and also which also has the strictest restrictions, registering 300 million fewer arrivals, representing a drop of 84%. Middle East and Africa registered a fall of 74%.

Europe dropped in the number of international arrivals of 69% with a 500 million tourists decrease, while the Americas region dropped 69%.

The following table is a preliminary view of the countries with the largest international tourists' arrivals in 2020, based on the best information available on the possible effects in the countries that participated in the 2019 ranking (Source: Panorama of tourism activity number 32 of the National Tourism Council "CNET" and the World Tourism Organization "OMT", and receiving countries).

Ranking WTO					
2020	2019	International Tourist Arrivals			
#	#	Country	Million people	Growth Rate	As of
1	1	France	45.0	(50.0%)	November
2	2	Spain	19.0	(77.3%)	December
3	3	United States	20.0	(74.7%)	November
4	4	China	6.6	(87.6%)	November
5	5	Italy	27.0	(61.0%)	October
6	6	Turkey	14.4	(71.8%)	November
7	7	Mexico	24.3	(46.0%)	December
8	8	Tailand	6.7	(83.2%)	December
9	9	Germany	13.3	(66.5%)	November
10	10	United Kingdom	15.6	(69.5%)	June

Tourism in Mexico *(Source: Banco de Mexico, National Statistics and Geography Institute (INEGI), 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.

According to information from *Banco de Mexico* and INEGI, Mexico received 24 M international tourists in 2020, a number lower than that of the previous year by 46%. Of these border tourist arrivals were 13.5 million, representing 36.7% less compared to 2019. While the number of foreign visitors by air decreased a 58.8%.

In 2020, 90% of tourists entered Mexico by air, through 5 main airports: Cancun (41.8%), CDMX (20.5%), Los Cabos (10.3%), Puerto Vallarta (10.2%) and Guadalajara (6.9%). Approximately 6 out of 10 come from the United States, representing 68.6% of the total, followed by Canada with 12.3%.

It is estimated that economic disbursement by international visitors to Mexico was 55.1% less (about 13.6 million dollars less) at the end of the year. Similar to the 2004 level decrease.

The volumes of international reservations destined for Mexican airports in Mexico dropped 65.9% in 2020, according to the National Tourism Business Council with information from Amadeus and the Anahuac University.

The 2020 Tourism Balance was USD$7.4 billion and represented a 49.3% decrease with respect to 2019.

Domestic. The arrival of national tourists to those hotel rooms in destinations with more than 2,000 rooms decreased 55.3%, that is 32.3 million less arrivals.

Hotel occupancy levels. According to the Datatur system, the average number of rooms available was 391,721, representing a decrease of 1.2%, that is, 4,562 rooms less than in 2019. Percentages of hotel occupancy in these establishments decreased by 38.4%, from 61.5% to 26.7%.

The WTO forecasts, based on current world tourism trends, that first quarter 2021 international tourist arrivals will be 85% lower than in the same 2019 period. This would mean a 260 million drop in international arrivals compared to pre-pandemic levels

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 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 Vacation Properties such as the Fiesta Americana Vacation Club program, Live Aqua Residence Club, Fiesta Americana Vacation Club Access and Kivac.

In order to automatize and speed up the information collection process, in 2017 the information source was modified to reporting by chain to the 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, 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, Crowne Plaza, Marriott, Hilton, Sheraton and Westin, amongst 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.

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, Real Inn, Ramada, Fairfield Inn, Ramada, Wyndham Garden, La Quinta Inn & Suites, Ramada, amongst others.

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

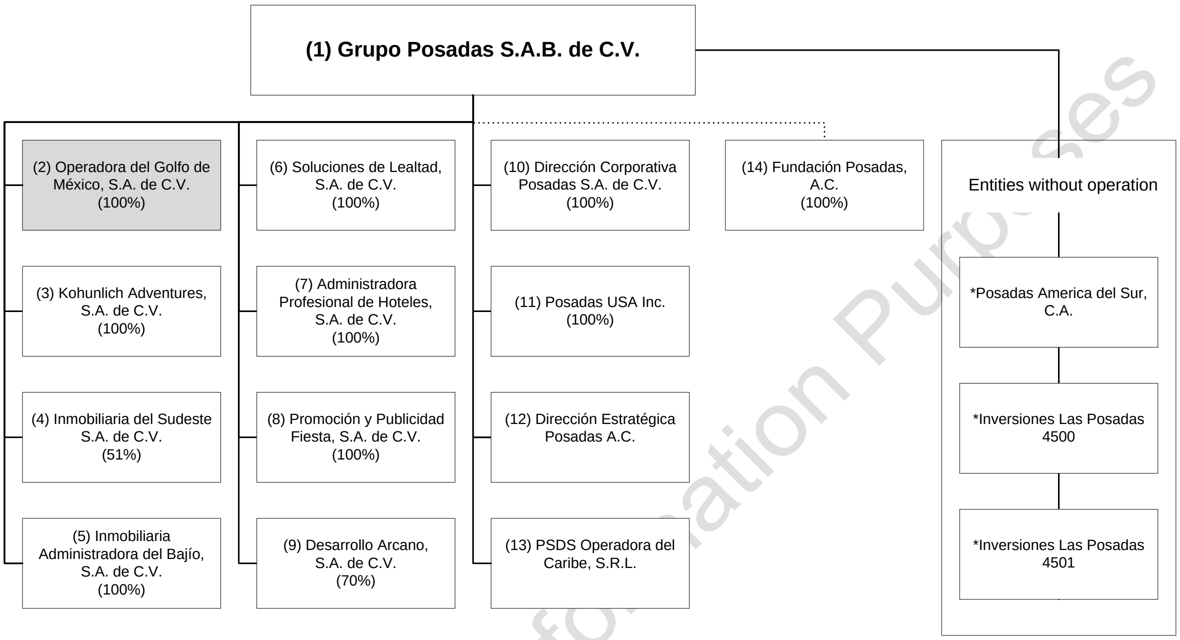
Although the Company considers itself a leader in Mexico in the number of operated hotels and rooms, there is no official publication proving the market participation of its hotels in relation to existing competitors or its competitive position. Information regarding competitors has as its source, the Posadas Chain 2020 study with information of STR Census Database (Smith Travel Research) to December 2019.

In reference to total rooms available (including own, leased, and operated rooms) in Mexico and based on the 2020 Posadas Chains study with STR Census Database information for Hotel Groups, jointly the Posadas brands have a 15% market participation. Per brand in the competitor set: luxury hotels corresponding to brands Live Aqua, including Live Aqua Residence Club have a 9% market share; Grand Tourism hotels (Grand Fiesta Americana) have a 26% 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 17% 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 the 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 to March 31, 2021:



Source: Posadas
Guarantor of the Senior Notes 2022

(1) Grupo Posadas, S.A.B. de C.V.:
   a. Owns hotel trademarks, under which it operates hotels 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 (owned property), Cozumel, Acapulco, Cancun, Marina Vallarta and Kohunlich (beneficially owned). It also manages our vacation club exchange program.
   d. Markets our Kivac and Re_Set vacation products

(2) **Operadora del Golfo de México, S.A. de C.V.,** bare owner
(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.,** Is the payroll entity for such hotel.
(6) **Soluciones de Lealtad, S.A. de C.V.,** Does not have operations.
(7) **Administradora Profesional de Hoteles, S.A. de C.V**., Does not have operations.
(8) **Promoción y Publicidad Fiesta, S.A. de C.V.,** Manager of the marketing funds for all of our hotels.
(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**., Payroll entity for the corporate executive committee.
(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.,** Affiliate incorporated to fulfill our 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, which are entities that we plan to liquidate, pursuant to our on-going corporate restructuring, none of them have operations.

Grupo Posadas' board of directors continues the internal restructuring plan tending to consolidate its operations and companies in the issuer. The restructuring plan, the subject of three informational leaflets published on April 10, 2014, February 26, 2016, sand August 15, 2017 and to which the reader is remitted for greater detail, consists of an internal corporate structure reorganization of certain businesses of Posadas. Likewise, other corporate movements along this line have been approved, but did not require an information leaflet. It is underlined that no corporation that is not currently a direct or indirect subsidiary of Posadas participates in the corporate restructuring, and as to those corporations in which third party minority participation existed, it is foreseen that said third parties will not acquire interests in corporations or assets in which they did not have an interest or a holding. For this reason, the consolidated assets, and operations of Posadas as a corporate group have not undergone substantial changes after the Company's corporate restructuring. Consequently, Posadas has implemented a series of corporate movements that solely involve controlled subsidiaries (that is to say, corporations where the Issuer owns 51% or more of the corporate capital), directly or indirectly. The corporate restructuring does not imply the Company's incursion into a new business line, and in no manner, affects the existence or legal capacity of Posadas as a Publicly-Traded Corporation, nor will it affect in any manner the products and services that the Company offers to its clients. Neither has the corporate restructuring affected the Company's work force. The corporate restructuring of Posadas' Subsidiaries is intended to reduce and make more efficient the Issuer's corporate structure.

In September 2017, Posadas merged its subsidiaries: Administracion Digital Conectum, S.A. de C.V., Posadas de Latinoamerica, S.A. de C.V., Desarrollos Inmobiliarios Posadas, S.A. de C.V., Servicios Administrativos Posadas, S.A. de C.V., Porto Ixtapa, S.A. de C.V. and Solosol Tours, S.A. de C.V. Said merger did not affect the consolidated financial statements. Once the merger became effective, Posadas fully absorbed the totality of the assets and liabilities, obligations and guarantees of the companies merged. Likewise, in extraordinary shareholders meeting on April 12, 2018, Posadas' shareholders resolved to merge the company Servicios Gerenciales Posadas, S.A. de C.V. into Grupo Posadas, disappearing the first entity and the second fully assumed all assets, liabilities and obligations of the company merged, with accounting and tax effects as of May 1, 2018.

In 2018, the Grupo Posadas subsidiary corresponding to the hotel committees´ payroll (Servicios Gerenciales Posadas, S.A. de C.V.) was merged, therefore the total capital and obligations which were the responsibility of said corporation were undertaken. Likewise, a foreign subsidiary was dissolved once the sale of the hotel in the city of Laredo, Texas was completed.

The General Extraordinary and Ordinary Shareholders' Meeting, held on March 29, 2019, approved the merger of Inversora Inmobiliaria Club, S.A. de C.V. and Konexo Centro de Soluciones, S.A. de C.V. with and into Grupo Posadas, S.A.B. de C.V., the first two disappearing as merged corporations and the last company surviving as the surviving corporation. Said merger became effective on October 31, 2019.

x) Description of the Company´s Principal Assets

Herein below is a list of the Company's hotels to December 31, 2019, 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	153
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 Puerto Vallarta	2015	Mexico	Leased	444
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	Franchise	36
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

Hotel	Opening	Country	Contract	Rooms
Fiesta Americana CDMX Satélite	2018	Mexico	Managed	223
Fiesta Americana Hacienda Galindo	1977	Mexico	Managed	168
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	457
FAVC Live Aqua Residence Club Puerto Vallarta Nima Bay	2013	Mexico	Owned	16
FAVC Grand Los Cabos	1999	Mexico	Owned	248
Fiesta Inn Aeropuerto Ciudad de México	1970	Mexico	Leased	327
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	Managed	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 Forum 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

Hotel	Opening	Country	Contract	Rooms
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	Managed	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
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	Managed	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 Aeropuerto	2013	Mexico	Managed	150
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

Hotel	Opening	Country	Contract	Rooms
Fiesta Inn Express Puebla Explanada	2019	Mexico	Leased	138
Gamma Monterrey Gran Hotel Ancira	2015	Mexico	Franchise	253
Gamma Xalapa Nubara	2015	Mexico	Franchise	121
Gamma Boca del Río Oliba	2018	Mexico	Franchise	81
Gamma Campeche Malecón	2015	Mexico	Franchise	139
Gamma Ciudad Juárez Lincoln	2018	Mexico	Franchise	160
Gamma Cuernavaca Puerta Paraíso	2017	Mexico	Franchise	102
Gamma Guadalajara Centro Histórico	2018	Mexico	Managed	195
Gamma Lausana Tijuana	2014	Mexico	Managed	140
Gamma Mérida el Castellano	2015	Mexico	Franchise	160
Gamma Morelia Belo	2014	Mexico	Franchise	84
Gamma Plaza Ixtapa	2015	Mexico	Franchise	153
Gamma Pachuca	1998	Mexico	Leased	114
Gamma Tampico	2018	Mexico	Franchise	136
Gamma Mazatlán The Inn Centro Histórico	2019	Mexico	Franchise	63
Gamma Cancún Centro	2019	Mexico	Managed	110
Gamma Monterrey Rincón de Santiago (Santiago Presa de la Boca)	2019	Mexico	Franchise	87
Gamma Orizaba Grand Hotel de France	2019	Mexico	Franchise	91
Gamma Morelia Vista Bella	2020	Mexico	Franchise	20
Gamma Acapulco Copacabana	2020	Mexico	Managed	431
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 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 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 León Antares	2017	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

Hotel	Opening	Country	Contract	Rooms
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 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
One Xalapa Las Ánimas	2012	Mexico	Managed	126
One Tapachula	2019	Mexico	Managed	126
One Tuxtla Gutiérrez	2020	Mexico	Managed	126

Source: Posadas

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. Some of the Company or its subsidiaries' assets are encumbered as guarantee for the Company's or its subsidiaries' liabilities, 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. (*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 and at present is the owner of one land lot located in Guerrero to be used to build hotel properties, and two land lots in Arcano. These projects are conditioned on obtaining financing.

Because the Company signed a lease contract, the Hotel Fiesta Americana Hacienda Galindo with 168 rooms was remodeled in stages in 2017. Likewise, a sale-purchase contract was signed subject to diverse conditions that must take place no later than December 2019, formalized and paid in 2020. The price is a multiple of 10.06 times EBIDTA of the hotel during the 2019 corporate year minus investments and rents. A present the Company manages said hotel pursuant to operating contract.

The Company agreed to the sale and subsequent lease of the hotel Fiesta Americana Condesa Cancun to Fibra Hotel in 2017 subject to condition precedents. In February 2018, the Company informed that the conditions precedent had been satisfied so the sale-purchase contract became effective. Therefore, the lease contract entered into force for a total 15-year term.

In April 2018 the Company signed a sale contract for the "Ramada Plaza" hotel located in Laredo, Texas, U.S.A. The price agreed on for the operation was US$2.5 million was received between the months of April and June 2018.

As part of its Caribbean expansion plan, the Company signed a contract in 2017 to operate a hotel under the Fiesta Americana brand and another in 2019 to operate a hotel under the brand Live Aqua, both in Punta Cana, Dominican Republic for a 15-year term. The last 347 room hotel was opened on February 1, 2021

In 2017, the Company formalized its participation as investor and operator of a hotel project on the Riviera Maya, "Tulkal", and began construction in 2018. Two hotels will be built there: a Fiesta Americana with

515 rooms and a Live Aqua with 340 rooms, both to be operated by Grupo Posadas and their opening is planned for 2021.

In November 2018, we successfully opened the Live Aqua San Miguel de Allende, becoming the best hotel in the city. Likewise, the Live Aqua Beach Resort Cancun was completely renovated, completely changing the room concept, to a contemporary style, as well as all the hotel consumption centers.

During 2020, the Company opened 6 hotels, representing a total of 872 additional rooms in the modalities described below:

Hotel	Rooms	Contract
Grand Fiesta Americana Oaxaca	144	Managed
One Tuxtla Gutiérrez	126	Managed
Fiesta Inn Guadalajara Aeropuerto	115	Leased
Gamma Morelia Vista Bella	20	Franchise
Curamoria Náay Tulum	36	Franchise
Gamma Acapulco Copacabana	431	Managed
Total	**872**	

In the context of the COVID-19 pandemic, 8 hotels (7 managed and 1 leased) representing a 2,155-room total, are no longer part of the chain. Amongst these stand out the 2 hotels that the Company operated in the Republic of Cuba.

Regarding the remodeling investment plan, respect to remodeling investment plans for own and leased hotels and the Live Aqua Residence Club in Los Cabos to be allocated to our Vacation Product segment, please see section Vacation Products (Vacation Products) refer to section *1) General Information, b) Executive Summary* and section *2) The Company, History and Development* in this Annual Report.

xi) Judicial, Administrative or Arbitral Proceedings

Failure to pay interest on Senior Notes due in 2022 represents cause for acceleration of said liability. Currently, the company has breached some obligations related to of goods and service supply operations, leases and key money payments. Except for what is referred to below, as of the issuance date of this report, the Company has not been notified nor is it aware of a proceeding of accelerating the obligations under the aforementioned issuance, or any judicial proceeding to enforce said debts by the Company's creditors. As of this date, the Company is not undergoing suspension of payments, bankruptcy, insolvency, reorganization, or any other similar proceeding, and to the best of its knowledge, no such proceeding, or any other similar proceeding, has been initiated against it in Mexico or abroad.

To December 31, 2020, 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

Grupo Posadas and We Work Arbitration Proceedings: Due to a (pre-COVID) promotion and sale project for vacation club packages and prepaid vacations, Posadas recruited a group of promoters in Mexico City, which it decided to install in offices on Reforma 26 (historic downtown). The Company entered into a space use contract with the We Work company. Said contract was entered into for the rendering of services at a specific We Work location for an obligatory term and with an arbitration clause. Upon the outbreak of COVID, the city government restricted office use, except for those so-called essential activities. Given this circumstance, Posadas requested a services payment exemption for the months of office use prohibition and a consequent reduction in the term and monthly services contracted. Given We Work ‘s refusal, Posadas subjects to arbitration asking that non-payment of the monthly payments be comparable to force majeure. To the contrary, We Work denies Posadas 'claims and demands contractual termination due to Posadas' breach and payment of all amounts as liquidated damages. Once the arbitration proceedings were concluded, the arbitral award was issued in favor of Grupo Posadas deciding that We Work return the deposit delivered by Posadas and the belongings left in the offices which were contracted. To date, We Work may request clarification of the arbitration decision or attempt its nullification, since to date it has not returned the deposit nor the belongings which were awarded despite these being formally requested.

Federal Consumer Prosecutor's Office. Fines for breaches of the Law: Amongst the promotions launched by Posadas, there are a series of discount offers at current public rates which could be booked through the different company websites: Live Aqua, Fiesta Americana, Fiesta Inn, and other brands. Based on these promotions, the Federal Consumer Prosecutor's Office officially reviewed the promotions and offers and, in its opinion, these did not comply with the mandates of the Federal Consumer Protection Law determining that the rates were presented net of taxes prior to reservation of accommodation. For this non-compliance, 3 fines have been imposed on the Company; the first in the 2019 Hot Sale promotion for $ 1,900,000.00, however the Metropolitan division of the Consumer Court recently ruled annulled fine in a final ruling, but there are still two fines from 2020 under appeal, each for 1,672,002.65 pesos, these proceedings are currently in process.

Lawsuit of Turística Hotelera Cabos Siglo XXI: Derived from the of 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 of 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 alleged non-existence of the credit. is. Then, by an additional claim in the complaint, the plaintiffs centered their claim on proving 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 parties 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 obligate to pay the value of the executed shares.

POH guaranteed minimum profit payment requirement: Posadas is a Parks Operadora Hotelera (POH) Operator at the hotels: (i) Fiesta Inn Merida, (ii) Fiesta Inn Pachuca Gran Patio, (iii) One Chihuahua Fashion Mall, (iv) Fiesta Inn Aguascalientes Patio, (v) Fiesta Inn Chihuahua Fashion Mall, (vi) Fiesta Inn Plaza Central Aeropuerto, (vii) Fiesta Inn Tuxtla Fashion Mall, (viii) One Salina Cruz. Posadas is bound by a minimum monthly performance clause (Guaranteed Sum) for these hotels. Due to the Covid pandemic crisis, its effects and government orders restricting economic activities, these hotels have not achieved the minimum promised profit and on February 25, 2021, POH formally requested that Posadas pay the $3.6 million pesos of the Guaranteed Sum for the month of January 2021. Contrary to this request, the operating contracts foresee that Posadas is not obligated to cover the Guaranteed Sum to POH with respect to the months during which normal Hotel operation is hampered due to closing of facilities or suspension of operations for reasons beyond the control of the Operator, derived from acts of God or force majeure, or due to extraordinary repairs or additions, improvements or new projects at the Hotel or to the buildings and installations made by POH or instructed by it. Currently the Development Vice Presidency is negotiating this matter.

Formal Payment Request of Real Estate leases: Posadas leases the land, buildings, concessions and contents of the Grand Fiesta Americana Vallarta All Inclusive Adults Only hotel. On March 19, Posadas was formally requested to pay the January and February 2021 leases. Since civil legislation provides that, in the case of force majeure, such as government orders restricting business, the lease should be paid in proportion to the use of the leased asset as determined by experts. To date, Posadas is negotiating with the Lessor.

Key Money requirement: For the operating contracts of the Fiesta Americana and Live Aqua hotels in Tulkal (formerly Bahias de Chemuyil), Posadas agreed to pay a premium (Key Money) of $11,928,962.00 US dollars for 20 years of operation. This amount is payable at the beginning and completion stages of the hotel construction. Posadas owes a quarter of the key money corresponding to US$2,982,240.50 (two million nine hundred eighty-two thousand two hundred forty and fifty cents' US dollars) and on March 1, 2021 it was formally requested to pay the remaining amount. To date, the Development Vice Presidency of Posadas is negotiating payment of this debt.

LYSA Lawsuits: Licencias y Servicios Audiovisuales, S.A. de C.V. (LYSA), allegedly acquired temporary licenses from audiovisual image producers authorizing it to exclusively sublicense to businesses to publicly broadcast audiovisual content and registered this agreement with the Copyright Institute. This having been done, it has asked diverse businesses such as hotels and restaurants to enter into royalty payment agreements for the broadcasting of images on the screens and televisions of these businesses. Due to the lack of response or refusal to agree to the fee payments, LYSA, sued Posadas, as it did other hotel chains or hotels, for royalty payments from 4 hotels for the broadcasting of audiovisual images on hotel rooms screens. These lawsuits were predictably ceased by LYSA because it could deem that they will not be successful. However, in a lawsuit against a hotel that is not part of the chain, the petitioner obtained a ruling from the First Division of the Supreme Court of Justice of the Nation in which it issued a binding legal precedent by which the hotels must pay royalties for images that are broadcast on hotel room screens. In addition to that, last year this group formed a collective management society called EGEDA (protected by the Federal Copyright Law), where it is authorized to collect royalties from its members. From this point, and based on the strength of the aforementioned precedent and that it is already a collective management entity and not a commercial company, EGEDA could begin to require any hotel in Mexico to claim royalties for broadcasts of movies, series and programs on the screens of the rooms, until the collection of fees from the hotel units is obtained.

Construction Voucher: On November 27, 2013, Inversora Inmobiliaria Club, S.A. de C.V. ("IIC"), then a subsidiary of Posadas, now merged into Posadas, bought from Cabi Conjuntos Residenciales, S.A. de C.V. ("Cabi") a piece of land in Acapulco Diamante. The land sellers had the right that the company denominated Isla Residencial, S.A. de C.V., ("Isla") build works for 60 million pesos, including value added tax, on the land. Thus, Cabi transferred to IIC at discounted value the right to enforce execution of construction from Isla. Last year, the Isla director and shareholder died, therefore the potential risk of executing the work has increased. To date, Posadas has sought to exercise its right to execution of the work through channels other than judicial.

Employment Proceedings

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

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.

As we have referred in other statements, in 2017, Posadas, and other material defendants were sued in an employment proceeding by two unions of *Compañia Mexicana de Aviacion.* The company has presented its defense and the procedural status of this proceedings has not significantly progressed.

The Chemuyil Trust, an entity in which the Company has a minority 12.5% investment, faces different legal proceedings filed by third parties who allege that their right and different environmental protection provisions have been violated. According to the verbal information shared by the personnel responsible for controlling and supervising said proceedings, the proceedings continue, and no final ruling has been issued that may be construed as devaluing the investment. Moreover, the claimants or the authority, *ex officio*, may request the exercise of criminal actions that they consider appropriate.

Since judicial and administrative proceedings do not depend on the Company, the latter cannot with certainty assure or affirm regarding the outcome of said proceedings, their period of resolution and, in the applicable case, the possible loss that an adverse resolution may bring to the Company and its operations.

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, 2020, 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	2020	2019	2018
	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, 2020, 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 April 19, 2020 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, 2020.

Hereinbelow, are listed the events which occurred during the last corporate years:

I. The Extraordinary and Ordinary Shareholders Meeting dated August 31, 2017 resolved to modify the fifth clause of the Corporate Bylaws, approved the sale and lease of the hotel Fiesta Americana Condesa Cancun and merge into Grupo Posadas 6 merged corporations: Posadas de Latinoamerica, S.A. de C.V., Desarrollos Inmobiliarios Posadas, S.A. de C.V., Servicios Administrativos Posadas, S.A. de C.V., Administracion Digital Conectum, S.A. de C.V., Porto Ixtapa, S.A. de C.V., and Solosol Tours, S.A. de C.V.

II. The Extraordinary and Ordinary Shareholders Meeting dated April 12, 2018 resolved the merger of Servicios Gerenciales Posadas, S.A. de C.V., with and into Grupo Posadas, S.A.B. de C.V., disappearing the first corporation in the capacity of merged company and the last surviving in its capacity as merger company. As a result of the merger, the corporate capital of Grupo Posadas, S.A.B. de C.V. will remain unaltered with no transactions. Likewise, the meeting approved the order to and payment of a cash dividend to the shareholders of $0.40 (forty cents) per share, therefore, the total dividend paid on April 24, 2018 amounted to $200 M.

III. In the General Extraordinary and Ordinary Shareholders' Meeting of the Issuer, held on March 29, 2019, approved that Inversora Inmobiliaria Club, S.A. de C.V. and Konexo Centro de Soluciones, S.A. de C.V. would merge with and into Grupo Posadas, S.A.B. de C.V., the first two disappearing as merged corporations and the last company surviving as the merger corporation. Said merger became effective on October 3, 2019.

IV. 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.

V. 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.

xiii) Dividends

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

The Extraordinary and Ordinary Annual General Shareholders Meeting of the Issuer dated April 12, 2018, approved the declaration and payment of a cash dividend to the shareholders of $0.40 (forty cents) per share, therefore, the total dividend payable on April 24, 2018, amounted to $198 M.

In the General Shareholders' Meeting held on March 29, 2019, June 25, 2020, and April 19, 2021, no distribution of dividends corresponding to the corporate years ending on December 31, 2018, 2019 and 2017, 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 credit agreement entered into on March 23, 2021, 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, its breach 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 the explanations provided by the Company's management contained in subsection 3 d) of this annual report.

Audited Financials (million pesos) As of December 31st:			
Financial Highlights	**2020 - IFRS**	**2019 - IFRS**	**2018 - IFRS**
Total Revenues	5,225.7	9,072.7	8,325.8
Corporate expenses	361.7	403.9	379.4
Depreciation, amortization and real estate leasing	980.5	931.8	937.1
Operating income	(1,000.4)	678.8	2,023.2
Comprehensive financing cost (income)	1,431.6	687.1	483.0
Taxes	(293.9)	66.3	592.0
Net Income	2,138.0	(67.4)	932.1
Majority net income	(2,118.7)	(79.9)	928.7
Balance Sheet Data (End of period)			
Current assets	3,764.3	5,285.8	5,846.0
Property and equipment, net	4,406.9	4,513.2	4,936.2
Total assets	19,244.1	20,695.5	17,170.3
Current liabilities	12,165.4	3,838.8	3,080.0
Long-term debt	135.1	7,371.3	7,785.8
Total liabilities	18,334.8	17,639.2	13,982.5
Stockholders' equity	909.2	3,056.4	3,187.8

Other Financial Data			
EBIT / Revenues	-19.1%	7.5%	24.3%
Net Income/Revenues	40.9%	(0.7%)	11.2%
EBITDA	-$231.4	$1,566.5	$2,425.3
EBITDA to Revenues	-4.4%	17.3%	29.1%
Total debt to EBITDA	-34.1	4.7 X	3.2 X
Current assets / Current liabilities	0.31 X	1.38 X	1.90 X
Total liabilities / Equity	20.17 X	0.01 X	4.39 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)	2020-IFRS		2019-IFRS		2018-IFRS	
	Revenues	%	Revenues	%	Revenues	%
Owned and Leased Hotels	1,494.4	28.6%	3,735.2	41.2%	3,403.8	43.0%
Management	546.8	10.5%	1,158.9	14.7%	1,177.2	14.9%
Vacation Properties	3,070.3	58.8%	3,995.8	50.5%	3,148.7	39.8%
Other Businesses	114.3	2.2%	182.7	2.0%	180.7	2.3%
Other Revenues	0.0	0.0%	0.0	0.0%	0.0	0.0%
TOTAL	**5,225.7**	**100%**	**9,072.7**	**100%**	**7,910.4**	**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.

As of December 31, 2020, and to the date of this Report, the Company was in breach of interest payments due on June 30, 2020, and December 30, 2020 derived from the 7.785% Senior Notes due in 2022, and current with all capital and interest payments on all other loans contracted.

The 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 criterion 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:

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 *en banc* 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, which we submitted to review. A

$975.4 million guarantee was constituted due to the original tax liability which became unenforceable because of the final ruling and is in the process of being cancelled.

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 tax 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 SAT on the following agreed 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 that this report is issued, the Issuer has made in March the corresponding annual payment, including the Eighth annual payment.
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. Confirmed by the Decentralized Collection Administration of the Federal District “1”, by issuing an approval resolution.

III. During the course of 2016, the SAT audits to determine correct compliance by the Company of its tax obligations for tax years 2007, 2008 and 2009 were concluded. Resulting from said reviews, the tax authority formulated observations regarding alleged income tax payment omissions payable by the Company. These derived from the purchase and subsequent amortization of intellectual property (trademarks and other patents) purchased in the 2006 tax year from the Issuer’s subsidiary (Posadas Venture, B.V.) domiciled in The Netherlands. Similarly, the SAT formulated observations regarding the alleged omission of the corresponding tax payment, specifically the 2007 tax year. This (in the SAT’s opinion) due to the mistaken allocation of the purchase price of diverse real properties conveyed separating the right to use from the remaining bare ownership rights.

The 2007 tax year SAT audit, determined payable by the Company an Income Tax liability, updates, late charges and fine for a total amount of $1,026 M. Therefore, dated March 22, 2017, a revocation remedy against said determination was filed and which was ruled in favor of the Company. Thus, the liability was cancelled.

Furthermore, the SAT 2008 tax year audit determined payable by the Company a fine in the amount of $16.4 M. Likewise, dated March 13, 2017, a revocation remedy against said determination was filed and which was ruled in favor of the Company. Thus, the liability was cancelled.

Finally, the SAT audit corresponding to the 2009 tax year, determined payable by the Company a tax liability under the concept of Income Tax, updates, late charges and fine in the amount of $98.1 M. Therefore, on March 2, 2017, a revocation remedy against said determination was filed and which was ruled in favor of the Company. Thus, the liability was cancelled.

In the month of April 2017, the Company made the corrections related to tax years 2007, 2008 and 2009, only paying the surcharges for the entries which were the subject of observations. Accordingly, the Company presented an authorization request to obtain a favorable ruling from the SAT to benefit from article 70-A of the Federal Tax Code (surcharges at the extension rate and elimination of fines).

For tax years 2010 and 2013, official letters closing the audits were obtained. As to tax years 2007, 2008 and 2009, the Company was notified of official letters ruling revocation of the tax liabilities determined, for the purpose of issuing new official letters acknowledging liquidation of the surcharges for those entries which were the subject of observations, due to corrections made by the Company for these tax years.

On December 9, 2016, the Central Auditing Administration for the Financial Sector of the General Large Taxpayers Administration under the Tax Administration Service remitted to the company official letter number 900-02-00-00-00-2016-80249 dated December 5, 2016, requesting diverse documentation and information. This in order to verify the Company's tax situation regarding the tax year January 1 to December 31, 2011.

Derived from diverse meetings with tax authorities and based on the provisions of the eighth paragraph of article 76 of the Federal Tax Code, the company could have been fined because it declared a tax loss greater than that incurred. Said fine would be between 30% and 40% of the difference resulting from the stated loss and the real loss. However, on March 23, 2018, the company presented written document requesting the benefit of article 70-A of the Federal Tax Code in order to obtain a pardon of 100% of the $30 million peso fine for having stated a tax loss greater than the actual loss. This pardon was granted at 100% through official letter notified April 13, 2018. The Company was notified of the audit closing official letter without observations on May 3, 2018.

VI. On March 11, 2021, the Company filed a revocation remedy against the tax credit determined by the Quintana Roo Tax Administration Service for the total amount of $ 9.5 for alleged omissions of payroll tax payments. This is pending resolution, therefore as of the date of this Annual Report, it is not possible to forecast a result for the Company.

VII. 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 Promoción Inmobiliaria Hotelera of the trades through which requests various documentation and information related to the 2014 tax year.

On March 17, 2021, the Company and its subsidiaries Controladora de Actions Posadas and Promoción Inmobiliaria Hotelera were notified by official letters of the audit closing without observations.

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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	2020		2019		Var %
(Million pesos)	IFRS 16	%	$	%	
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 Cancún 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 Holguín Costa Verde, Holiday Inn Mérida, 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 2019period.

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.

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”.

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

i) Operating Results

2019 - 2018

Corporate year ending December 31, 2019
Compared with corporate year ending December 31, 2018
Information according to International Financial Reporting Standards (IFRS)

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

	2019	2018
Continuing operations:		
Revenue	$ 9,072,708	$ 8,325,848
Cost of sales	6,184,045	5,393,149
Gross profit	2,888,663	2,932,699
Administrative expenses	1,063,209	1,151,869
Sale and development expenses	252,013	211,992
Depreciation, amortization, and leasing,	925,599	917,575
Rent discounts	-	-
Impairment of assets and technology platforms	6,200	19,498
Other revenue, net	(37,170)	(1,391,474)
Interest expense	1,004,038	653,537
Interest income	(95,412)	(172,765)
Commissions and financial expenses	90,623	83,516
Exchange (gain) loss, net	(312,140)	(81,335)
Equity in associate	-	(15,000)
	2,896,960	1,377,413
(Loss) income before income tax	(8,297)	1,555,286
Income tax expense	66,304	591,985
(Loss) income from continuing operations	(74,601)	963,301
Discontinued operations		
Income (loss) from discontinued operations	7,191	(31,202)
Consolidated (loss) income for the year	(67,410)	932,099
Other comprehensive income (loss)		
Loss on exchange differences from translating foreign operations, which will be reclassified subsequently to profit or loss	(2,162)	(2,478)
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to profit or loss, - net of income tax	(61,867)	34,417
	(64,029)	31,939
Consolidated comprehensive (loss) income for the year	$ (131,439)	$ 964,038

(Continued)

		2019		2018
Consolidated (loss) income for the year attributable to:				
Controlling interest	$	(79,859)	$	928,724
Non-controlling interest		12,449		3,375
Consolidated (loss) income for the year	$	(67,410)	$	932,099
Consolidated comprehensive (loss) income for the year attributable to:				
Controlling interest	$	(143,888)	$	960,663
Non-controlling interest		12,449		3,375
Consolidated comprehensive (loss) income for the year	$	(131,439)	$	964,038
Earnings (loss) per share:				
From continuing and discontinued operations - Basic and diluted (loss) earnings per common share (in pesos)	$	(0.16)	$	1.87
From continuing operations - Basic and diluted (loss) earnings per common share (in pesos)	$	(0.29)	$	1.94
Weighted average number of shares		495,881,988		495,881,988

(Concluded)

In this context, at the end of 2019, the following material events 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)	2019				2018		Var %
	IFRS 16	Leases	BAU	%	$	%	
Total Revenues	9,072.7		9,072.7	100.0	8,325.8	100.0	9.0
Owned and Leased Hotels							
Revenues	3,735.2		3,735.2	100.0	3,403.8	100.0	9.7
Direct Cost	2,778.5	672.7	3,451.2	92.4	2,903.5	85.3	18.9
Contribution	956.8	(672.7)	284.1	7.6	500.4	14.7	(43.2)
Management							
Revenues	1,158.9		1,158.9	100.0	1,177.2	100.0	(1.5)
Direct Cost	849.7	3.1	852.8	73.6	786.8	66.8	8.4
Contribution	309.3	(3.1)	306.2	26.4	390.4	33.2	(21.6)
Vacation Properties							
Revenues	3,995.8		3,995.8	100.0	3,564.2	100.0	12.1
Direct Cost	3,083.8	3.6	3,087.4	77.3	2,634.6	73.9	17.2
Contribution	912.0	(3.6)	908.4	22.7	929.5	26.1	(2.3)
Other Businesses							
Revenues	182.7		182.7	100.0	180.7	100.0	1.1
Direct Cost	413.6	2.7	416.3	227.8	386.3	213.8	7.8
Contribution	(230.9)	(2.7)	(233.6)	(127.8)	(205.6)	(113.8)	13.6
Corporate expenses	403.9	28.6	432.5	4.8	379.4	4.6	14.0
Depreciation / Amort. & Leases	887.7	501.1	386.6	4.3	402.1	4.8	(3.9)
Impairment of assets	0.0		0.0	0.0	0.0	0.0	Na
Other (revenues) and expenses	(23.3)		(23.3)	(0.3)	(1,190.1)	(14.3)	(98.0)
Other revenues	0.0		0.0	0.0	0.0	0.0	Na
Operating Profit	**678.8**	**(209.6)**	**469.2**	**5.2**	**2,023.2**	**24.3**	**(76.8)**
EBITDA (excludes FACC)			**855.8**	**9.4**	**1,272.4**	**15.3**	**(32.7)**
EBITDA	**1,566.5**	**710.7**	**855.8**	**9.4**	**2,425.3**	**29.1**	**(64.7)**

Note: The 2019 Annual Report numbers of the Company were reclassified in some items in relation to previous years' Annual Reports and audited Financial Statements. Likewise, items based on the new IFRS 16 on leases and the sale of the Fiesta Americana Condesa Cancún were added. However, these differences do not represent an interpretation risk to users of the information.

2019 - 2018 Total Revenues

The Company's total revenues grew 9.0% from $ 8,325.8 M in 2018 to $ 9,072.7 M in 2019. All business segments presented growth as compared to the previous year, except for the Management segment.

In 2019 several unexpected events happened, it is worth mentioning that we had expected the 2018 trend would continue, but various domestic and foreign situations such as the cancellation of the New Mexico City airport (NAIM) began to change the outlook for 2019 that explain the lower generation of EBITDA, AA, which we describe below:

I. The austerity policies of the new federal and Mexico City governments led to a slowdown in the trend of government reservations, groups and conventions.

II. The federal government suspended the Mexico Tourism Promotion Council (CPTM, due to its initials in Spanish) fund, thus limiting the advertising of "Mexico" as a brand abroad, which may partially explain a smaller inflow of inbound tourists traveling to Mexico.

III. In the effort to combat crime related to fuel theft ("Huachicol"), certain shortages occurred in early 2019 that caused a relative immobilization of operations in certain areas of the country. This situation had the effect of very low occupancies factors of 34% of Posadas' room inventory mainly in the central area of Mexico.

IV. Incorporation of two leased hotels that have needed more time to reach stable occupancies, the Grand Fiesta Americana Puerto Vallarta and Fiesta Inn Puebla hotels.

V. Impact of strong sargassum season in Quintana Roo from May to August 2019, causing competitor discounts of up to 20% and shifting traffic to other destinations.

VI. Three other recently opened hotels with lower performance than expected:

- The Live Aqua Cancun hotel (341 rooms) was remodeled expecting to increase rates by 20%, however, limited demand caused that this expectation has not been met. Even though the monthly lease payment after being remodeled increased, since 50% of the $450 million peso remodeling was carried out by the lessors of this hotel.
- Live Aqua San Miguel Allende (150 rooms), a "high-end" hotel that has needed more time to achieve stable rates and occupancies.
- Fiesta Americana Satelite, a new recently opened hotel that has not provided the initial performance expected.

2019 – 2018 Owned and Leased Hotels

Owned and Leased Hotels (Accumulated)	Total		Urban		Coastal	
	2019	% Var.	2019	% Var.	2019	% Var.
Average rooms available	5,199	11.9	3,723	4.5	1,476	36.3
ADR	1,740	(1.8)	1,561	(0.7)	2,177	(9.8)
Occupancy (Var. in pp)	72%	(3.1)	72%	(3.3)	74%	(3.0)
RevPar	1,258	(5.9)	1,118	(5.1)	1,610	(13.3)

2019 recorded 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 owned and leased hotels that the Company runs. The 9.7% increase in revenues from Owned and Leased Hotels of $3,735.2 M in 2019 versus $3,403.8 M in 2018 is mainly attributed to adding three leased hotels: Grand Fiesta Americana Puerto Vallarta, Fiesta Inn Puebla and Fiesta Inn Express Puebla Explanada. From an operational point of view, it is attributed to the fact that urban hotels had a decrease in the average rate of 0.7% and an effective rate of 5.1%, decreasing from $1,174 in 2018 to $ 1,118 in 2019. This, accompanied with an increase of 4.5% in the number of average rooms available.

Beach hotels operated 36.3% more rooms due to the rooms that were under renovation at the Live Aqua Beach Resort Cancun hotel and the Grand Fiesta Americana Puerto Vallarta hotel that the previous year was under a management contract. Also, beach hotels suffered a decrease in the average rate of 9.8% with a decrease in occupancy of 3.0 pp. All of the above resulted in an effective rate of 13.3% lower in comparison to the previous year, due in part to the decrease in the flow of tourists to beach destinations, mainly from the United States, as a result of US government alerts and the lack of advertisement abroad that was previously done with the funds of the Tourism Promotion Council of Mexico (CPTM, due to its initials in English).

The Departmental Costs of the hotels owned and leased by the Company consist of the salaries related to the room staff. In addition, they include leases, food and beverage costs, as well as other expenses, such as travel agency fees, reservation fees, and room amenities and laundry services. Departmental costs and expenses are equivalent to $3,451.2 million for 2019, representing an 18.9% increase compared to $2,903.5 million for the same period in 2018. The Departmental result (income less costs and departmental expenses) was $284.1 million for 2019, representing a decrease of 43.2% compared to $500.4 million for the comparable period of 2018.

General Expenses related to the Company's owned and leased hotels consist of administrative expenses, as well as sales and marketing, maintenance and energy expenses, property taxes, payment of insurance premiums, payments of auditors' fees and legal advisers. In sum, these expenses decreased by 7.7%, to $1,063.2 million during 2019 compared to $1,151.9 million during 2018. This decrease was attributed to the double-digit decrease in office leasing and a marginal decrease in insurance and bonds.

2019 - 2018 Management

The management business encompasses hotel administration services, brand license and franchising, as well as those of the loyalty program and call center corresponding to the hotels operated by Posadas.

Due to the adoption of IFRS, intercompany operations, such as: management fees recorded as expenses in the owned and leased hotels segment that subsequently recorded as revenue for the hotel management segment, are eliminated.

Revenue in 2019 decreased 1.5% compared to 2018, obtaining $1,158.9 million in 2019, compared to $ 1,177.2 million in 2018.

The direct costs and corporate expenses related to the category of Hotel Management, Brands and Others mainly include corporate sales costs and expenses, as well as hotel operations. These costs and expenses increased 8.4% to $852.8 million compared to the same period in 2018 in which they represented $786.8 million. For more detail on the eliminations, please see note 24, Business Segment Information, of the audited consolidated Financial Statements.

Management	Total		Urban		Coastal	
(Accumulated)	2019	% Var.	2019	% Var.	2019	% Var.
Average rooms available	24,594	5.2	22,079	5.3	2,515	3.9
ADR	1,370	(0.4)	1,242	1.0	2,398	(5.8)
Occupancy (Var. in pp)	65%	(1.5)	64%	(1.6)	71%	(0.7)
RevPar	888	(2.6)	797	(1.4)	1,693	(6.7)

System-wide in 2019, including owned, leased, managed, and franchised hotels, an increase in average rooms of 5.2% and a decrease in the average daily rate of 0.4% were observed. There was an occupancy decrease of 1.5 pp resulting in an effective rate decrease of 2.6%. The table above details the operating results for urban and beach hotels, respectively.

The following operating information takes into consideration the performance of all hotels operated in Mexico “same hotels” (hotels operating during the last 24 months):

Management	Total		Urban		Coastal	
(Accumulated)	2019	% Var.	2019	% Var.	2019	% Var.
Average rooms available	21,756	0.5	19,685	0.1	2,071	4.8
ADR	1,378	(0.8)	1,240	(0.2)	2,592	(6.1)
Occupancy (Var. in pp)	67%	(0.9)	66%	(1.0)	72%	0.2
RevPar	922	(2.0)	823	(1.6)	1,862	(5.9)

In comparison with the preceding year:

For urban hotels, system-wide, we observed that the number of average rooms operated presented a 0.5% increase with a decrease in both the average rate and occupancy of 0.8% and 0.9 pp, respectively, to reach a lower effective rate of 2.0%. On the other hand, beach hotels presented a 4.8% decrease in average rooms. The average rate decreased by 6.1% with a higher occupancy of 0.2 pp, yielding a lower effective rate of 5.9%.

During 2019, the Company began operating 14 new hotels, stopped operating 5 (One Reynosa Valle Alto, One Celaya, Fiesta Inn Celaya, One Irapuato, and Gamma Torreon). Two conversions were made: Fiesta Americana Veracruz to Gran Fiesta Americana Veracruz and Grand Fiesta Americana Vallarta changed from a management contract to a leasing contract. For more details see section: *1) General Information, b) Executive Summary.*

2019 - 2018 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").

The revenue from vacation products increased from $3,564.2 million in 2018, to $3,995.8 million in the 2019 comparable period, representing an 12.1% increase. Growth defined the vacation properties business, to December 31, 2019, it closed with more than 79,000 members and travelers. Of these 31,525 are FAVC members, 1,123 LARC members and 45,406 members including the new KIVAC Travel Suite product and 1,507 Fiesta Americana Vacation Club Access program members. (previously "Re_Set").

It is worth mentioning that Food and Beverage revenues grew 8.3%.

The expenses of Vacation Products mainly include sales, financing, administration, marketing, collection, payroll including energy and insurance, hotel exchanges and operating expenses of our destinations. These costs increased 17.2% to $3,087.4 million in comparison to $2,634.6 million for the same period in 2018.

On the other hand, the IFRS contribution margin decreased 2.3% in comparison with the previous year at 22.7%, and the business margin was 8.1% lower than the previous year.

As of December 31, 2019, the vacation properties portfolio profile valued at $6,213 million, representing a 25% increase in comparison to the same period of the preceding year. Thus, revealing the soundness of the portfolio since 91.5% of the same is in the normal collection period of less than 90 days.

2019 - 2018 Other Businesses

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

2019 - 2018 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 diverse payments related to its financial, corporate human resources and technology departments, including those of the CEO´s office. Corporate expenses (according to the Business Segment Information Note 24 of the audited consolidated Financial Statements) in 2019 represented $432.5 million, which represented a 14.0% decrease in comparison with $379.4 million in the same period of 2018. Corporate expenses represented 4.8% of its total revenue in 2019, 0.2 pp greater than that of the previous year.

2019 – 2018 Depreciation, Amortization and Real Estate Property Leasing

Grupo Posadas had expenses for depreciation, amortization, and leasing of real estate for an amount equal to $931.8 million in 2019. This represented a marginal decrease compared to the $937.1 million that were expended for this concept in the comparable period of 2018.

2019 – 2018 Operating Results

The operating income of Grupo Posadas consolidates the income of its owned hotel and leased hotels, management, 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. It is important to note that in the line of Other (income) expenses, net, the profit from the sale of the Fiesta Americana Condesa Cancun hotel was recorded in 2018. Consequently, as a result of the foregoing, the profit from consolidated operations was $469.2 million for 2019 and $2,023.2 million for 2018.

2019 – 2018 Comprehensive Financial Result

Concept *(Million pesos)*	2019	2018
Interest Income	(95,412)	(172,765)
Accrued interest	645,357	653,537
Exchange (gain) loss, net	(224,266)	(81,335)
Accrued interest from lease payments	358,681	0
Exchange (gain) loss, from lease payments	(87,874)	0
Other financial costs (products)	75,613	71,616
Other financial expenses	15,010	11,899
Total CFC	**687,109**	**482,952**

The Company's comprehensive financial result was $687.1 million for 2019, an increase when compared to $ 482.9 million in 2018. Interest expenses decreased 1.3% to $645.3 million in 2019, compared to $653.5 million for the period comparable in 2018. The overall exchange gain of $312.1 million in 2019, compares favorably to the exchange gain of $81.3 million in 2018, since the Mexican peso appreciated 4.1% when compared to 2018.

At the end of 2019, the net interest coverage to EBITDA was 1.6 times, the important change with that reported the previous year was due to the fact that the profit obtained from the sale of the Fiesta Americana Condesa Cancun hotel is no longer considered. With the effect of IFRS 16 it is 1.7 times.

2019 – 2018 Revenue from discontinued operations, net income tax

The Company recorded taxes of $66.3 million in 2019 while the previous year was $592.0 million as a result of the sale of the Fiesta Americana Condesa Cancún hotel. This item is described in the opinion of the external auditors attached, Note 16 and in section 3) Financial Information, c) Relevant Credit Report.

2019 – 2018 Net Majority Result

According to the opinion of our auditors, our financial statements report a consolidated net loss of $79.9 million for 2019 and a profit of $928.7 million for 2018.

2019 – 2018 Financial Situation

The cash balance as of December 31, 2019 was $1,239.5 million (equivalent to US$65.7 million).

The Company’s total assets amount to $20,695.5 million (US$1,096.6 million).

The main uses of cash were, amongst others, capital expenses, interest payments corresponding to the “Senior Notes Due 2022” coupon, and taxes.

Total debt amounted to $7,397 (US$401 million) million net of issuance expenses, while net debt according to IFRS was $6,157 million (US$326 million). The ratio of Net Debt to EBITDA was 7.2 times and 6.6 times including IFRS 16-leases.

The Total Debt mix was as follows: almost 100% long-term, 98% in USD and 100% fixed rate. The average life was 2.5 years and only 2% of the was secured.

As of December 31, 2019, the corporate ratings were:

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

The rating for the notes “7.875% Senior Notes Due 2022” were: Moody´s: “B2”/ S&P: “B”/Fitch: “B RR4”.

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

i) Operating Results

2018 - 2017

Corporate year ending December 31, 2018
Compared with corporate year ending December 31, 2017
Information according to International Financial Reporting Standards (IFRS)

Consolidated Comprehensive Operating Results Statement
***For the years ending December 31,* 2018, and 2017**
(*In thousands of Mexican pesos*)

	2018	2017
Continuing operations:		
Revenue	$ 8,325,848	$ 8,471,990
Cost of sales	5,393,149	5,014,507
Gross profit	2,932,699	3,457,483
Administrative expenses	1,151,869	1,105,068
Sale and development expenses	211,992	272,308
Depreciation, amortization, real estate leasing,	937,073	906,225
Impairment of assets and technology platforms	(1,391,474)	(47,756)
Other revenue, net	653,537	641,173
Interest expense	(172,765)	(60,399)
Interest income	83,516	147,657
Commissions and financial expenses	(81,335)	(296,806)
Exchange (gain) loss, net	(15,000)	-
Equity in associate	1,377,413	2,667,470
	1,555,286	790,013
(Loss) income before income tax		
	591,985	1,262,607
Income tax expense	963,301	(472,594)
(Loss) income from continuing operations		
Discontinued operations	(31,202)	-
Income (loss) from discontinued operations	932,099	(472,594)
Consolidated (loss) income for the year		
	(2,478)	(3,195)
Other comprehensive income (loss)	49,167	(11,670)
Loss on exchange differences from translating foreign operations, which will be reclassified subsequently to profit or loss	(14,750)	3,501
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to profit or loss, - net of income tax	31,939	(11,364)
	$ 964,038	$ (483,958)

(Continued)

	2018	2017
Consolidated (loss) income for the year attributable to:		
Controlling interest	$ 928,724	$ (483,905)
Non-controlling interest	3,375	11,311
	$ 932,099	$ (472,594)
Consolidated (loss) income for the year		
Consolidated comprehensive (loss) income for the year attributable to:	$ 960,663	$ (495,269)
Controlling interest	3,375	11,311
Non-controlling interest	$ 964,038	$ (483,958)
Consolidated comprehensive (loss) income for the year		
Earnings (loss) per share:	$ 1.87	$ (0.98)
From continuing and discontinued operations -		
Basic and diluted (loss) earnings per common share (in pesos)	$ 1.94	$ (0.98)
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 2018, the following material events 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)	2018 $	2018 %	2017 $	2017 %	Var %
Total Revenues	8,325.8	100.0	7,830.0	100.0	6.3
Owned and Leased Hotels					
Revenues	3,403.8	100.0	3,617.2	100.0	(5.9)
Direct Cost	2,903.5	85.3	2,888.5	79.9	0.5
Contribution	500.4	14.7	728.7	20.1	(31.3)
Management					
Revenues	1,177.2	100.0	1,105.7	100.0	6.5
Direct Cost	786.8	66.8	703.5	63.6	11.8
Contribution	390.4	33.2	402.2	36.4	(2.9)
Vacation Properties					
Revenues	3,564.2	100.0	2,982.4	100.0	19.5
Direct Cost	2,634.6	73.9	2,100.2	70.4	25.4
Contribution	929.5	26.1	882.1	29.6	5.4
Other Businesses					
Revenues	180.7	100.0	124.7	100.0	45.0
Direct Cost	386.3	213.8	268.4	215.3	43.9
Contribution	(205.6)	(113.8)	(143.7)	(115.3)	43.1
Corporate expenses	379.4	4.8	440.0	5.6	(13.8)
Depreciation / Amort. & Leases	402.1	5.1	430.6	5.5	(6.6)
Impairment of assets	0.0	0.0	0.0	0.0	Na
Other (revenues) and expenses	(1,190.1)	(15.0)	(223.0)	(2.8)	433.7
Other revenues	0.0	0.0	0.0	0.0	Na
EBIT	**2,023.2**	**25.6**	**1,221.6**	**15.6**	**65.6**
EBITDA	**2,425.3**	**30.7**	**1,652.3**	**21.1**	**46.8**

2018 – 2017 Total Revenue

The Company’s total revenue increased by 1.0%from $7,830.0 M in 2017 to $7,910.4 M in 2018, the numbers were adjusted due to the sale of the Hotel Fiesta Americana Condesa Cancun for comparison purpose with the preceding year. All business segments showed growth in comparison with the previous year, excepting Owned and Leased Hotels.

2018 – 2017 Owned and Leased Hotels

Owned and Leased Hotels (Accumulated)	Total 2018	Total % Var.	Urban 2018	Urban % Var.	Coastal 2018	Coastal % Var.
Average rooms available	4,646	(0.9)	3,562	0.7	1,083	(5.7)
ADR	1,773	1.5	1,573	2.9	2,413	0.8
Occupancy (Var. in pp)	75%	(0.8)	75%	(0.6)	77%	(1.2)
RevPar	1,337	0.5	1,178	2.0	1,858	(0.7)

2018 was characterized by an operating performance similar to that of the preceding year, propelled by a 1.5% available average rate.

Owned hotels include revenues, costs and expenses derived from the operation of the owned and leased hotels operated by the Company. The 5.9% revenue decrease in Owned and Leased Hotels from

$3,617.2 million in 2017 to $3,403.8 M in 2018 is mainly attributed to the sale and subsequent administration of the hotel Fiesta Americana Condesa Cancun. From the operative viewpoint: Urban hotels with a sustained average rate growth of 2.9% and an effective rate of 2.0%, resulting from a better effective rate of 2.0% that was $1,174 in 2018 and $1,144 in 2017 and a 0.7% increase in the average number of available rooms.

Beach hotels operated 5.7% less rooms due to the Fiesta Americana Condesa Cancun and Live Aqua Cancun Beach Resort remodeling. On the other hand, said hotels had a 0.8% marginal increase in average rate with an occupancy decrease of 1.2 pp. The foregoing resulted in a lower effective rate of 0.7% in comparison with that of the previous year due in part to a tourist flow decrease to beach destinations, principally coming from the United States resulting from the alerts issued by the United States government.

Departmental costs of owned and leased hotels by the Company consist of salaries related to room housekeeping personnel. In addition, it includes costs for food and beverages, as well as other expenses, such as commissions to agencies, reservation fees and room amenities and laundry services. Departmental costs and expenses equal $2,903.5 million for 2018, representing a 0.5% increase in comparison with $2,888.5 million for the same period in 2017. The Departmental result (revenue minus departmental costs and expenses) was $500.4 million for 2018, thus representing a 31.3% decrease in comparison with $728.7 million for the comparable 2017 period.

General Expenses related to the Company's owned and leased hotels consist of administrative expenses, as well as sale, promotion, and publicity expenses, in addition to maintenance and energy costs, real property tax, insurance premium payments, auditors' and legal advisor fees. In sum, these expenses increased by 4.2% to $ 1,151.9 million for 2018 in comparison with $1,105.1 million for the 2017 comparable period. This increase was attributed to the double-digit increase in office rental, insurance, and bonds, although it should be emphasized that maintenance and energy categories had a 10% decrease.

2018 – 2017 Management

The Management business includes hotel administration, brand licensing and franchising services 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 were registered as expenses in owned and leased hotels, and subsequently became income for the hotel administration segment.

2018 revenue increased 6.5% in comparison to 2017, obtaining $1,177.2 million in 2018 in comparison with $1,105.7 million in 2017.

Direct costs and corporate expenses related to Grupo Posadas Hotel Management, Brands and Others business line include, principally costs and expenses of its corporate sales, as well as hotel operations. These costs and expenses increased 11.8% to $786.8 million in comparison with the same period for 2017, in which they represented $703.5 million. For greater detail regarding eliminations, please consult note 24, on Business Segments Information from the audited consolidated Financial Statements.

Management	Total		Urban		Coastal	
(Accumulated)	2018	% Var.	2018	% Var.	2018	% Var.
Average rooms available	23,384	5.2	20,964	6.2	2,420	(2.7)
ADR	1,376	1.7	1,229	3.7	2,546	(0.6)
Occupancy (Var. in pp)	66%	(1.2)	66%	(1.1)	71%	(2.1)
RevPar	912	(0.2)	808	2.0	1,815	(3.5)

At the system level in 2018, including owned, leased, managed, and franchised hotels, an increase was observed in room average of 5.2% and average rate of 1.7%, respectively. However, an occupancy decrease of 2 pp was recorded, resulting in a marginal decrease in the effective rate of 0.2%. In the preceding table, there are detailed the operating results for the city and beach hotels, respectively.

The following operating information takes into consideration the performance of all hotels operated in Mexico "same hotels" (hotels operating during the last 24 months):

Management (Accumulated)	Total		Urban		Coastal	
	2018	% Var.	2018	% Var.	2018	% Var.
Average rooms available	21,418	(0.0)	18,998	0.3	2,420	(2.7)
ADR	1,401	2.7	1,248	4.5	2,546	(0.6)
Occupancy (Var. in pp)	68%	(0.3)	68%	(0.1)	71%	(2.1)
RevPar	956	2.3	847	4.4	1,815	(3.5)

In comparison with the preceding year.

For urban hotels, at the system level it was noted that the average number of rooms managed presented an increase of 0.3%, with a 4.5% average rate improvement, maintaining occupancy to attain an effective rate of 4.4%. Beach hotels presented a decrease of 2.7% in the average rooms. The average rate descended to 0.6% with an occupancy lower than 2.1 pp, thus the effective rate decreased to 3.5%.

During 2018, the Company began operating 16 new hotels, stopped operating 2 (Fiesta Inn Loft Irapuato, Gamma Chapala) and sold its hotel in Laredo, Texas. For more details see section: *1) General Information, b) Executive Summary.*

2018 – 2017 Vacation Properties (Vacation Properties and Vacation Plans)

This segment mainly includes the income derived from the sale of vacation properties: Fiesta Americana Vacation Club (FAVC), Live Aqua Residence Club (LARC) and vacation plans (KIVAC and Re_Set).

The income from the Vacation Products increased from $2,982.4 million in 2017, to $3,148.7 million in the 2018 comparable period, representing 5.6%. Growth defined the vacation properties business; to December 31, 2018, it closed with more than 34,000 members and travelers, of these 29,900 FAVC members, 872 LARC members and 42,700 KIVAC and Re_Set 652 program members.

It is worth mentioning that the Food and Beverage area grew 12%.

Expenses for the Vacation Products include, principally: expenses related to sales, financing, administration, and operating expenses of our destinations. These costs increased 5.7% to $2,219.2 million in comparison to $2,100.2 million for the same period in 2017.

On the other hand, the IFRS contribution margin remained at the same level as the previous year at 29.5%, and the business margin of 0.6 pp was less than the previous year.

To December 31, 2018, the portfolio profile of vacation products, valued at approximately US$5,000 million, reveals the soundness of the portfolio since 91.5% of the same is within the normal collection period of less than 90 days.

2018 – 2017 Other Businesses

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

2018 – 2017 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 diverse payments related to its financial, corporate human resources and technology departments, as well as those of the Office of the General Director. Corporate expenses (according to the Segment Note) in 2018 represented $379.4 million, which was a 13.8% decrease in comparison with the $440 million that this category represented for the same period in 2017. The percentage of the Company revenues, corporate expenses represented 4.8% of its total income in 2018, 0.8 pp less than that of the previous year.

2018 – 2017 Depreciation, Amortization and Real Property Leasing and Wear and Tear

Grupo Posadas had depreciation, amortization, and leasing expenses from real property for an amount equal to $937,073 million in 2018. This represented an increase of 3.4 in comparison to $906.2 million expended for this concept in the comparable 2017 period. The increase was principally due to an 12.5% increase in the cost of hotel leases resulting from the inclusion of the hotel Fiesta Inn Aeropuerto.

2018 – 2017 Operating Results

The operating results for Grupo Posadas consolidate the revenues from its lines of own hotels, administration of hotels, brands and others, Vacation Properties and other business lines and deducts its corporate expenses and expenses due to depreciation, amortization, leasing of real property and deterioration of assets. It is important to point out, that under the heading of Other (Revenue) Expenses, Net there was entered the yield from the sale of the hotel Fiesta Americana Condesa Cancun.

Consequently, because of the preceding, its consolidated operating profit was $2,023.2 million for 2018 and of $1,221.6 million reported in 2016.

2018 – 2017 Comprehensive Financial Result

Concept (*Thousands of pesos)*	**2018**	**2017**
Interest gained	(172,765)	(60,399)
Interest paid	653,537	641,173
Exchange rate (gain) loss	(81,335)	(296,806)
Commissions and financial	83,516	147,657
Total	**482,952**	**431,625**

In 2018 the global financial result of the Company was $482.9 million, an increase when compared with $431.6 million for 2017. Interest expenses grew by 1.9% to $653.5 million in 2018, in comparison to $641.2 million for the 2017 comparable period. Currency exchange effects related to Posadas' operations translated into a profit of $81.3 million in 2018, in comparison with the 2017 currency exchange profit of $296.8 million, since the Mexican peso stayed at a similar level as 2017, exchange rate at the end of the period minus exchange rate at the beginning of the period.

To close of 2018, the net interest hedge to EBITDA was 5.0 times, the important change as regards the prior year was due to the proceeds obtained from the sale of the Fiesta Americana Condesa Cancun.

2018 – 2017 Revenue from discontinued operations, net income tax

On the other hand, as a consequence of the agreement with Mexican tax authorities (SAT) in April 2017, in relation to and the extinction of benefits under the SIBRAS rules, the Company registered a $592.0 million tax in 2018 while in the previous year, the tax amount was $1,262.6 million. This item was affected by the material event described in section h of the external audit Report attached and in 3) *Financial Information*, c) *Material Credit Information.*

2018 – 2017 Majority Net Result

Our financial statements report a consolidated net profit of $928.7 million for 2018, and a loss of $483.9 million for 2017.

2018 – 2017 Financial Situation

The cash balance to December 31, 2018, was $2,734 million (equal to US$139 million).

The Company's total assets to December 31, 2018, amount to $17,170.3 million (US$872.3 million).

The principal entries which used cash were, amongst others, capital expenses, and interest payments corresponding to the "Senior Notes 2022" coupon and taxes.

To 2018 closing, the total debt amounted to $7,809 (US$397 million) million net of issuance expenses, while the net debt according to IFRS was $5,075 million (US$258 million). The ratio of Net Debt to EBITDA was 2.1 times, which includes the proceeds of the sale of the Fiesta Americana Condesa Cancun and therefore is much less to that reported to December 31, 2017, of 3.7 times.

The Total Debt mix at close of 2018 was the following: almost 100% long-term, 98% in USD and 100% at fixed rate. The average debt life was 3.6 years and only 3% of the debt was guaranteed with real property assets.

To December 31, 2018, the corporate ratings were:

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

The rating for notes issue “7.875% Senior Notes 2022” are: Moody´s: “B2”/S&P: “B+”/Fitch: “B+ RR3”.

ii) Financial Situation, Liquidity and Capital Markets

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

For some years, the Company 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 obligation. Moreover, in certain hotels such as Live Aqua Cancun, Fiesta Americana Condesa Cancun and Grand Fiesta Americana Chapultepec, it has undertaken investment commitments for the remodeling and adaptation of the real property, its installations and equipment, furnishings and operating equipment. Resulting from these operations, throughout the last 3 years we have been able to invest more than $1,500 million pesos in the maintenance and remodeling of our hotels (principally Live Aqua Cancun Beach Resort, Fiesta Americana Condesa Cancun, Fiesta Americana Guadalajara, and Fiesta Americana Merida), distribution channel technology, as well as in the technological infrastructure of Grupo Posadas.

Usually, the source of the Company's operating expenses was internal income, however, the effects of the Covid 19 pandemic limited the capacity to generate income and the liquidity necessary to do so. Therefore, the use of resources during the 2020 corporate year are reflected in the cash balance of January 1, 2020 to December 31, 2020, decreasing from $1,239.5 million to $501.7 million.

To December 31, 2020, 2019 and 2018, financial debt was integrated as follows (interest rates in force to December 31, 2020 – 2018, respectively):

USD (Thousands)	2020	2019	2018
"Senior Notes 2022" fixed interest rate 7.875%	7,727,116	7,233,874	7,620,602
MXN (Thousands)			
Loan at annual rate 9.175%	156,539	163,178	188,768
	7,883,655	**7,397,052**	**7,809,370**
Minus			
Long-term maturities	(7,748,597)	(25,766)	(23,531)
Long-term debt	**135,058**	**7,371,286**	**7,785,839**

To December 31, 2020, 100% of the Company’s debt was at a fixed rate. Its nominal weighted interest rate with tax withheld at the close of 2020 was 8.28% in US Dollars.

The long-term debt maturity dates to December 31, 2020, are as follows:

To pay during	Thousands of Mexican pesos
2022	30,895
2023	33,830
2024 and therefore	72,882
Equivalent in thousands of Mexican pesos	137,607
Less - debt issuance costs	(2,549)
	$ 135,058

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

Long-Term Debt

Senior Notes

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.

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 balance in the trust is $194 million.

On November 30, 2012, the Company issued debt instruments for US$225 million denominated as "Senior Notes 2017" with due date on November 30, 2017, at a fixed rate of 7.875%. On January 30, 2013, the Entity issued an add-on for US$50.0 million of "Senior Notes 2017", integrating the latter into one issuance with the same characteristics as previously stated, thus totaling US$275 million dollars. On February 20, 2014, the Entity issued an add-on of "Senior Notes 2017" for US$35 million dollars with due date on November 30, 2017 at a fixed rate of 7.875%. The Senior Notes 2017 were issued based on a private exchange for US$31.6 million of the 2015 Senior Notes program. The add-on issue was made on the same terms as the first, thus said issued totaled US$310 million dollars. Due to the issuance of the denominated "Senior Notes 2022" the outstanding balance of this program decreased and to December 31, 2015, was US$38.3 million dollars, which was paid pre-paid on November 30, 2016.

Principal restrictions and negative covenants stipulated in the debt contracts to December 31, 2020:

- Incurring additional debt
- Granting guarantees
- Making restricted payments or investments
- Selling assets outside the ordinary course of business or above US$5 million
- Declaring dividends
- Carrying out certain inter-company transactions
- Merging with other entities

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.

As of December 31, 2019, and as of the date of issuance of this annual report, the covenants have been met. However, because of the 2020 COVID-19 pandemic and to this date, the Company's operations have been greatly impacted, affecting the room demand and availability and, consequently, the amount of income. The preceding affected principally the operating results, year cash generation, estimation of doubtful collection accounts and the future utilization of tax losses in the future. The Company issued two material events during 2020 stating that in order to preserve its liquidity and manage the unprecedented challenges that affect the hospitality industry as a result of the COVID-19 pandemic, it would not make the payment of the interest payment corresponding to the coupon of their "7.875% Senior Notes Due 2022" maturing on June 30, 2020, and December 20, 2020. This is cause for a potential acceleration of the original debt term, should certain requirements be fulfilled, however, to date no communication related to said acceleration has been received. Due to the possible debt acceleration, the total debt amount was reclassified as short-term in the financial position statement of December 31, 2020, for a total amount of $7,727 million causing the short-term liabilities to significantly exceed working capital on that date.

The Company has been negotiating with representatives of certain holders of the negotiable instruments the restructuring plans of the original debt conditions and is currently in the process of resuming negotiations with the intermediary of at least 25% of the securities. These holders jointly would have the power to accelerate and initiate an action for the full payment of the debt. It is estimated that, should legal proceedings be initiated in the United States of America, the rights of the holders to accelerate full debt payment would take more than a year to enforce in Mexico. Likewise, to date, the Company is not aware of any proceeding initiated to collect said amounts or that any bankruptcy proceeding has been initiated in Mexico or abroad. The Company has undertaken a series of internal actions to ensure the viability of its operations and their success will depend on the duration of the pandemic, related measures in different markets (including travel possibility and vaccination of citizens) and the Administration's ability to generate income and liquidity, as well as achieve a satisfactory financial debt restructuring.

On October 3, 2019, the merger of Inversora Inmobiliaria Club, S.A. de C.V., entered into effect, which was guarantor of the Indenture of the Senior Notes Due 2022. Therefore, the Senior Notes are guaranteed by Operadora del Golfo de México, S.A. de C.V. 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, 2020	Grupo Posadas & Guarantors			Consolidated		
	2020	2019	2018	2020	2019	2018
Total Revenues	5,054	8,698	7,877	5,226	9,073	8,326
Impairment, depreciation and amort.	882	853	357	915	888	402
Leases	(201)	44	535	(201)	44	535
(Net Loss)	(2,042)	(48)	937	(2,138)	(67)	932
Total Assets	18,469	19,850	16,226	19,244	20,696	17,170
Total Liabilities	18,007	17,258	13,630	18,335	17,639	13,982

Chain supply (factoring credit lines)

The Company established four factoring credit lines programs, with Banco Santander (México), S.A., Banco Actinver, S.A., BBVA Bancomer, S.A. and Banco Monex, S. A., for a total amount of up to $280 M. As of December 31, 2019, the Company had the lines used at 30%. As of June 24, 2020, the Company had lines for $135 M, used at 50%

As of December 31, 2020, the Company had lines contracted with BBVA, S.A. and Banca Mifel, S.A. up to $50 M and $50 M, with collateral of 1.1x and 1.0x, respectively. 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 June 18, 2020, the second amended agreement was signed by which the bank granted mainly a grace period to defer the payment of interest and principal for 12 months beginning in April 2020. To the issuance date of this Annual Report, the subsidiary made a payment of $14.8M for deferred interest and obtained another twelve-month period time extension to pay the principal.

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.

With this loan, Posadas reinforces its cash position to continue financing its daily operations and the commitments acquired with clients, suppliers, and hotel owners, while maintaining its strategy of saving expenses, costs and optimizing its operations, allowing it to continue working on the alternatives that make it possible to continue with the prevailing and imminent effort to restructure its financial liabilities.

Amongst the main affirmative and negative covenants and causes of accelerated maturity of this credit are:

-No merger or split off, excepting intercompany mergers.
-Limitations on the sale, transfer or disposition of assets, including credit discounts or forgiveness.
-Limitations on the constitution of liens
-Prepayment of credits or debts
-Limitations on contracting additional debt
-Limitations on declarations of dividends or payments to shareholders
-Limitations in operations with affiliates
-Related to the constitution and validity of the guarantees granted
-Notify the occurrence of material adverse events, including insolvency lawsuits

The following will be causes of maturity: breach of payment obligations, affirmative and negative covenants, false representations, change of control, court decisions that cause a material adverse effect, reorganization request, bankruptcy or insolvency, or the affectation of the guarantees.

Sale of assets.

The Company has executed the sale of the following real property assets: Fiesta Americana Hermosillo and Fiesta Americana Hacienda Galindo, with this more than $335 million has been invested in hotels and corporate. These are within the 365-day limit period established by the Senior Notes 2022 contract clause (Limitation on asset sales).

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, 2020, the company did not have any financial instrument contracted.

To finance its operation and growth, as of December 31, 2020, the Company had only one bond issue abroad. In March 2021, it contracted a loan with a real property guarantee to meet certain liquidity needs. See section: *3) Financial Information, c) Material Loan Report.*

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 the 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 government issued instruments money market. These instruments allow the Company to keep liquidity and availability to meet its daily cash flow needs.

At the close of tax year 2020, approximately 40% of our cash was denominated in dollars, with a cash balance as of December 31, 2020, of $502 million of which $114 million were as restricted cash.

Capital Expenses. At the close of December 2020, capital expenses amounted to $335 million; of which 66% was allocated to hotels, 16% to vacation products and 18% for corporate use.

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.

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 provisions of the 2022 Senior Notes these funds would be applied to payment of the consideration stipulated in the Investment Plan contained in the selfsame trust contract. Said trust considers five hotel projects and estimates its duration at approximately 12 months. As of December 31, 2020, the trust has been extinguished.

Balance Account Changes. For the 2020, 2019 and 2018 corporate years, the company is adopting 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, 2019, 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 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, guideline 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, 2020, are:

i. The evaluation of the Company as a going concern

The business interruption resulting from the COVID-19 pandemic has led to a decrease in demand for hotel services, and consequently liquidity problems for the Company. Management must evaluate whether the Company can continue as a going concern for a period of at least 12 months

ii. 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.

iii. 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.

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.

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

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, 2020, the reserve for returns of Vacation Properties according to IFRS amounts to $242.9 M.

v. The presentation of deferred revenues and other Kívac assets, short 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.

vi. 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.

vii. The future benefit 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.

viii. 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.

ix. 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 studies of construction costs and real property components (foundations, electrical, hydro sanitary and air conditioning installations).

x. 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.

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

To the preparation date of the consolidated financial position statement, 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.

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

The Company 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.

4) MANAGEMENT

a) External Auditors

During the last corporate years (2002-2020) 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. This year, the auditor has inserted in its audit a paragraph emphasizing the effects of the COVID-19 pandemic.

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 and experience of the firm appointed as independent auditor.

During the 2013 corporate year, the Audit Committee directed the selection process for the legal entity that provides 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. 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 during the 2013 corporate year, and which could not exceed 30% of the total auditing fees agreed with said firm. This was the parameter ratified by the Audit Committee for these additional or complementary services and which was ratified in Committee session on February 26, 2013. During the 2019 corporate year, additional or complementary services during the corporate year concluded on December 31, 2020, represented approximately 29.7% 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 2020 corporate year included: (i) transfer price analysis regarding Grupo Posadas' subsidiaries (ii) attestation of the reasonable compliance of liabilities due to the IMSS, INFONAVIT and local property taxes, and (iii) credit risk and anticipated losses management tool, in accordance with IFRS9, taking into consideration in the opinion of the Audit Committee that the contracting of said services does not affect the independence of the external such additional services in relation to 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, 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 2020 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 2020, 2019, and 2018 and 2017 in the Audit of the Independent Auditors which is found in Attachment. For further detail regarding payments to Material Directors, please see note 18 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 and operations price, consisting of the supply of pastry and bakery products, rendering hotel consultancy services, legal advisory services, rendering operating services to hotels located in Monterrey, Saltillo, Tijuana, Mexicali, and Queretaro, as to which the committee issued a favorable opinion.

c) Management and Shareholders

The Board of Directors.

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 19, 2021, is composed of 10 permanent directors which are listed hereinbelow:

Members of the Board of Directors:

Member	Age	Occupation	Appointed Date
Pablo Azcárraga Andrade	62	Chairman of the Board of Directors of Grupo Posadas	29-Apr-97
Enrique Azcárraga Andrade	56	Director General, EXIO, S.C.	31-May-91
Fernando Chico Pardo	68	Chairman, Promecap, S.C.	26-Jul-95
José Carlos Azcárraga Andrade	55	Chief Executive Officer of Grupo Posadas	30-Apr-08
Juan Servitje Curzio	63	Chairman of the Board of Directors of Productos Rich S.A. de C.V.	30-Apr-12
Guillermo García-Naranjo Álvarez*	64	Independent Consultant	20-Feb-19
Silvia Sisset de Guadalupe Harp Calderoni	49	Private Investor	05-Apr-10
Carlos Levy Covarrubias	59	Private Investor	27-Apr-06
Luis Alfonso Nicolau Gutiérrez*	59	Independent Consultant	30-Apr-12
Benjamín Clariond Reyes-Retana*	72	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.

Fernando Chico Pardo

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

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 lawyer 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 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. 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, in the 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 5% of the Company's consolidated assets, or (b) the granting of guarantees or undertaking of liabilities in an amount equal to or greater than 5% of the Company's consolidated assets, (v) the agreements entered into with independent auditors, and (vi) accounting policies;
- establishing special committees and determining their powers and authority, in the understanding that the Board of Directors may not delegate to any said committee the powers expressly reserved, in accordance with the law, to the Company's shareholders or Board;
- determining matters related to the change in control clause provided for in the corporate by-laws

Duties of Due Diligence and Loyalty

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

Board Meetings Fees

The Shareholders Ordinary General Meeting of Grupo Posadas, S.A.B. de C.V., held on April 19, 2021, agreed to return to the remuneration model of 2019. This is the equivalent of two *centenarios* 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*[T.N.] for each session of said committees in which they participate. Directors who are members of the Board of Directors' executive committee will not be remunerated for their participation in said committee sessions for the 2021 corporate year. From April 2021 and until April 19, 2021, the directors will not receive any remuneration for the performance of their duties.

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.

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 April 19, 2021, and the remaining members will be submitted for designation by the Board of Directors in its session of April 28, 2021. 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 19, 2021), 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 28, 2021. 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.

[T.N.] This is the word in Spanish for a gold coin minted to celebrate the centennial of Mexican Independence.

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 the pertinent actions related to said comments, as well as comply 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, relevant 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
Pablo Azcárraga Andrade	62	Chairman of the Board of Directors	36
José Carlos Azcárraga Andrade	55	Chief Executive Officer of Grupo Posadas	27
Javier Barrera Segura	58	Vice-President Strategy, Alliances and Human Resources	32
Jorge Carvallo Couttolenc	64	Vice-President Development	27
Arturo Martínez del Campo Saucedo	54	Vice-President Management and Finance	6
Enrique Calderón Fernández	54	Vice-President Upscale & Luxury	14
Gerardo Rioseco Orihuela	57	Vice-President Loyalty Programs	21

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.

Jorge Carvallo Couttolenc

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

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	40	Products and Loyalty Programs Director	10
Adrián Correa Pérez	46	Midscale & Economy Director	19
José Jaime Lorenzo Doria	44	Revenue Management, Distribution & Technology Director	12
Mauricio Elizondo Martínez de la Vega	41	Development Director	17
Patricio Servitje Azcárraga	35	Planning Director	4

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:

Alejando 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 Zona, 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.

Patricio Servitje Azcarraga

Industrial Engineer from the Universidad Iberoamericana with a master's degree in Business Administration from Stanford. He joined the company in 2016 as Director of Strategic Planning and since 2020 he also directs the Financial Planning area. Prior to Posadas, he was a consultant at Boston Consulting Group.

Remunerations of Executive Committee (Management) members and principal officers

For the year ending on December 31, 2020, the cash remunerations paid to the aforementioned officers and persons deemed related persons as a whole represented approximately 2.64% of the Company's total income. Said amount includes payments of wages, vacation bonuses, legal Christmas bonuses and performance bonuses. Performance bonuses are determined based on individual performance and Company performance.

The Company has established an Executive Committee retirement and pension plan which to December 31, 2020, reports a total accumulated reserve of $39.5 million.

As of December 31, 2020, relevant directors and other employees of the Company had received loans, and as of that date, their aggregate unpaid balance amounted to approximately US$2.2 M.

Employment inclusion

90% 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 10% of the permanent directors are female (one director). While 100% of the relevant directors of the board are male.

The Company 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.

Principal Shareholders

According to information obtained as of April 9, 2021, (date of the S.D. Indeval S.A. de C.V. report due to the ordinary general shareholders meeting held on April 19, 2021), 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, Mariana, Jeronimo, Pedro, and Xavier Azcarraga De Leschevin de Prevoisin, 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 to 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 member of the extended executive committee.

(iii) Material directors and executives who hold more than 1% and less than 10% to this date: To this date, it is known that group composed of Pablo, Jose Carlos and Enrique Azcarraga Andrade and Carlos Felipe Levy Covarrubias, as well as Beatriz Azcarraga Andrade, company director, jointly hold in aggregate, directly or indirectly, approximately 19.52% of the Issuer's corporate capital.

Code of Ethics and Conduct

In 2014, the Office of Chief Executive Officer published a Code of Ethics applicable to all material directors and other Company employees, which contains provisions related to the conduct of the Issuer's employees with respect to the following aspects: Code of Ethics and Conduct. On April 22, 2015, the Board of Directors approved the Code of Ethics and Conduct that the Company's directors and employees must observe. In February 2019, the Board of Directors approved updating some of the provisions of the Code of Ethics and Conduct.

Additionally, in 2019, 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.

During 2016 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 terms of clause twelve of the Company by-laws, rules have been established in order to delay, prevent, defer, or make more burdensome a change of control of the Issuer. Said clause was modified by the shareholders meeting dated April 14, 2015, and updated in the October 31, 2016, meeting.

On March 15, 2016, the Extraordinary and Ordinary Shareholders Meeting of the Company approved modification of the fifth clause of the by-laws, to clarify its corporate purpose and encompass all the activities the Issuer will undertake as a consequence of the corporate restructuring plan.

On October 31, 2016, the Extraordinary Shareholders Meeting of the Company modified clauses: third, ninth, twelfth, twenty-first and thirty-first clauses of the corporate bylaws to adapt them to the new name of Mexico City and to the new electronic publication system of the Ministry of the Economy, such as the mechanisms to publicize calls to meetings and other corporate acts.

On August 31, 2017, the Extraordinary and Ordinary Shareholders Meeting of the Company resolved to again modify the fifth clause of the by-laws in order to again broaden its corporate purpose and include all the activities that the Issuer will undertake as a result of the corporate reorganization plan.

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 an action to determine the liability of any director, subject to satisfaction of certain legal requirements.

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

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

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

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. That, 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 are 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.

During 2016m the following documents were drafted: 1) Related Persons Policy, 2) Financial Information Disclosure to Third Party Guidelines. Both documents were subjected to a validation process by the Audit and Corporate Practices Committees to be later presented to and approved by the Board of Directors.

During 2018, the Company established a Sustainability Committee for the purpose of defining its commitment, strategy and central actions in socio-cultural and environmental aspects that should be considered in the strategic planning and execution of short, mid, and long-term Posadas' activities, establishing homogenous management principles, including relevant interest group relationships. Likewise, the use of homogenous management methodologies in the follow-up of the sustainability strategy.

The Sustainability 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 except number from 2017 Reuters (The daily average volume is based on trading days).

Annual performance in the past 5 years

POSADAS A	2016	2017	2018	2019	2020
Price Max.	46.97	47.60	42.00	40.00	38.00
Price Min.	41.50	35.00	29.90	35.50	20.00
Price at closing	46.00	38.00	40.00	38.00	21.30
Daily operated volume (Thousands of shares)	7.96	113.40	100.85	65.51	21.60

Quarterly last 2 years

POSADAS A	1T19	2T19	3T19	4T19	1T20	2T20	3T20	4T20
Price Max.	40.00	38.00	39.00	38.00	38.00	23.90	22.61	21.30
Price Min.	38.00	35.50	38.00	38.00	23.00	22.61	20.00	20.40
Price at closing	38.00	38.00	38.00	38.00	23.00	22.61	20.40	21.30
Daily operated volume (Thousands of shares)	236.0	48.3	0.1	0.1	126.3	0.5	0.1	0.0
Price Max.								

Monthly last 6 months

POSADAS A	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Price Max.	20.60	21.3	21.50	22.15	22.30	22.03
Price Min.	20.60	20.6	21.30	21.10	20.50	20.50
Price at closing	20.60	21.3	21.50	21.40	20.50	22.03
Daily operated volume (Thousands of shares)	0.0	0.0	0.1	0.4	0.4	0.7
Price Max.						

(*Information as of april 23, 2021)

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.
Ing. Jorge Carvallo Couttolenc	Vice-President Real Estate	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
Ing. Patricio Servitje Azcárraga	Planning 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 and Treasury	Grupo Posadas, S. A. B. de C. V.
C.P. Roberto Álvarez López	Tax director	Grupo Posadas, S. A. B. de C. V.
C.P.C. Carlos Pantoja Flores	External Auditor	Galaz, Yamazaki, Ruiz Urquiza, S.C.

7) ATTACHMENTS

Audited financial statements corresponding to the corporate years ending December 31 of 2020, 2019 and 2018.

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 to 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, 2020, 2019 and 2018, and Independent Auditors' Report Dated February 28, 2021

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

Independent Auditors' Report and Consolidated Financial Statements for 2020, 2019 and 2018

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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, 2020, 2019 and 2018, the consolidated statements of comprehensive income or 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 2020, 2019 and 2018, and its consolidated financial performance and its 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.

Material uncertainty related to the operating company - Emphasis paragraph

As mentioned in Note 2a to the consolidated financial statements, the declaration of the COVID-19 pandemic that emerged in 2020 had a major impact on the tourism industry and the Entity's operations, affecting the availability of rooms and, consequently, the amount of revenue. This also had implications in the operating income, the generation of cash for the year, in the allowance for doubtful accounts and in the use of future tax losses, mainly. In addition, the Entity defaulted on the payment of the 26th interest coupon in June and December 2020 of its main contracted credit known as "*Senior Notes 2022*", which is a cause of a potential acceleration of the original debt term, if a number of requirements are met. This event was timely informed by the Entity to the investing public in accordance with the applicable provisions, without the Entity receiving any communication regarding such acceleration to date. Due to the possible acceleration of the debt maturity date, the total amount of this debt was reclassified to the short-term of the financial position as of December 31, 2020 for an amount of $7,727 million resulting in short-term liabilities significantly exceeding current assets at that date. The Entity has been negotiating with representatives of certain holders of the securities the plans to restructure the original debt conditions and is currently in the process of resuming negotiations with whoever is acting as interlocutor of at least 25% of the holders of the securities, who together would have the power to speed up and initiate action for the full payment of the debt. The Entity estimates that, should legal proceedings be initiated, the rights of holders to expedite the full payment of the debt would take more than a year to enforce in Mexico. The Entity has taken a number of internal actions to ensure the feasibility of its operations and their success will depend on the duration of the pandemic, the measures in the different markets in relation to it (including the possibility of travel and vaccination of citizens) and the ability of the Administration to generate income and liquidity, as well as ensuring a satisfactory restructuring of the financial debt. All these factors indicate the existence of a material uncertainty that can raise significant doubt about the Entity's ability to continue as a going concern. Our opinion has not been modified in relation to this matter.

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Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, have been 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 issues. In addition to the issue described in the "Material uncertainty related to the operating company" section, we have determined that the issues described below are the key audit issues to be reported in our report.

Key Audit Matter
Vacation Club Revenues

Revenues generated from Vacation Club operations represent approximately 59% the Entity's consolidated revenues in 2020.

Under International Accounting Standard the Entity recognizes the revenues from the Vacation Club operation as follows:

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.

Kívac points are recognized once the hospitality service is rendered, plus an estimate of those points that will not be used by the program's members at maturity.

Audit procedures performed

The audit tests applied to revenue generated from these services were significant for our audit because the business processes are complex and highly dependent on system generated reports, which should be reconciled to the accounting records. As a result, our audit procedures included, among others:

- review of the design and implementation and operating effectiveness tests of the internal controls and substantive tests of the report issued by the system, including the newly adopted by the Entity, that supports the recording of the Vacation Club operating income;
- documentation review, based on random sampling, of the integrity of the contracts signed with customers;
- analysis and review of the assumptions and methodologies used by the Entity to receive the minimum payments which guarantee that the collection is reasonably assured;
- 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 and evaluation of historical information on the amount of services contracted and collected, which have not been used before their expiration.

Our work also included reviewing the adequacy of the Entity's disclosures on the accounting assumptions and policies for the Vacation Club business revenue recognition, which are included in Note 4t to the accompanying consolidated financial statements.

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Key Audit Matter
Vacation Club Reserve for Returns

The amount of this reserve represents approximately 7% of the total current and long-term Vacation Club notes receivable, which are presented in the consolidated statement of financial position as of December 31, 2020.

Given the specific nature of the operation of the Vacation Club business and the effects of COVID-19 pandemic, the Entity has implemented a process for the analysis and calculation of the reserve to evaluate and determine the amount of this reserve. Therefore, the evaluation of its sufficiency was significant for our audit.

As a supplement to this key audit matter, the Entity analyzes transactions to identify revenues, which recoverability is uncertain. This implies that the amounts shown as Notes Receivable from Vacation Club on the consolidated statement of financial position might not be recoverable.

The amount recognized as the reserve is the best estimate on the Vacation Club inventory returns of the members who would not meet their contractual payment obligations, for which, the probability of default for all notes receivable is considered, regardless of their aging.

In addition to probability, recent collection efforts, communications with the members, and experiences of default are taken into account.

Audit procedures performed

We analyzed with the Entity's Management the methodology used to determine the amount of the reserve, its consistent application with previous years and the support for the variables and hypothesis used in the mathematical calculation model, including the effects of the COVID-19 pandemic and we discussed it with the Audit Committee members and found that the use of the model is appropriate.

Our audit procedures also included, among others:

- review of the design and implementation and the operating effectiveness of the Entity's controls related to the information used within the model, and utilized to determine the balance of the reserve;
- review of the main variables and mathematical model hypotheses used by the Entity, their mathematical accuracy and support based on prior experience. We also performed recalculations and a sensitivity analysis to verify their fairness;
- 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;
- evidence of new operating strategies and those communicated to members in order to support the restructuring and recovery of overdue portfolio or about to expire; and
- confirmation that the assumptions used by Management in the calculation and determination of the reserve reflect the business strategies aimed to recover the Vacation Club inventory due to defaults, which have occurred or are expected to be incurred by members to pay their debts.

Key Audit Matter
Deferred Income Taxes

As explained in Notes 4q 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, 2020, the amount of tax loss carryforwards is $7,473 million, which represents a deferred income tax benefit of $2,242 million and may be applied as long as the individual entities, which incurred them, generate in the future sufficient taxable income before the aforementioned tax losses expire.

Audit procedures performed

A change in assumptions and conditions on the recovery of tax losses might originate a material effect in the amount of the deferred income tax benefit recorded in the consolidated financial statements. Therefore, the test of the estimate was significant for our audit because the evaluation process is complex and is based on assumptions which are affected by future expectations from hotel operation results and from proper execution of the corporate restructuring and administrative management of the Entity.

Key Audit Matter ***Deferred Income Taxes***	***Audit procedures performed***
International Accounting Standard 12 *Taxes on Income,* requires that the carrying value of a deferred tax asset be subjected to review and must be reduced when it is considered likely that there will not be sufficient taxable income to enable all or part of the asset to be recovered. Therefore, as of December 31, 2020, the Entity has not recognized a benefit of $473 million for the uncertainty related to the realization of this asset.	Our audit procedures included involvement of our tax experts to assess the recognition of benefits from tax loss carryforwards, including: - evaluate and challenge the assumptions and methodologies used by the Entity; - analysis of individual entities' trend of their tax results from previous years; and review the financial and tax projections to determine if the generation of taxable income in the future will enable the tax losses to be recovered before they expire, and review the progress achieved in the corporate restructuring process that the Entity started in previous years. We believe that the Entity's disclosures in relation to the main captions originating the deferred income tax balances are appropriate in Note 16 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.

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. 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 to the Entity's going concern 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 Entity's Audit Committee is responsible for overseeing the Entity's financial reporting process.

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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 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 2020 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 M. Pantoja Flores
February 28, 2021

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

Consolidated Statements of Financial Position

As of December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

Assets	**Notes**	**2020**	**2019**	**2018**
Current assets:				
Cash, cash equivalents and restricted cash	6	$ 501,732	$ 1,239,548	$ 2,733,898
Accounts and notes receivable - Net	7	2,568,742	2,999,994	2,693,663
Inventories		29,782	27,608	23,188
Prepaid expenses		93,063	118,633	142,918
Vacation Club inventory	8	262,433	294,963	144,782
Other current assets		194,909	217,664	107,566
Assets classified as held for sale	2i, 9	113,686	387,406	-
Total current assets		3,764,347	5,285,816	5,846,015
Non-current assets:				
Property and equipment committed for sale	9	-	-	223,117
Long-term notes receivable	10	3,814,738	3,891,312	3,219,164
Property and equipment – Net	11	4,406,883	4,513,155	4,936,245
Prepaid expenses		17,088	18,018	24,095
Investment in associates	2t	1,087,978	1,081,694	1,054,631
Right-of-use asset	12	3,761,372	4,086,055	-
Intangible assets and other assets	13	912,691	664,051	721,459
Deferred tax assets	16	1,478,981	1,155,409	1,145,555
Total non-current assets		15,479,731	15,409,694	11,324,266
Total assets		$ 19,244,078	$ 20,695,510	$ 17,170,281

Liabilities and stockholders' equity	**Notes**	**2020**	**2019**	**2018**
Current liabilities:				
Current portion of long-term debt	15	$ 7,748,597	$ 25,766	$ 23,531
Trade accounts payable	14	628,007	411,345	427,790
Other liabilities and accrued expenses		1,563,978	1,045,950	1,171,638
Income tax payable	16	351,981	343,717	329,286
Current portion of long-term lease liabilities	12	401,090	416,142	-
Other tax payable		341,116	426,672	368,332
Deferred income from Vacation Club	4	1,046,709	1,055,430	649,622
Current portion of long-term value-added tax payable		83,873	113,813	109,779
Total current liabilities		12,165,351	3,838,835	3,079,978
Long-term liabilities:				
Debt	15	135,058	7,371,286	7,785,839
Lease liabilities	12	3,644,212	3,730,364	-
Accrued liabilities	17	493,685	449,893	359,058
Value-added tax payable		568,127	580,650	481,816
Deferred income from Vacation Club	4t	616,247	632,452	932,928
Income tax payable	16	712,169	1,035,670	1,342,863
Total long-term liabilities		6,169,498	13,800,315	10,902,504
Total liabilities		18,334,849	17,639,150	13,982,482
Stockholders' equity:				
Contributed capital:				
Capital stock	21	495,881	495,881	495,881
Share 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:				
Share repurchase reserve		535,000	535,000	535,000
Retained earnings		(484,558)	1,634,123	1,713,982
Accumulated comprehensive earnings		10,357	19,491	83,520
		60,799	2,188,614	2,332,502
Total controlling interest		730,965	2,858,780	3,002,668
Non-controlling interest		178,264	197,580	185,131
Total stockholders' equity		909,229	3,056,360	3,187,799
Total liabilities and stockholders' equity		$ 19,244,078	$ 20,695,510	$ 17,170,281

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos, except earnings (loss) per share)

	Notes	2020	2019	2018
Continuing operations:				
Revenue	23a	$ 5,225,743	$ 9,072,708	$ 8,325,848
Cost of sales	23b	4,645,322	6,184,045	5,393,149
Gross profit		580,421	2,888,663	2,932,699
Administrative expenses	23c	767,998	1,063,209	1,151,869
Sale and development expenses	23d	131,722	252,013	211,992
Depreciation, amortization, and leasing,		925,518	925,599	917,575
Rent discounts		(211,577)	-	-
Impairment of assets and technology platforms		55,000	6,200	19,498
Other revenue, net	23e	(87,871)	(37,170)	(1,391,474)
Interest expense		1,140,053	1,004,038	653,537
Interest income		(31,754)	(95,412)	(172,765)
Commissions and financial expenses		82,509	90,623	83,516
Exchange (gain) loss, net		240,767	(312,140)	(81,335)
Equity in associate		-	-	(15,000)
		3,012,365	2,896,960	1,377,413
(Loss) income before income tax		(2,431,944)	(8,297)	1,555,286
Income tax expense	16	(293,947)	66,304	591,985
(Loss) income from continuing operations		(2,137,997)	(74,601)	963,301
Discontinued operations				
Income (loss) from discontinued operations	27b	-	7,191	(31,202)
Consolidated (loss) income for the year	¤	(2,137,997)	(67,410)	932,099
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)	(2,478)
Remeasurement of defined benefit obligation, which will not be reclassified subsequently to profit or loss, - net of income tax		(14,827)	(61,867)	34,417
		(9,134)	(64,029)	31,939
Consolidated comprehensive (loss) income for the year		$ (2,147,131)	$ (131,439)	$ 964,038

(Continued)

	2020	2019	2018
Consolidated (loss) income for the year attributable to:			
Controlling interest	$ (2,118,681)	$ (79,859)	$ 928,724
Non-controlling interest	(19,316)	12,449	3,375
Consolidated (loss) income for the year	$ (2,137,997)	$ (67,410)	$ 932,099
Consolidated comprehensive (loss) income for the year attributable to:			
Controlling interest	$ (2,127,815)	$ (143,888)	$ 960,663
Non-controlling interest	(19,316)	12,449	3,375
Consolidated comprehensive (loss) income for the year	$ (2,147,131)	$ (131,439)	$ 964,038
Earnings (loss) per share:			
From continuing and discontinued operations -			
Basic and diluted (loss) earnings per common share (in pesos)	$ (4.27)	$ (0.16)	$ 1.87
From continuing operations -			
Basic and diluted (loss) earnings per common share (in pesos)	$ (4.29)	$ (0.29)	$ 1.94
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, 2020, 2019 and 2018
(In thousands of Mexican pesos)

	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 2018	$ 495,881	$ 16,856	$ 157,429	$ 535,000	$ 983,611	$ 51,581	$ 182,594	$ 2,422,952
Declared dividends to controlling interest	-	-	-	-	(198,353)	-	-	(198,353)
Change in the value of non-controlling interest	-	-	-	-	-	-	(838)	(838)
Consolidated comprehensive income for the year	-	-	-	-	928,724	31,939	3,375	964,038
Balance as of December 31, 2018	495,881	16,856	157,429	535,000	1,713,982	83,520	185,131	3,187,799
Consolidated comprehensive income for the year	-	-	-	-	(79,859)	(64,029)	12,449	(131,439)
Balance as of December 31, 2019	495,881	16,856	157,429	535,000	1,634,123	19,491	197,580	3,056,360
Consolidated comprehensive income 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

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2020, 2019 and 2018
(In thousands of Mexican pesos)

	2020	2019	2018
Cash flows from operating activities:			
Consolidated (loss) income for the year	$ (2,137,997)	$ (67,410)	$ 932,099
Adjustments for:			
Income tax expense	(293,947)	66,304	591,985
Depreciation and amortization	914,765	881,499	382,599
Rent discount	(211,577)	-	-
Asset impairment and technology platforms	55,000	6,200	19,498
Amortization of debt issue expenses	70,800	75,613	71,616
Equity in associates	-	-	(15,000)
Income on sale of non-strategic fixed assets	(55,626)	-	(1,345,750)
(Income) loss on sale of fixed assets	(1,690)	(2,266)	1,351
Interest expense	1,140,054	1,004,038	653,537
Interest income	(31,754)	(95,412)	(172,765)
Unrealized foreign exchange income	549,592	(411,409)	(21,000)
	(2,380)	1,457,157	1,098,170
Transactions in working capital:			
Accounts and notes receivable – Net	515,162	(978,479)	(638,661)
Inventories	(2,174)	(4,420)	1,292
Prepaid expenses	49,310	48,380	23,352
Vacation Club inventory	32,530	153,862	120,957
Trade accounts payable	216,662	(16,445)	(8,310)
Other liabilities and accrued expenses	(501,636)	(21,963)	114,260
Vacation Club deferred income	(24,926)	105,332	154,953
Income tax payments	(342,626)	(343,305)	(325,382)
Net cash (used in) generated by operating activities	(60,078)	400,119	540,631
Cash flows from investing activities:			
Purchase of property and equipment and upgrades	(221,058)	(329,392)	(490,838)
Vacation Club inventory in construction	(53,615)	(116,387)	(147,392)
Intangible assets and other assets	(60,098)	(55,492)	(32,502)
Investments in securities	-	-	-
Contributions of investment in associates	(6,284)	(27,063)	(746,502)
Collected interest	31,754	95,412	172,765
Sale of property and equipment	4,501	-	4,918
Cash flows from sales of non-strategic properties	347,876	-	2,941,159
Net cash (used in) generated by investing activities	43,076	(432,922)	1,701,608

(Continued)

	2020	2019	2018
Cash flows from financing activities:			
Lease liabilities payments	(695,072)	(658,553)	-
Loan payments	(6,150)	(163,369)	(21,232)
Interest paid	(18,766)	(638,598)	(672,340)
Debt issuance costs	(826)	(1,027)	-
Payment of dividends	-	-	(198,353)
Net cash used in financing activities	(720,814)	(1,461,547)	(891,925)
Net (decrease) increase in cash and cash equivalents	(737,816)	(1,494,350)	1,350,314
Cash and cash equivalents at the beginning of the year	1,239,548	2,733,898	1,383,584
Cash and cash equivalents at the end of the year	$ 501,732	$ 1,239,548	$ 2,733,898

(Concluded)

See accompanying notes to consolidated financial statements.

(In thousands of Mexican pesos)

1. Activities

Grupo Posadas, S. A. B. de C. V. (Posadas) and Subsidiaries (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, Grand Fiesta Americana, Fiesta Americana, The Explorean, Fiesta Inn, Fiesta Inn Loft, One Hotels and Gamma.

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	2020	2019	2018
Owned	12	12	12
Leased	17	18	15
Managed (including lofts)	152	154	148
Operated hotels	181	184	175
Operated rooms	28,633	29,851	27,491

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

Additionally, the Entity operates a Vacation Club business called Fiesta Americana Vacation Club (FAVC), as well as 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), affiliated resort or Hilton Grand Vacation Club resorts throughout the world. At the same time, 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.

In 2012, the Entity began restructuring its business with a focus towards ownership of strategic assets and the growth of its hotel management business and FAVC. As part of this strategy, the Entity has sold several hotels and other non-strategic assets (see Note 2, subsections b, c, d, and j), 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 2020 operation are:

- A $3,846,965 revenue reduction representing 42% compared to the previous year.
- Closure of all hotels for 2 months and selective reopening, subject to occupancy restrictions and capacity according to the epidemiological traffic light of each state.
- Impairment of accounts receivable for $17,757, mainly from customers, airlines and travel agencies.
- Increase in the estimate of doubtful accounts of Vacation Club for an amount of $96,556
- Potential impairments in the properties of the Entity in the event of sustained impact of the pandemic in 2021 or later years.
- Impossibility of taking advantage of certain tax losses in subsequent years and, consequently, the recording of a valuation reserve within the deferred tax asset amounting to $441,775

Moreover, the Entity has defaulted on the payment of semi-annual interest in June and December 2020, of the main credit known as "*Senior Notes 2022*", and at the end of 2020 it has defaulted the interest coverage ratio of 2.5 times set in the conditions ("*covenants*") of the credit. As a result, the total amount of this debt was reclassified to short term in the statement of financial position as of December 31, 2020 for an amount of $7,727,126, causing short-term liabilities to significantly exceed current assets at that date. The default interest stipulated in the contract has also been recorded. The Entity has been negotiating with representatives of certain holders of the securities the plans to restructure the original debt conditions and is currently in the process of resuming negotiations with whoever is acting as interlocutor of at least 25% of the holders of the securities, who together would have the power to speed up and initiate action for the full payment of the debt. The Entity considers that, should legal proceedings be initiated, the rights of holders to expedite the total payment of the debt would take more than a year to enforce in Mexico.

The 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, to be as follows as of the issuance date of these consolidated financial statements:

Rating	Rating
S&P Global Ratings	D
Fitch Ratings (1)	-
Moody's	Caa1

(1) Withdrawn, the Entity canceled the service.

As a result, there is material uncertainty that the Entity can continue as a going concern, which will depend on the duration of the pandemic, the effects and restrictions existing in the localities where the hotels are operated, and the speed to return to traditional levels of occupancy once the restrictions are lifted and of the success in the renegotiation of terms with the current creditors, which will allow to maintain a healthy liquidity in the Entity. The accompanying financial statements do not include the effects that could arise if the plans described could not be carried out.

To mitigate the financial impacts described, the Entity has taken the following measures:

- A moratorium was decreed on the payment of interest on the "*Senior Notes 2022*" in June 2020 as a measure to maintain liquidity and ensure the continuity of the Entity's operation. This measure was reiterated in December 2020, with respect to the payment of interest in the second half of the year.

- Negotiations were undertaken with representatives of certain holders of the securities, to restructure the original debt terms.

- A corporate office staff reduction plan was established as of October, which is expected to yield savings of approximately 30% in the cost of payroll by 2021.

- 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 rents are being renegotiated 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.

However, the duration of the pandemic is still uncertain, and its effects on the country's economy and employment level, together with the persistence of flight restrictions and the maximum occupancy allowed in hotels, will require the Entity to redefine its capital structure.

While there is uncertainty, 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. ***Issuance of "Senior Notes 2022" and prepayment of "Senior Notes 2017"***

On June 2015, the Entity completed a debt issuance for US$350 million in notes known as "*Senior Notes 2022*" through the Luxembourg Stock Exchange. 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. The proceeds from this additional issuance of "*Senior Notes 2022*" were used to pay the balance of US$38.3 million of the debt known as "*Senior Notes 2017*", with maturity in 2017, in November 2016 and the "*Senior Notes 2022*" program reached a 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, using the net surplus derived from its sale of the Fiesta Americana Condesa Cancún hotel. 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$392.6 million.

The *Senior Notes 2022* generate 7.875% interest annually with principal maturing on June 30, 2022. The interest is paid semiannually in June and December each year, beginning on December 30, 2015.

The amount of issuance expenses was $339,508, and it is being amortized over the life of the new issue using the effective interest rate method, which includes US$16.1 million of premium for prepayment of the previous issue.

c. ***Default in the interest 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, the Entity decreed a moratorium on the payment of interest in the second semester of 2020 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 reporting period, the debt balance for this concept amounts to US$392.6 million, which has been presented in its entirety in current liabilities, together with ordinary and default interest, pending liquidation.

d. ***Transfer of the Fiesta Americana Grand Los Cabos Hotel to the Vacation Club***

During the second quarter of 2019, due to the positive results of the Vacation Club segment, the Entity decided to transfer the Fiesta Americana Grand Los Cabos hotel, with 249 rooms, to the Vacation Club. This transfer resulted in the reclassification of the asset value of this hotel to the real estate inventory. In accordance with FAVC product sales policies, a sale made in 2019 will necessarily have the first year of usage in 2020. Accordingly, the Entity decided to not reclassify the results of this hotel to the Vacation Club segment at the end of 2019, but rather include them in the segment of its owned and leased hotels. For the year 2020, the hotel's results were already reflected in the Vacation Club segment.

e. ***Sale of non-strategic assets***

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 $80.5 millions. 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 millions, which the Entity must invest in property improvements; also, FibraHotel agrees under the same terms to invest $75 millions 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 met 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.

Hotel Ramada Laredo – In April 2018, the Entity entered into a purchase and sale agreement with an individual for the hotel “Ramada Plaza” located in Laredo, Texas, USA. The price agreed for the transaction was US$2.5 million, which was received between April and June 2018.

Given that the hotel did not represent a significant business line, as established in International Financial Reporting Standards, the transaction was not treated as a discontinued operation in the consolidated statements of comprehensive income or loss.

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; this 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 will 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 and is pending collection at that date.

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. This reduction resulted in termination of employment expenses of $53,482. In addition, at the end of 2020, the Entity set up a provision of $17,874 to meet payments for the same concept, as it considers that it meets the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets": there is a detailed formal plan for such restructuring and that Management has generated a genuine and valid expectation in those affected, that the plan will be implemented

g. ***Sale of assets between related parties.***

In December 2019, the Entity acquired two plots of land located in “Condominio Arcano”, Ixtapa Zihuatanejo, Guerrero from its subsidiary Desarrollo Arcano, S.A. de C.V. The plots of 4,619.3 m^2 and 1,981.2 m^2, respectively, were valued commercially at $52,337 and were acquired by the Entity for this amount.

h. ***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 2020, 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 2020.

Moreover, 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

i. ***Property and equipment committed for sale***

Fiesta Americana Hacienda Galindo - In June 2017 the Entity leased the Fiesta Americana Hacienda Galindo hotel located in the State of Queretaro to FibraHotel. The hotel has 168 rooms and was remodeled in various stages during 2017 with an investment of $155,000 made by FibraHotel. The Entity simultaneously agreed to sell this hotel and its contents, subject to the deadline and other conditions that should be fulfilled in early 2021 at the latest, when the transaction price would be determined based on an amount equal to 10.06 times earnings before interest, taxes, depreciation and amortization (EBITDA) generated by the hotel during 2019 and after deducting the investment made by FibraHotel.

As a result of the COVID-19 pandemic, compliance with the conditions for sale could not be carried out, as they require formalities before municipal authorities in San Juan del Río, who suspended their activities by the declaration of emergency on March 31, 2020. Consequently, the Entity and FibraHotel have signed various extension agreements, in December 2019, March 2020, June 2020 and November 2020, agreeing to defer compliance with the conditions referred to until December 31, 2020, and granting FibraHotel the right to retain 5% of the price to ensure compliance with the conditions of sale. At the date of issuance of this report, the conditions are about to be met, and the Entity expects to negotiate with FibraHotel a fifth extension agreement deferring the date of compliance until February 2021

The value of the hotel and its contents are therefore presented in the short-term as “Property and equipment committed for sale” in the consolidated statements of financial position. During the lease period and following the closing of the purchase-sale, the Entity will continue to operate the hotel under the terms of a hotel and brand licensing agreement executed for a 22.5-year term 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 during 2020 exceeds the one generated in 2019. If the difference is positive, FibraHotel will pay an incentive by multiplying the difference by 0.7 and applying to the result a multiple of 10.06 times EBITDA. Due to the COVID-19 pandemic, the Entity does not expect to collect such incentive.

j. ***Creation of a Management and Investment Trust***

In order to comply with the Bond Issue Act (Indenture) of the “*Senior Notes 2022*” program, and after making the repurchase offer to bondholders, the surplus resources obtained from the sale of the Fiesta Americana Condesa Cancún hotel, equal to $223.9 million Mexican pesos and received in February 2018, were deposited in a Management and Investment Trust with Banco Santander México, S.A. in order to meet various binding obligations in permitted businesses with medium-term maturities. Through this trust created on February 15, 2019, the Entity believes that the investment of the resources is already committed under the terms of the *Indenture*. As of December 31, 2020, the Trust has become extinct.

k. ***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.

On February 2017, the Entity executed amendatory agreements to the hotel management and brand licensing contracts for the Fiesta Americana Grand Coral Beach, Fiesta Americana Grand Guadalajara, Fiesta Americana Puerto Vallarta and One Guadalajara Periferico Norte hotels, through which it obtained a contract extension until December 2027 in exchange for the payment of a premium of US$6 million. Of this amount, the Entity paid US$3 million on February 2017; the remainder was paid in January 2018, accruing interest at a 12% rate. The total amount is presented as “intangible assets and other assets” in the consolidated statements of financial position.

l. ***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 $72,594 and $36,330 at the end of 2020 and 2019 respectively, corresponding to the Live Aqua San Miguel de Allende, Fiesta Americana Satélite, Fiesta Americana Viaducto and various FibraUNO hotels. In 2018 there was no expense for this concept

m. ***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, which is in pre-operative period.

During September 2017, the Entity executed a contract to operate for fifteen years the Grand Fiesta Americana hotel in Punta Cana, Dominican Republic, with 554 rooms. The estimated start date of operation is the second semester of 2021.

n. ***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.

o. ***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 until 2021.

p. ***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, as of the 2020 year-end, the Entity is unaware of any formal claim.

q. ***Termination of operating and licensing agreements and the execution of hotel leases.***

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.

r. ***Termination of management agreements.***

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, 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.

In 2019, the Entity terminated the operating agreements of the One Reynosa Valle Alto, One Celaya, Fiesta Inn Celaya, One Irapuato and Gamma Torreón hotels. As of December 31, 2019, the Entity reserved the amount of $13,639 for fees and expenses receivable from these hotels.

s. ***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, and which covered a period from March to December 2020, for some hotels. The amount of the discounts was approximately $211,577.

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

t. ***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 million in cash was contributed by the Entity in April 2017 (Trust incorporation date). On August 16, 2018, the Entity contributed an additional $225 million to begin the construction phase.

In March 2018, the Entity also acquired a participation from one of the Trustors at $535.1 million. With this purchase, the Entity increased its Trust holding from 6% to 12.5%. In 2019, the Entity contributed an additional $27.1 million to the Trust operating expenses for which it is liable, based on its equity percentage; it also 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 US$13 million per year. In addition, to ensure the operation of the hotels for 20 years, the Entity agreed to pay to the Trust US$12 million as key money. Of this amount, only the payment of US$3 million remains outstanding, which the Entity estimates to pay in March 2021.

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 estimated opening dates are October 2021 for the Live Aqua hotel and January 2022 for the Fiesta Americana hotel.

The Entity has contributed $28.6 million directly to the trust to cover pro rata expenses in the project, and has additionally disbursed $55.5 million 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.

u. ***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. These agreements generated the following effects for the Entity:

i. For the year 2013, a loss derived from a sale of shares was eliminated from the calculation of the termination of the tax consolidation regime, thus resulting in the recognition of an additional payment obligation in different years for the total amount of $2,376 million. Of this amount, the Entity settled $524 million in April 2017; the remaining will be settled through annual payments from 2018 through 2023, for the approximate amount of $308.6 million each, subject to inflation indexing. Consequently, the long-term portion is recorded under taxes payable in the consolidated statement of changes in financial position. As part of the agreements reached with SAT, $72.6 million of 2007 tax was included in the calculation and the payment period determined for the termination of the tax consolidation regime.

   For the first three annual payments, the Entity requested authorization to apply the terms of article 70-A of the Federal Tax Code (surcharges calculated at rollover rate and the elimination of fines), which was accepted and confirmed by Decentralized Tax Collection Office of the Federal District “1”, through the issuance of a favorable ruling. Based on this agreement, the right of Posadas to carry-forward tax losses at December 31, 2013, for an amount of $7,751,000, was confirmed.

ii. With regard to 2008, 2009 and 2010, the tax authorities accepted that the Entity would only settle the ancillary charges resulting from the observed items, for $15.8 million. The Entity filed an authorization request to obtain a favorable ruling from the SAT to enable it to apply the benefits detailed in the aforementioned article 70-A of the Federal Tax Code.

v. ***Credit granted to the Fiesta Americana Mérida Hotel***

In June 2017, a subsidiary of the Entity, 51% 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. (CitiBanamex). 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

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 indices during 2020 and 2021, and assigns to the Trust the administration of the hotel's collections deposit accounts, which will be administered under instructions from CitiBanamex.

This credit 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, which is presented as short term.

The Entity 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 March 2022, and an extension of the line of credit by $25,000. As of the date of issuance of this report, it has not obtained a response from the institution.

w. ***Corporate Restructuring***

In September 2019, the Entity merged its subsidiaries Konexo Centro de Soluciones, S. A. de C. V. and Inversora Inmobiliaria Club, S. A. de C. V. The merger did not affect these consolidated financial statements.

On May 2018, the Entity merged its subsidiary Servicios Gerenciales Posadas, S.A. de C.V.
This merger did not generate any effects in the accompanying consolidated financial statements.

In October 2018, after the sale of the Ramada Laredo hotel referred to in Note 2 (e)., the Entity dissolved its indirect subsidiary BIA Acquisition, LLC, which was incorporated in Texas, USA. The dissolution did not have any effect on the accompanying consolidated financial statements.

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 applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective from the exercises that began or after on January 1, 2020,

Initial impact from concessions applied to income under IFRS 16 due to COVID-19 related issues

In May 2020, the IASB issued an amendment to IFRS 16, for COVID-19-related rent concessions that provides a practical expedient for lessee's rent concessions that occurred as a direct result of the pandemic. The practical expedient allows a lessee to assess whether a rent concession related to COVID-19 is a lease modification. The lessee making this choice must account for any changes in rent payments resulting from the COVID-19 concession applying IFRS 16 as if the change was not a modification to the lease.

The practical expedient applies only to rent concessions that occur as a direct consequence related to COVID-19 and only if the following conditions are met:

a) The change in lease payments results in a consideration that is substantially the same, or less than, consideration of the lease immediately prior to the change.
b) Any reduction in lease payments only affects payments due on or before June 30, 2021 (a rent concession meets this condition if it results in a reduction in payments by June 30, 2021 or increases lease payments after June 30, 2021); and
c) There is no substantive change in any other clause or condition of the lease.

In the financial year, the Entity has decided to apply the amendments to IFRS 16 (as issued by the IASB in May 2020) in advance.

Impact on accounting by applying the exception to changes in lease payments

The Entity has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not reformulated previous periods.

The Entity has benefited from the reduction of rent payment for leases of hotel properties. The reduction in lease payments is $211,577 and has been accounted as a variable lease in the results of the financial year. The Entity has written-off the portion of the lease liability that has been forgiven, consistent with the requirements of IFRS 9:3.3.1.

Initial impact of the implementation of other new and modified IFRSs that are effective for the financial years and reporting periods starting on January 1, 2020

In this year, the Entity has implemented the amendments and interpretations to IFRS mentioned below issued by the Committee that are effective for the reporting period beginning on or after January 1, 2020. Adoption has not had any material impact on the disclosures or amounts of these financial statements.

Modifications to Conceptual Framework references in IFRS	The Entity has adopted the amendments included in the *Modifications to Conceptual Framework references in IFRS* for the first time this year. The amendments include amendments arising from the affected rules that now relate to the new *Conceptual Framework*. Not all modifications, however, update such pronouncements with respect to the references and phrases of the *Conceptual Framework* which refer to the *Revised Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Conceptual Framework* refer (the *Conceptual Framework* IASC adopted by the IASB in 2001, the IASB 2010 *Conceptual Framework*, or the new and revised 2018 *Conceptual Framework*) or to indicate definitions of standards that have not been updated with the new definitions developed in the *Revised Conceptual Framework.* The rules that have had modifications are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Modifications to IFRS 3 Defining a business

The Entity has adopted the amendments to IFRS 3 for the first time in the year. Modifications clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities or assets to qualify as a business. For a business to be considered a set of activities or assets, it must include at least inputs and a substantive process that together contribute to the creation of outputs.

The modification eliminates the assessment of whether market participants are able to replace any inputs or processes and continue to produce outputs. The modifications also introduced an additional guide that helps determine whether a substantive process has been acquired.

The changes introduced an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all fair values of the acquired assets are concentrated in the same identifiable asset or group of similar assets.

Changes are prospectively applied to all business or asset acquisition combinations for which the acquisition date is on or after January 1, 2020.

Modifications to IAS 1 and IAS 8 Definition of materiality

The Entity has adopted the amendments to IAS 1 and IAS 8 in the year. The modifications made the definition "material" in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'reasonably expected to influence'.

The definition of "material" in IAS 8 has been replaced by a reference to the definition in IAS 1. In addition, the IASB amended other rules and the *Conceptual Framework* to contain a definition of "material" to ensure consistency.

New and modified IFRS standards that are not yet effective

On the date of authorization of these consolidated financial statements, the Entity has not applied the following new and modified IFRS Rules that have been issued but are not yet in force:

IFRS 10 and IAS 28 (modifications)	*Sale or contribution of assets between an investor and its associate or joint venture*
Modifications to IAS 1	*Classification of liabilities as currents or non-currents.*
Modifications to IFRS 3	References to the conceptual framework
Modifications to IAS 16	*Property, Plant and Equipment - before being used*
Modifications to IAS 37	*Onerous contracts - costs of fulfilling a contract*
Annual improvements to IFRS cycle 2018 - 2020	*Amendments to IFRS 1 First adoption of the International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases*

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:

Modifications to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Modifications to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and their associate or joint venture. Specifically, the modifications state that the gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or joint venture that is accounted for using the equity method are recognized in the profit or loss of the controller only to the extent of unrelated investors' interests in that associate or joint venture. Similarly, the gains and losses resulting from the remeasurement of investments held in any former subsidiary (which has become an associate or joint venture that is accounted for using the equity method) at fair value, are recognized in the profit or loss of the previous controlling entity, only to the extent that unrelated investors participate in the new associate or joint business.

The effective date of the amendments has not yet been fixed by the IASB; however, early application is allowed. The Administration of the Entity provides that the application of these modifications may have an impact on the Consolidated Financial Statements of the Entity in future periods in the event that such transactions arise.

Modifications to IAS Classification of Liabilities as Current and Non-Current

Modifications to IAS 1 affect only the presentation of liabilities as current and non-current in the statement of financial position and not for the amount or time in which any assets, liabilities, income or expenses, or information disclosed about those items are recognized.

The amendments clarify that the classification of liabilities as current and non-current is based on a substantive right to defer settlement at the end of the reporting period, specify that the classification is not affected by expectations as to whether the entity will exercise the right to defer settlement of the liability, specify that the right to defer exists only if the company is in compliance with conditions of the loan agreement at the end of the reporting period, even if lender does not test for it, and introduce a definition of the 'agreement' to make it clear that the agreement relates to the transfer of counterparty cash, capital instruments, other assets or services.

Modifications are applied retrospectively for annual periods beginning on or after January 1, 2023, with advance application allowed.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it can refer to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the date of acquisition is a present obligation or exists as a result from a past event. For levies within the scope of IFRIC 21 *Levies*, the buyer applies IFRIC 21 to determine whether the obligation results in a liability to pay the lien that occurred on the date acquisition.

Finally, the modifications add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

Modifications are effective for business combinations whose acquisition date falls on or after January 1, 2022. Early application is allowed if the entity also applies all other updated references (published along with the *Conceptual Framework*) at the same time or earlier.

Modifications to IAS 16 - Property, Plant and Equipment - Before use.

Modifications prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use, for example, revenue received while the asset is taken to the location and the necessary conditioning is made to make it operable in the manner that is intended by management. Therefore, an entity must recognize sales proceeds and related costs in profit or loss. The Entity measures the costs of these items in accordance with IAS 2 *Inventories*.

The modifications clarify the meaning of 'test whether an asset is working properly'. IAS 16 now specifies this as an assessment of the physical and technical performance of the asset to determine if it can be used in the production or supply of goods or services, for rental to others, or for administrative purposes, and not an assessment of the financial performance of the asset.

If not presented separately in the statement of comprehensive income, the entity shall disclose the line item in the statement of comprehensive income where proceeds and costs relating to items produced that are not an output of the entity's ordinary activities are included.

The modifications are applied retrospectively, but only to items of property, plant and equipment that become operational in the manner intended by management on or after the beginning of the period in in which the entity applies the modifications for the first time.

The Entity shall recognize the cumulative effect of the initial application of the changes as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of initial application.

The amendments are effective for annual periods starting on January 1, 2022 with the option of early application.

Modifications to IAS 37 - Onerous Contracts - Costs for Fulfilling a Contract

The amendments specify that the 'costs for fulfilling' a contract includes the 'costs directly related to the contract'. Costs that relate directly to a contract consist of incremental costs and costs for fulfilling a contract (example: labor or materials) and the allocation of other costs that relate directly to fulfill a contract (such as allocating depreciation to property, plant, and equipment items to fulfill the contract).

The amendments apply to contracts in which the Entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the modifications for the first time. Comparisons should not be reformulated. Instead, the Entity must recognize the cumulative effect of the initial application of the changes as an adjustment to the balance sheet on retained earnings or some other capital component, as appropriate, for the initial application date.

Modifications are effective for annual periods starting on or after January 1, 2022, with an early application option.

Annual amendments to IFRS standards 2018-2020

The *Annual Amendments* include the amendment to four rules.

IFRS 1 *First-Time Adoption of International Financial Reporting Standards*

The modification provides additional relief for a subsidiary that adopts IFRS for the first time after its parent with respect to accounting for cumulative conversion differences. As a result of the modifications, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if there were no adjustments for the consolidation procedures and the business combination effects on which the parent acquired the subsidiary. A similar choice is available to associates or joint ventures that use the exception in IFRS 1:D16(a).

The amendment is effective for periods starting on or after January 1, 2022, with the option of early adoption.

IFRS 9 *Financial Instruments*

The amendment clarifies that in applying the '10%' test to assess whether a financial liability should be derecognized, 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

The amendments are applied prospectively for modifications or exchanges that occur on or after the date that the entity first applies the amendment.

The modification is effective for annual periods beginning on or after January 1, 2022, with early application option.

IFRS 16 *Leases*

The modifications remove the figure of the reimbursement for leasehold improvements.

Because modifications to IFRS 16 refer to an illustrative example, there is no set start date.

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.

Going concern

The consolidated financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern.

During the first months of 2020, the infectious disease of COVID-19 caused by the coronavirus, was declared as a global pandemic by the World Health Organization (WHO) on March 11, 2020; its recent global expansion has motivated a series of containment measures in the different geographies where the Entity operates and certain health measures have been taken by both the Mexican authorities and the different governments where the Entity operates to stop the spread of this virus. Due to the uncertainty and duration of this pandemic, the Entity analyzed the following considerations to determine whether the assumption of continuing as a going concern is applicable to it.

Business projections under various scenarios for the duration of the COVID-19 pandemic, and its impact on the generation of cash flow that allow the Entity to restart payments to its creditors. These scenarios consider:

- negotiation with the holders of the "*Senior Notes 2022*" to obtain a new payment schedule according to the current post-pandemic situation;
- alternative sources of financing;
- restructuring operations to reduce future operating costs;
- renegotiation of onerous contracts, mainly leases and performance guarantees;
- deferral of capital investments.

The Entity's management considers that its business model is profitable under normal conditions; however, there remains material uncertainty arising from the duration of the pandemic and the success in finding sources of financing to operate for the next two years.

The Entity Administration has concluded that it can continue to present its financial statements under the assumption of going concern, but does not provide assurance that these mitigation measures are sufficient to continue operating, so that it can realize its assets and liquidate its liabilities, in the normal course of business.

c. ***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 (%) 2020, 2019 and 2018
Inmobiliaria del Sudeste, S.A. de C.V.	51%
Dirección Corporativa Posadas, S.A. de C.V.	100%
Posadas USA, Inc.	100%
Inmobiliaria Administradora del Bajío, S.A. de C.V.	100%
Soluciones de Lealtad, S.A. de C.V.	100%
Promoción y Publicidad Fiesta, S.A. de C.V.	100%
Kohunlich Adventures, S.A. de C.V.	100%
Operadora del Golfo de México, S.A. de C.V.	100%
Bia Acquisition, Ltd. (1)	100%
Inversora Inmobiliaria Club, S.A. de C.V. (2)	100%
Konexo Centro de Soluciones, S.A. de C.V. (2)	100%
Servicios Gerenciales Posadas, S.A. de C.V. (3)	100%
PSDS Operadora del Caribe, S.R.L. (4)	100%

(1) Dissolved entity during 2018.
(2) Subsidiary entities merged into Posadas during 2019.
(3) Subsidiary entities merged into Posadas during 2018.
(4) 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.

d. ***Financial instruments***

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

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

e. ***Financial assets***

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.

f. ***Cash, cash equivalents and investments in securities***

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

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

g. ***Inventories***

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

h. ***Vacation Club inventory***

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

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.

i. ***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	2-5
Buildings - Installation, finishing and improvements	5-10
Furniture and equipment	10
Vehicles	25
Computer	30
Operating equipment	33

Land is not depreciated.

Depreciation is recognized so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, which is 24% for buildings, as determined by the independent valuation agents, using the straight-line method.
The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

j. ***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.

1. <u>Internally-generated intangible assets - research and development expenditure</u>

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. <u>Derecognition of intangible assets</u>

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

k. ***Impairment of tangible and intangible assets***

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

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

m. ***Investments in associates***

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Usually these entities are those in which a shareholding between 20% and 50% of the voting rights are held. The results, assets, and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

n. ***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. Insofar as 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.

o. ***Foreign currencies transactions***

In preparing the financial statements of each entity, transactions in currencies other than the Entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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.

p. ***Employee benefits***

Retirement benefits costs from termination benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. 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, PTU is determined based on taxable income, according to Section I of Article 9 of such Law.

q. ***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.

r. ***Provisions***

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

s. ***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.

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

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

vi. Revenues (expenses) from the sale of strategic assets are recognized once the risks and rewards are transferred to the buyer and/or the precedent conditions of the purchase-sale contracts are fulfilled.

u. ***Classification of costs and expenses***

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

v. ***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.

w. ***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.

x. ***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, 2020, 2019 and 2018, the Entity does not have ordinary shares with potential dilution effects.

5. Critical accounting judgments and key sources of estimation uncertainty

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

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

The following are the critical judgments and important sources of uncertainty 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:

a. The evaluation of the Entity as a going concern

The business interruption resulting from the COVID-19 pandemic has led to a decrease in demand for hotel services, and consequently liquidity problems for the Entity. Management must evaluate whether the Entity can continue as a going concern for a period of at least 12 months

b. 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.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. 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.

i. The useful life and residual value of properties

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).

j. 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.

k. 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.

l. 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.

6. Cash, cash equivalents and restricted cash

	2020	2019	2018
Cash	$ 62,506	$ 84,545	$ 89,808
Cash equivalents:			
Overnight investments and restricted cash	423,667	1,130,262	2,630,259
Other	15,559	24,741	13,831
Total	$ 501,732	$ 1,239,548	$ 2,733,898

As of December 31, 2020 and 2019, the amount of cash equivalents includes $113,559 and $57,800, respectively, restricted cash that in 2020 correspond to lines for production chains and reserves of the credit of Inmobiliaria del Sudeste, S.A. de C.V., and in 2019 the remnant of resources obtained by the sale of the Fiesta Americana Condesa Cancun hotel

7. Accounts and notes receivable

	2020	2019	2018
Notes receivable from Vacation Club (a)	$ 2,065,198	$ 2,356,762	$ 1,972,000
Other receivables from Vacation Club	270,797	179,706	138,065
Clients and agencies (b)	483,750	689,946	737,774
Officers and employees	-	-	30,332
Others	13,923	30,787	39,354
	2,833,668	3,257,201	2,917,525
Less - Allowance for doubtful accounts	(264,926)	(257,207)	(223,862)
	$ 2,568,742	$ 2,999,994	$ 2,693,663

(a). Notes receivable from Vacation Club

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:

	2020	2019	2018
Maturity of notes receivable from Vacation Club-			
Less than 90 days	$ 417,636	$ 525,943	$ 435,567
Between 91 and 330 days	646,707	810,702	681,450
Between 331 and 365 days	1,000,855	1,020,117	854,983
	$ 2,065,198	$ 2,356,762	$ 1,972,000

(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 2020, 2019 and 2018 the Entity identified and wrote-off $24,168, $21,653 and $10,390, respectively, of the reserve for doubtful accounts, since it was determined that such amounts did not have possibility of being recovered.

	2020	2019	2018
Clients and agencies-			
Less than 90 days	$ 300,865	$ 632,934	$ 658,569
Over 90 days	182,885	57,012	79,205
	$ 483,750	$ 689,946	$ 737,774
Allowance for doubtful accounts-			
Clients and agencies	$ (52,893)	$ (37,766)	$ (32,560)
Notes receivable from Vacation Club	(212,033)	(219,441)	(191,302)
	$ (264,926)	$ (257,207)	$ (223,862)

The Entity faces a risk of concentration of the hotel owners it operates, as four investors account for 45% of the inventory of operating rooms. This concentration can affect the ability to operate under policies freely established by the Entity, and may put pressure on operating margins.

8. Vacation Club inventory

	2020	2019	2018
Vacation Club inventory	$ 238,621	$ 271,195	$ 120,981
Villas and residential lots	23,812	23,768	23,801
	$ 262,433	$ 294,963	$ 144,782

Vacation Club inventories recognized in cost of membership sales during the period in respect of continuing operations was $32,574, $153,844 and $145,467, at December 31, 2020, 2019 and 2018, respectively.

9. Property and equipment committed for sale

	2020	2019	2018
Short-term:			
Property and equipment – Net			
Hotel Fiesta Americana Hacienda Galindo	$ 113,686	$ 112,874	$ -
Hotel Fiesta Americana Hermosillo	-	104,252	-
Terreno Nuevo Vallarta, Nayarit	-	170,280	-
Total	$ 113,686	$ 387,406	-
Long-term:			
Property and equipment – Net			
Hotel Fiesta Americana Hacienda Galindo	$ -	$ -	$ 113,671
Hotel Fiesta Americana Hermosillo	-	-	109,446
	$ -	$ -	$ 223,117

10. Long-term notes receivable

The balance of the long-term portion of accounts receivable from sales of Vacation Club memberships is as follows

	2020	2019	2018
Long-term notes receivable:			
Vacation Club memberships	$ 3,733,163	$ 3,547,151	$ 3,003,919
Kívac	385,757	598,177	425,882
	4,118,920	4,145,328	3,429,801
Less:			
Reserve for Vacation Club returns	(242,986)	(168,497)	(134,572)
Allowance for Kívac's doubtful accounts	(61,196)	(85,519)	(76,065)
Total	$ 3,814,738	$ 3,891,312	$ 3,219,164

The maturities of the long-term Vacation Club memberships at December 31, 2020 are as follows:

To collect during	Amount
2022	$ 1,222,120
2023	1,024,000
2024	734,338
2025 onwards	752,705
Total long-term notes receivable	$ 3,733,163

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

	2020	2019	2018
Buildings	$ 4,897,044	$ 4,780,412	$ 5,182,053
Furniture and equipment	1,159,352	1,144,775	1,336,721
Computers	106,518	102,817	290,196
Vehicles	20,778	26,649	26,891
	6,183,692	6,054,653	6,835,861
Less - Accumulated depreciation	(3,097,730)	(2,866,573)	(3,320,459)
	3,085,962	3,188,080	3,515,402
Land	1,087,600	1,087,600	1,250,778
Construction in progress	233,321	237,475	170,065
	$ 4,406,883	$ 4,513,155	$ 4,936,245

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Cost:							
Balance as of December 31, 2018	$ 1,251,599	$ 5,010,933	$ 1,439,118	$ 385,027	$ 31,937	$ 182,524	$ 8,301,138
Additions and improvements	-	82,490	136,932	615	3,384	356,704	580,125
Transfers of prepayments and other assets	-	(1,195)	(39,163)	(14,024)	(2,120)	84,924	28,422
Transfers from construction in progress	-	223,830	183,078	1,472	-	(454,087)	(45,707)
Disposals	(821)	(134,005)	(383,244)	(82,894)	(6,310)	-	(607,274)
Balance as of December 31, 2018	1,250,778	5,182,053	1,336,721	290,196	26,891	170,065	8,256,704
Additions and improvements	-	89,377	119,370	1,241	1,064	203,166	414,218
Transfers to assets classified as held for sale	(163,178)	-	-	-	-	(7,100)	(170,278)
Transfers to real state inventory	-	(325,856)	(146,847)	-	-	-	(472,703)
Transfers of prepayments	-	20,976	11,071	-	-	-	32,047
Transfers from construction in progress	-	32,571	40,362	356	-	(114,889)	(41,600)
Disposals	-	(218,709)	(215,902)	(188,976)	(1,306)	(13,767)	(638,660)
Balance as of December 31, 2019	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 to real state inventory	-	-	-	-	-	-	-
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

	Land	Buildings	Furniture and equipment	Computers	Vehicles	Construction in progress	Total
Accumulated depreciation and impairment							
Balance as of December 31, 2018	$ -	$ (2,334,729)	$ (965,964)	$ (375,625)	$ (23,642)	$ -	$ (3,699,960)
Depreciation expense	-	(161,260)	(168,337)	(7,101)	(3,242)	-	(339,940)
Disposals	-	102,640	511,065	98,185	7,551	-	719,441
Balance as of December 31, 2018	-	(2,393,349)	(623,236)	(284,541)	(19,333)	-	(3,320,459)
Depreciation expense	-	(164,364)	(175,983)	(4,345)	(2,437)	-	(347,129)
Transfers to assets classified as held for sale	-	2,460	5,559	82	-	-	8,101
Transfers to real state inventory	-	112,344	59,533	-	-	-	171,877
Disposals	-	37,571	206,157	2,604	1,140	-	247,472
Disposals of assets completely depreciated	-	155,662	32,718	185,185	-	-	373,565
Balance as of December 31, 2019	-	(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)
Transfers to real state inventory	-	-	-	-	-	-	-
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)
Total net investment at December 31, 2020	$ 1,087,600	$ 2,512,469	$ 569,210	$ 2,395	$ 1,888	$ 233,321	$ 4,406,883

As of December, 31, 2020 certain real estate property has been granted as guarantee of tax credits mentioned in Note 27 a, whose approximate amount is $134,891.

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 2020 and 2019 there were new asset leases, as well as indexing updates to existing contracts resulting in the addition of usage rights assets for $260,556 and $1,078,473, respectively. 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, 2019	$ 3,470,154	$ 38,368	$ 3,508,522
Additions	1,066,561	11,912	1,078,473
December 31, 2019	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
Accumulated depreciation			
January 1, 2019	-	-	-
Period movements	(490,825)	(10,115)	(500,940)
December 31, 2019	(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)
Book value			
December 31, 2020	$ 3,737,059	$ 24,313	$ 3,761,372
December 31, 2019	$ 4,045,890	$ 40,165	$ 4,086,055

Amounts recognized in the consolidated statement of income	**2020**	**2019**
Asset depreciation expense for usage rights	$ 565,993	$ 500,940
Financial expense caused by lease liability	410,531	331,652
Lease payments	695,072	658,553
Spending related to low-value asset leases	87,962	117,654
Loss will change to dollar contracts	126,812	87,874

The Entity has commitments of $97,550 and $138,897 as of December 31, 2020 and 2019, respectively, for leases of computer equipment considered low value.

13. Intangible assets and other assets

	2020	**2019**	**2018**
Kívac's sales commissions	$ 238,222	$ 245,451	$ 350,161
Expenditures for technology projects	248,618	236,331	188,722
Guarantee deposits	99,642	51,571	48,610
Development expenses and other	25,559	27,398	28,216
Other assets	300,650	103,300	105,750
	$ 912,691	$ 664,051	$ 721,459

14. Trade accounts payable

The Entity has lines of credit contracted with., BBVA Bancomer and Banca Mifel, S.A., up to the amount of $50,000 and $50,000, with collateral of 1.1x and 1.0x 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:

	2020	2019	2018
Banca Mifel, S.A.	$ 50,000	$ -	$ -
Banco Santander (México), S.A.	-	6,197	89,651
BBVA Bancomer, S.A.	50,000	11,133	22,103
Banco Monex, S.A.	-	62,335	38,739
Banco Actinver, S.A.	-	1,452	2,450
	$ 100,000	$ 81,117	$ 152,943

15. Short and Long-term debt

a. It is as follows:

	2020	2019	2018
US dollar-denominated:			
"Senior Notes 2022", 7.875% fixed rate	$ 7,727,116	$ 7,233,874	$ 7,620,602
Mexican pesos:			
Loan, 9.175% annual rate	156,539	163,178	188,768
	7,883,655	7,397,052	7,809,370
Less - Current portion	(7,748,597)	(25,766)	(23,531)
Long-term debt	$ 135,058	$ 7,371,286	$ 7,785,839

The maturities of long-term debt at December 31, 2020, are as follows:

Payable during	Thousands of Mexican pesos
2022	$ 30,895
2023	33,830
2024 and therefore	72,882
Equivalent in thousands of Mexican pesos	137,607
Less - debt issuance costs	(2,549)
	$ 135,058

b. 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.

c. 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 2018, was paid in advance. With the additional issuance, the "Senior Notes 2022" program achieved the total amount of US$400 million.

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.

e. The most significant restrictions and obligations contained in debt agreements as of December 31, 2020, prohibit the Entity from:

- Incurring additional indebtedness
- Granting guarantees
- Making certain restricted payments or investments
- Selling assets over US$5 million
- Declaring dividends
- Making certain intercompany transactions
- Merging with other companies

As of December 31, 2020, the Entity has complied with the restrictions and covenant, except as mentioned in the next paragraph.

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 also failed to pay semi-annual interest in June and December 2020. For this reason, the Entity recorded default interest on the basis of the terms of the credit.

As discussed in Note 2(e), 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.

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$392.6 million.

At the 2020 year-end close, the Entity presents a restricted cash balance of $113,559 within the cash equivalents balance, as discussed in Note 6.

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

	2020		2019		2018	
	Guarantors	**Total consolidated**	**Guarantors**	**Total consolidated**	**Guarantors**	**Total consolidated**
Total revenues	$ 5,054,379	$ 5,225,743	$ 8,697,986	$ 9,072,708	$ 7,876,954	$ 8,325,848
Depreciation, amortization and impairment	882,138	914,765	853,256	887,699	357,350	402,097
Lease expense	(200,824)	(200,824)	44,100	44,100	534,976	534,976
Consolidated (loss) income	(2,041,941)	(2,137,997)	(48,356)	(67,410)	936,551	932,099
Total assets	18,468,663	19,244,078	19,850,365	20,695,510	16,226,043	17,170,281
Total liabilities	$ 18,007,404	$ 18,334,849	$ 17,257,595	$ 17,639,150	$ 13,629,730	$ 13,982,482

16. Income taxes

The Entity is subject to ISR. Under the ISR Law, the rate for 2020, 2019, and 2018 was 30% and will continue at 30% thereafter. Due to the abrogation of the ISR Law effective until December 31, 2013, the tax consolidation regime was eliminated, therefore, the Entity and its subsidiaries are required to pay the deferred tax determined at that date during the following five fiscal years starting from 2014, as shown below.

While the ISR Law repealed the tax consolidation regime, an option was established, which allows groups of entities to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated entities that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when both profit and loss entities are included within the Entity in the same period), which can be deferred over three years and paid, plus interest and inflation, at the filing date of the tax return corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries elected to join the new scheme, for which reason income taxes were calculated based on the aforementioned regime in 2020, 2019 and 2018.

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

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%.

Taxable income in Mexico - The main differences affecting the taxable income of the Entity were the recognition of the effects of inflation, equity in earnings of associates, amortization of deferred credits and benefit of prior year tax losses.

a. Income tax expense recognized in profit or loss:

	2020	2019	2018
Current tax -			
Current ISR	$ (3,773)	$ 6,229	$ 14,244
ISR previous years	40,735	69,249	97,874
	36,962	75,478	112,118
Deferred ISR benefit	(330,909)	(9,174)	479,867
Total income tax	$ (293,947)	$ 66,304	$ 591,985

(1) During 2020 Posadas USA, Inc., a subsidiary of the Entity reflects an ISR for the year of $(5,334) 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.

(2) ISR for the 2020 financial year for $1,561 generated by subsidiaries of the Entity residing in Mexico.

b. The reconciliation of the legal income tax rate and the effective rate expressed as a percentage of profit (loss) before income taxes is:

	2020	2019	2018
Statutory rate	30%	30%	30%
Less:			
Effects of permanent differences and tax effects of inflation	3%	71%	8%
Effect of tax loss carryforward benefit		-	-
Reserve of individual tax loss carryforward benefit	(20)%	24%	-
Effective rate	13%	125%	38%

As a result of adopting IFRS 16, earnings before tax include the amount of $251,464 and $61,180, in 2020 and 2019 respectively, for this adoption; without these effects, earnings before tax would be $(2,180,481) and $52,882, with a 13% and 125% effective rate.

If the tax losses estimated not to be recovered had not been reserved, the effective rate would be 33%.

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

	2020	2019	2018
Notes receivable	$ (1,315,081)	$ (1,280,548)	$ (1,092,966)
Allowance for doubtful accounts	174,314	152,362	127,614
Real estate inventory	(26,564)	(35,108)	5,491
Property and equipment	143,551	166,174	50,489
Intangible assets and other assets	(75,639)	(117,930)	(118,115)
Reserves and deferred income	613,729	738,610	794,070
Tax loss carryforwards reserve	1,768,969	1,665,990	1,513,113
Interest pending to be deducted	329,843	-	-
Unrealized exchange rate fluctuation	(134,141)	(134,141)	(134,141)
Deferred ISR asset	$ 1,478,981	$ 1,155,409	$ 1,145,555

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. At December 31, 2020, 2019 and 2018, the tax loss carryforwards amounted to $7,473,249, $5,654,183 and $5,189,666, respectively. As of December 31, 2020, 2019 and 2018, the entity does not recognize an active deferred tax on outstanding tax losses of $473,006, $30,265, and $43,787, respectively.

e. Tax loss carryforwards

Expiration dates and restated amounts of tax loss carryforwards as of December 31, 2020 are:

Year	Amount
2020	$ -
2021	1,472,842
2022	230
2023	622,765
2024	1,145,442
2025	2,081,142
2026	16,960
2027	21,647
2028	21,298
2029	462,955
2030	1,627,968
	$ 7,473,249

f. Tax credits

As a result of several agreements reached with SAT in April 2017, the Entity recognized an ISR liability that is being paid according to the following maturities:

Year	Amount
2021	$ 356,085
2022	356,085
2023	356,084
	1,068,255
Less - current portion of income tax payable	(356,085)
	$ 712,169

17. Lease liabilities

	2020	2019
Circulating	$ 401,090	$ 416,142
Non-circulating	3,644,212	3,730,364
Lease liabilities	$ 4,045,302	$ 4,146,506

Maturity analysis

	2020	2019
2021, 2020	$ 401,090	$ 416,142
2022, 2021	402,835	363,796
2023, 2022	423,275	352,598
2024, 2023	407,485	373,832
2025, 2024	423,558	358,686
Further	1,987,059	2,281,452
Total lease liabilities	$ 4,045,302	$ 4,146,506

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. Accrued liabilities

	2020	2019	2018
Employee benefits	$ 245,750	$ 202,161	$ 104,421
Other accrued liabilities	247,935	247,732	254,637
	$ 493,685	$ 449,893	$ 359,058

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 corpor bonds; if the return on plan asset is below this rate, it will create a plan defici Currently the plan has a relatively balanced investment in equity securities, d instruments and real estates. Due to the long-term nature of the plan liabilitie the board of the pension fund considers appropriate that a reasonable portion 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, th 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 the best estimate of the mortality of plan participants both during and after th 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 the future salaries of plan participants. As such, an increase in the salary of th 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, 2020 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:

	2020	**2019**	**2018**
	%	**%**	**%**
Discount rate(s)	6.75	7.50	9.75
Expected rate(s) of salary increase	4.75	4.75	4.75
Others *(Applies for males and females)*	Early retirement 60 years age and 20 years of service Normal retirement 65years age		

Amounts recognized in comprehensive income in regard to these defined benefit plans are as follows:

	Seniority premium 2020	2019	2018
Service cost:			
Current services cost:	$ 8,636	$ 3,446	$ 4,005
Past service cost:	-	7,199	-
Net interest expense:	4,377	2,380	1,882
Components of defined benefit costs recognized in profit or loss	$ 13,013	$ 13,025	$ 5,887

	Pension plan 2020	2019	2018
Service cost:			
Current services cost:	$ 20,935	$ 17,675	$ 17,932
Net interest expense:	10,725	7,399	5,610
Components of defined benefit costs recognized in profit or loss	$ 31,660	$ 25,074	$ 23,542
Total	$ 44,673	$ 38,099	$ 29,429

	Seniority premium 2020	2019	2018
Remeasurement of the net defined benefit liability:			
Actuarial gains and losses arising from changes in financial assumptions	$ 5,416	$ 18,797	$ (6,319)
Actuarial gains and losses arising from experience adjustments	2,103	4,847	1,014
Defined benefit cost items recognized in other comprehensive income	$ 7,519	$ 23,644	$ (5,305)

	Pension premium 2020	2019	2018
Remeasurement of the net defined benefit liability:			
Actuarial gains and losses arising from changes in financial assumptions	$ 13,187	$ 33,264	$ (36,831)
Actuarial gains and losses arising from experience adjustments	(6,854)	1,745	6,772
The return on plan liability (excluding amounts included in net interest expense)	975	3,214	947
Defined benefit cost items recognized in other comprehensive income	$ 7,308	$ 38,223	$ (29,112)
Total	$ 14,827	$ 61,867	$ (34,417)

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 regards to its defined benefit plans is $245,750, $202,161 and $104,421, as of December 31, 2020, 2019 and 2018, respectively.

Movements in the present value of the defined benefit obligation in the period:

	Seniority premium 2020	2019	2018
Opening balance defined benefit obligation	$ 59,819	$ 25,536	$ 26,875
Current service cost	8,636	3,446	4,005
Past service cost losses	-	7,199	-
Interest cost	4,377	2,380	1,882
Remeasurement (gains) losses:			
Actuarial gains and losses arising from changes in financial assumptions	5,416	18,797	(6,319)
Actuarial gains and losses arising from experience adjustments	1,943	4,847	1,015
Liabilities assumed in a business combination	-	427	-
Benefits paid	(6,089)	(2,653)	(1,922)
Defined benefit obligation total before present value	$ 74,262	$ 59,979	$ 25,536

Movements in present value of the plan assets in the period:

	2020	2019	2018
Contributions from the employer	$ 6,089	$ 2,653	$ 1,922
Benefits paid	(6,089)	(2,653)	(1,922)
Total plan assets at fair value	-	-	-
Closing balance defined benefit obligation	$ 74,262	$ 59,979	$ 25,536

Movements in present value of defined benefit obligation in the period:

	Pension plan 2020	2019	2018
Opening balance defined benefit obligation	$ 215,437	$ 160,336	$ 165,037
Current service cost	20,935	17,675	17,932
Interest cost	15,680	14,691	11,367
Remeasurement (gains)/losses:			
Actuarial gains and losses arising from changes in financial assumptions	13,187	33,264	(36,831)
Actuarial gains and losses arising from experience adjustments	(6,812)	1,745	7,052
Benefits paid	(5,073)	(12,274)	(4,221)
Defined benefit obligation total before present value	$ 253,354	$ 215,437	$ 160,336

Movements in present value of the plan assets in the period:

	2020	2019	2018
Opening fair value of plan assets	$ 73,255	$ 81,451	$ 80,862
Interest income	4,955	7,292	5,757
Remeasurement (gains)/losses:			
The return on plan assets (excluding amounts included in net interest expense)	(975)	(3,214)	(947)
Contributions from the employer	9,704	-	-
Benefits paid	(5,073)	(12,274)	(4,221)
Total plan assets at fair value	$ 81,866	$ 73,255	$ 81,451
Closing defined benefit obligation	$ 171,488	$ 142,181	$ 78,886
Defined benefit obligation total as of December 31, 2020	$ 245,750	$ 202,161	$ 104,421

20. Financial instruments

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

a. *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 2020 overall strategy of the Entity has not been changed compared to 2019 and 2018.

The Entity's Management is currently reviewing its capital structure, in light of the liquidity limitation caused by the COVID-19 pandemic, modeling the impacts on the financial projections it presents to senior management, the Board of Directors and shareholders of the Entity. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

The Entity analyzes the capital structure for each project independently, in order to minimize the risk for the Entity and optimize 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 negotiating with a group of holders of the "Senior Notes 2022" conditions for debt restructuring. In addition, the Entity requested a deferral and extension of the line to CitiBanamex with respect to the credit of the subsidiary operating the Fiesta Americana Mérida hotel

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:

	2020	2019	2018
Debt (i)	$ 7,883,655	$ 7,397,052	$ 7,809,370
Leasing	4,045,302	4,146,506	-
Cash, banks and investments in securities	501,732	1,239,548	2,733,898
Net debt	11,427,225	10,304,010	5,075,472
Stockholders' equity (ii)	$ 909,229	$ 3,056,360	$ 3,187,799
Net debt to equity index	12.57	3.37	1.59

(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.

b. *Categories of financial instruments*

	2020	2019	2018
Financial assets:			
Cash	$ 62,506	$ 84,545	$ 89,808
Cash equivalents	439,226	1,155,002	2,644,090
Account and notes receivable	6,439,892	6,891,306	5,912,827
Financial liabilities:			
Trade accounts payable	$ 628,007	$ 411,345	$ 427,790
Debt	7,991,046	7,574,753	8,061,928
Other liabilities and accrued expenses	1,032,138	395,743	456,021
Lease liabilities	4,045,302	4,146,506	-

c. *Market risk*

The activities performed by the Entity expose it mainly to financial risks due to variations in the exchange rates. Periodically, depending on prevailing market conditions, the Entity subscribes financial derivatives to handle its exposure to exchange risk, including foreign currency forward contracts to cover the exchange risk derived from liabilities in foreign currency with short-term maturities.

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

d. *Foreign currency risk management*

The Entity believes that the risk is material because as of December 31, 2020, 98% of its debt is denominated in US dollars. Considering the net monetary position in US dollars as of December 31, 2020, 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 $698,622

The current exchange rates in Mexican pesos are as follows:

	December 31, 2020	2019	2018	February 28, 2020
Mexican pesos per US dollar	$ 19.8487	$ 18.8727	$ 19.6829	$ 20.4752

e. *Interest rate risk management*

The Entity is exposed to low market risks related to fluctuations in interest rates, because its debt at December 31, 2020 accrue interest at fixed rates. Therefore, an increase in interest rates does not result in a significant risk to the Entity.

f. *Credit risk management*

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

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

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

g. *Liquidity risk management*

During 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, which triggered the decree of default on the payment of interest on the debt, which is in the process of renegotiation with the holders. The principal sources of liquidity of the Entity have been cash flows from operating activities generated primarily from operating income from its owned and leased hotels, management revenues, the sale and financing of Vacation Club memberships, affected by the COVID-19 pandemic, and the proceeds from the sale of non-strategic assets.

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

The following tables detail the Entity's contractual maturities for its financial liabilities, considering the contract payment dates. The table was designed based on the undiscounted nominal cash flows of the financial liabilities according to the date that the Entity must make the payments. The table includes interest and principal cash flows. The contractual maturity is based on the minimum date on which the Entity must make the payments.

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		685,897	-	-	-	-	685,897
Total		$ 10,040,442	$ 198,814	$ 408,650	$ 1,554,942	$ 3,924,771	$ 16,127,619

As of December 31, 2019	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875 / 9.175%	$ 24,188	$ 301,541	$ 326,383	$ 8,421,855	$ 88,213	$ 9,162,180
Suppliers		411,345	-	-	-	-	411,345
Leasing		192,193	192,193	371,979	1,348,699	4,130,594	6,235,658
Other liabilities and accrued expenses		678,823	-	-	-	-	678,823
Total		$ 1,306,549	$ 493,734	$ 698,362	$ 9,770,554	$ 4,218,807	$ 16,488,006

As of December 31, 2018	Weighted average effective interest rate	3 months	6 months	1 year	1 and 3 years	3 + years	Total
Debt	7.875%	$ 25,848	$ 335,845	$ 346,319	$ 1,383,993	$ 8,327,342	$ 10,419,347
Suppliers		427,790	-	-	-	-	427,790
Other liabilities and accrued expenses		718,815	-	-	-	-	718,815
Total		$ 1,172,453	$ 335,845	$ 346,319	$ 1,383,993	$ 8,327,342	$ 11,565,952

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.

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

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

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

Fair value of the financial assets and liabilities -– 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, 2020 and 2019, the fair value of the Vacation Club long-term receivables is $4,437,094 and $4,451,001, which is greater than its carrying amount. As of December 31, 2020, the fair value of those receivables is greater than their carrying amount since they generate interest at higher than market rates.

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

	2020	2019	2018
Thousands of US dollars:			
Senior Notes 2022	US$ 392,605	US$ 328,974	US$ 330,960
Thousands of Mexican pesos			
Senior Notes 2022	$ 7,831,959	$ 6,208,628	$ 6,514,253
Banamex	$ 145,283	$ 134,898	$ 151,728

At December 31, 2020, 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 2020, 2019 and 2018
Authorized capital	512,737,588
Less:	
Repurchase of shares	(16,855,600)
	495,881,988

b. As of December 31, 2020, 2019 and 2018, the share capital is composed solely of Series “A” free subscription shares.

c. A Stockholders’ Ordinary General Meeting also held on June 25, 2020, March 29, 2019 and April 12, 2018 decided to keep the maximum amount of resources for the purchase of own shares at $535,000.

d. A Stockholders' Special Meeting held on April 12, 2018, approved the merger by absorption of the subsidiary Servicios Gerenciales Posadas, S.A. de C.V.

e. A Stockholders’ Ordinary General Meeting also held on April 12, 2018 declared a dividend of $0.40 Mexican cents per share, for a total of $198,353, from the 2013 Net Tax Income account, and was paid on April 24, 2018.

f. As of December 31, 2020, 2019 and 2018, 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.

g. 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	$ -	$ 3,982,253
Profit for the year up to 2020	$ 562,298	$ -

22. Balances and transactions in foreign currency

Significant monetary position in foreign currencies as of December 31 is:

	2020	2019	2018
Thousands of US dollars:			
Current:			
Monetary assets	46,034	72,137	99,738
Monetary liabilities	(432,478)	(3,653)	(3,646)
	(386,444)	68,484	96,092
Long-term:			
Monetary assets	36,240	60,029	51,180
Monetary liabilities	-	(392,605)	(400,000)
	36,240	(332,576)	(348,820)
Net liability position	(350,204)	(264,092)	(252,728)
Equivalent in thousands of Mexican pesos	$ (6,986,112)	$ (4,984,136)	$ (4,974,423)

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:***

	2020	2019	2018
Hotel operation	$ 1,494,422	$ 3,735,248	$ 3,403,837
Vacation Club	3,070,258	3,995,805	3,564,166
Management fee, brand and other expenses	661,063	1,341,655	1,357,845
	$ 5,225,743	$ 9,072,708	$ 8,325,848

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

	2020	2019	2018
Hotel operation	$ 1,152,904	$ 1,817,649	$ 1,585,444
Vacation Club	2,492,825	3,082,386	2,634,632
Management fee, brand and other expenses	999,593	1,284,010	1,173,073
	$ 4,645,322	$ 6,184,045	$ 5,393,149

c. ***Administrative expenses:***

	2020	2019	2018
Salaries, employee benefits and other	$ 423,198	$ 491,169	$ 444,409
PTU	260	181	194,000
Electricity	111,152	211,857	181,443
Maintenance	63,160	107,376	94,527
Professional fees	23,605	46,393	39,976
Credit card commissions	24,585	56,964	50,855
Property taxes and duties	29,614	31,335	29,379
Office rentals	3,171	7,597	30,233
Services and supplies	20,956	20,505	20,689
Insurance and bonds	14,762	19,008	13,736
Equipment leasing	14,449	22,659	14,792
Doubtful accounts	18,332	14,064	8,378
Others	20,754	34,101	29,452
	$ 767,998	$ 1,063,209	$ 1,151,869

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

	2020	2019	2018
Marketing and publicity	$ 88,760	$ 176,468	$ 142,335
Salaries, employee benefits and other	40,199	69,057	63,899
Travel expenses	800	3,996	1,953
Subscription fees	325	352	83
Others	1,638	2,140	3,722
	$ 131,722	$ 252,013	$ 211,992

e. ***Other (revenues) expenses, net -*** As discussed in Note 1, the Entity has focused its activity on holding strategic assets. As part of this strategy, the Entity has sold and is currently selling hotel properties and other non-strategic assets. The caption other (revenues) expenses, net, includes $57,316 in 2020 and $1,345,750 in 2018.

24. Related party transactions

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

	2020	2019	2018
Direct, short and long-term benefits	$ 94,158	$ 114,503	$ 113,297

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" program. Costs and expenses include the value of real property sold under this 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 Global Distribution System costs.

	2020						
	Hotel operation	**Vacation Club**	**Hotel management, brand and other**	**Total**	**Other corporate expenses**	**Eliminations**	**Total consolidated**
Statement of comprehensive income (loss):							
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)

2019							
Statement of comprehensive income (loss):	**Hotel operation**	**Vacation Club**	**Hotel management, brand and other**	**Total**	**Other corporate expenses**	**Eliminations**	**Total consolidated**
Total revenues	$ 3,766,350	$ 3,995,805	$ 1,512,722	$ 9,274,877	$ -	$ (202,169)	$ 9,072,708
Cost and general expenses	2,481,585	3,123,075	1,723,100	7,327,760	-	(202,169)	7,125,591
Corporate expenses	-	-	-	-	403,918	-	403,918
Depreciation, and amortization	-	-	-	-	887,699	-	887,699
Other expenses	-	-	-	-	(23,312)	-	(23,312)
Operating income (loss)	$ 1,284,765	$ 872,730	$ (210,378)	$ 1,947,117	$ 1,268,305	$ -	$ 678,812
					Financial expenses, net		687,109
					Equity in associate		-
					Income before income taxes		$ (8,297)

2018							
Statement of comprehensive income (loss):	**Hotel operation**	**Vacation Club**	**Hotel management, brand and other**	**Total**	**Other corporate expenses**	**Eliminations**	**Total consolidated**
Total revenues	$ 3,431,078	$ 3,564,166	$ 1,568,240	$ 8,563,484	$ -	$ (237,636)	$ 8,325,848
Cost and general expenses	2,634,209	2,687,401	1,627,205	6,948,815	-	(237,636)	6,711,179
Corporate expenses	-	-	-	-	379,439	-	379,439
Depreciation, and amortization	-	-	-	-	402,097	-	402,097
Other expenses	-	-	-	-	1,190,106	-	1,190,106
Operating income (loss)	$ 796,869	$ 876,765	$ (58,965)	$ 1,614,669	$ (1,971,642)	$ -	$ 2,023,239
				Financial expenses, net			482,953
				Equity in associate			15,000
					Income before income taxes		$ 1,555,286

26. Commitments

As of December 31, 2018, the Entity has entered into long-term contracts to lease hotel and corporate properties, which generally have terms of 10 years. Lease payments are calculated based on percentages applied to income generated from hotel operations, varying between 18% and 33%. In 2018, $534,976 was accrued for this concept, by 2020 and 2019 they are being reflected in the lease liability in the consolidated statements of financial position.

a. As of December 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, lease expense amounted to $87,962, $117,654 and $104,331, respectively. The estimated rental payments for the following years is shown below:

Years		Amount
2021	$	68,194
2022		27,014
2023		2,342

b. As explained in Note 4 n, as of January 1, 2019, the Entity adopted the new IFRS 16, Leases.

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 was confirmed by the Tenth Collegiate Tribunal in Administrative Matters of the First Circuit 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.

   The Entity has provided a guarantee for the restated tax liability for $984,633 that consists of a bond of $849,742 and a mortgage guarantee of $134,891.

   As of December 31, 2020, 2019 and 2018, the Entity has established a reserve to cover contingencies, which is recorded under the long-term liability heading "Accrued liabilities" in the consolidated statements of financial position.

b. 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.

c. 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 consolidated financial statements as of December 31, 2019 and 2018 were approved in General Stockholders Meetings held on June 25, 2020 and April 12, 2019, respectively. The accompanying consolidated financial statements as of December 31, 2020 were authorized to be issued on February 28, 2021, by Ing. Arturo Martínez del Campo Saucedo, Corporate Chief Financial Officer and the Audit Committee; consequently, they do not reflect events after this date, and are subject to the approval of the Ordinary Stockholders Meeting of the Entity, who may modify them in accordance with the provisions of the Securities Market Law.

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